

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100239953**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Raymond James & Associates, Inc. ("Raymond James," "Respondent" or "the Firm")
CRD No.705

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Raymond James submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Raymond James hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Raymond James has been a FINRA-registered broker-dealer since August 1964 with principal offices in St. Petersburg, Florida. The Firm is a wholly owned subsidiary of Raymond James Financial, Inc., a financial holding company headquartered in St. Petersburg, Florida. It has approximately 3,590 registered representatives and 304 branch offices across the United States and offers products and services including mutual funds, securities brokerage, asset management, financial planning, and securities underwriting, and sales and trading.

RELEVANT DISCIPLINARY HISTORY

Raymond James has no relevant disciplinary history.

OVERVIEW

Between August 2006 and November 2008 (the "Relevant Period"), two Raymond James branch offices improperly disclosed confidential personally identifiable information ("PII") of over 2,000 Firm customers to an unapproved, nonaffiliated third party (the "Nonaffiliated Third Party"). The Nonaffiliated Third Party inadvertently published the customer PII for one of the two branches on the internet. Before disclosing the PII to the Nonaffiliated Third Party, the Firm failed to provide opt-out notices to the affected customers as required by Regulation S-P.

In a separate incident, on December 10, 2008, customer PII was publicly exposed when a Firm-approved vendor mailed approximately 87,000 letters to customers in envelopes that bore the customer account numbers together with customer name and address.

FACTS AND VIOLATIVE CONDUCT

1. Firm Branch Offices Improperly Disclosed PII to Nonaffiliated Third Party, Resulting In Exposure of Customer PII on the Internet

Rule 30 of Regulation S-P provides that "[e]very broker, dealer . . . must adopt written policies and procedures that address administrative, technical, and physical safeguards for the protection of customer records and information. These written policies and procedures must be reasonably designed to: (1) insure the security and confidentiality of customer records and information; (2) protect against any anticipated threats or hazards to the security or integrity of customer records and information; and (3) protect against unauthorized access to or use of customer records or information that could result in substantial harm or inconvenience to any customer."

Rule 10(a) of Regulation S-P provides that broker-dealers may not "directly or through any affiliate, disclose any nonpublic personal information about a consumer to a nonaffiliated third party unless . . . (iii) [the broker-dealer] has given the consumer a reasonable opportunity, before . . . disclos[ing] the information to the nonaffiliated third party, to opt out of the disclosure; and (iv) the consumer does not opt out.

During the Relevant Period, two Raymond James branch offices engaged the services of a Raymond James employee to build and maintain an online document management system ("DMS") for customer records. The employee departed Raymond James in September 2007. This individual, the Nonaffiliated Third

Party, was not approved by the Firm to receive Firm customer PII after he left Raymond James. One Firm branch office (the "First Branch") provided PII of up to 2,000 Firm customers to the Nonaffiliated Third Party. The second Firm branch office (the "Second Branch") provided the Nonaffiliated Third Party with PII of 217 customers and 113 beneficiaries of customers.

Subsequently, on November 10, 2008, a Firm customer with an account at the Second Branch complained that her Firm account information and PII was available on the internet. The Firm learned that while building and maintaining the DMS, the Nonaffiliated Third Party had inadvertently posted customer PII from the Second Branch to the internet. This occurred when the Nonaffiliated Third Party inadvertently linked a website to an electronic location containing the PII of 217 customers and 113 related beneficiaries from the Second Branch. The PII was then indexed and organized by the Google search engine and remained publicly exposed on the internet from October 18, 2008 through November 10, 2008.

Firm policies and procedures during the Relevant Period allowed the Firm to disclose confidential information to third parties such as the Nonaffiliated Third Party only when: (1) the third party vendor needed the information to perform services for the Firm and was contractually bound to maintain confidentiality; or (2) the customer had consented to the disclosure or been given an opportunity to request that the information not be shared. However, the Firm did not have a supervisory system or written procedures in place to ensure that its employees adhered to these policies. For example, the Firm had no written procedures describing steps that branch offices were required to take when engaging third party vendors. The Firm did not provide adequate education or training to branch personnel regarding the requirement to protect PII in the possession of third party vendors. The Firm did not have any procedures in place to track, monitor or detect third parties in possession of customer PII, such as through branch audits or other reviews.

