

**FINRA**

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

2013 OCT 29 PM 12:36

**NO. 20110261652-01**

**TO:** Department of Market Regulation  
Financial Industry Regulatory Authority ("FINRA")

**RE:** Raymond James & Associates, Inc., Respondent  
Broker-Dealer  
CRD No. 705

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Raymond James & Associates, Inc. (the "firm") 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. The firm 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**

The firm has been a member of FINRA since August 21, 1964, and its registration remains in effect.

**RELEVANT DISCIPLINARY HISTORY**

On January 20, 2010, FINRA accepted an AWC in which the firm was censured, fined \$32,500 (of which \$2,500 related, in relevant part, to violations of SEC Rule 10b-10 during July 18-19, 2007), and entered into an undertaking to pay restitution of \$317.73 to certain customers.

## FACTS AND VIOLATIVE CONDUCT

In Trading and Market Making Surveillance ("TMMS") Examination No. 20110261652, the staff of FINRA's Department of Market Regulation reviewed the trading activity of the firm set forth in Exhibit 1 for trade dates Oct. 5-6, 2011, unless otherwise noted (the "2011 TMMS Review Period").

In connection with Review No. 20110261652,

1. During the 2011 TMMS Review Period, the firm: (1) incorrectly disclosed its capacity as agent on 22 occasions for one order when it acted in a riskless principal capacity instead, (2) incorrectly disclosed its capacity as agent on six occasions for three orders when it acted as a dual agent instead, (3) incorrectly disclosed its capacity as acting only as principal on ten occasions for one order when it acted instead in multiple capacities as dual agent, riskless principal and principal, (4) incorrectly disclosed its capacity as acting only as