Furthermore, Regulation S-P required the Firm to provide customers a reasonable opportunity to opt out of a disclosure to a third party, absent an exception. Because both the First and Second Branch offices disclosed customer PII to a Nonaffiliated Third Party and because no exception applied here, the Firm violated Regulation S-P by failing to provide customers with an opt-out notice prior to disclosing their PII. By failing to provide the Firm customers an opt-out notice, the Firm failed to provide its customers with a reasonable opportunity to prevent the disclosure of their PII to the Nonaffiliated Third Party.

Based on the foregoing, the Firm failed to establish and maintain adequate supervisory systems and procedures to safeguard against the unauthorized disclosure of PII to nonaffiliated third parties in violation of Rule 30 of Regulation S-P (17 C.F.R. § 248.30) and NASD Rules 3010 and 2110; and failed to provide customers with opt-out notices prior to the disclosure of nonpublic

customer information to a nonaffiliated third party in violation of Rule 10(a) of Regulation S-P (17 C.F.R. §§ 248.10(a)).

2. Firm Improperly Disclosed PII in Customer Mailings

In early December 2008, a Firm-approved third party vendor sent correspondence to customers relating to a cash management account program. To prepare for the mailing, the Firm provided the vendor with a list of customers. The vendor printed mailing labels for the envelopes and on December 10, 2008, the vendor processed a mailing to approximately 87,000 customer accounts.

However, the labels on the envelopes mailed to Firm customers disclosed each customer's account number along with the customer's name and address. On January 16, 2009, the Firm notified affected customers and offered them credit monitoring and protection services.

The Firm failed to have a supervisory system and written procedures to monitor the dissemination of PII, or to take reasonable steps to prevent the dissemination of PII in its mailings. Based on the foregoing, the Firm violated Rule 30 of Regulation S-P and NASD Rules 3010 and 2110.

3. Other Factors Considered

Upon notification that the customer PII was searchable on the internet, the Firm immediately contacted the Unauthorized Third Party, who contacted the search engine to remove the customer information. Further, the Firm subsequently notified regulators of the incident. On November 21, 2008 and December 5, 2008, the Firm notified affected customers and their beneficiaries that their PII had been exposed on the internet and offered customers and their beneficiaries free credit monitoring and protection services. The Firm also amended its written supervisory procedures in connection with the protection of PII and conducted mandatory training in the protection of PII to all associated persons, including branch personnel.

To date, to the Firm's knowledge, no customer has suffered any instances of identity theft or other actual damages as a result of the information security breach.

B. The Firm consents to the imposition of the following sanctions:

1. Censure; and
2. Fine in the amount of \$250,000.

Raymond James agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. The Firm has submitted an Election of Payment form showing the method by which it

proposes to pay the fine imposed.

Raymond James specifically and voluntarily waive any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Raymond James specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Raymond James specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Raymond James further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

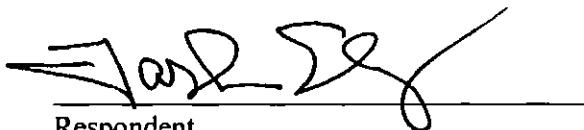
Raymond James understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; and
- C. If accepted:
 - 1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the Firm's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Raymond James may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The Firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Raymond James may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

9/11/12

Date (mm/dd/yyyy)



Respondent

Raymond James & Associates, Inc.

Reviewed by:

By: Tash Elwyn, President
of Raymond James
& Associates, Inc.



James D. Sallah, Esq.

Sallah & Cox, LLC

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(561) 989-9080

Accepted by FINRA:

9/13/12

Date

Signed on behalf of the
Director of ODA, by delegated authority



Susan Schroeder, Sr. VP & Counsel

FINRA Department of Enforcement

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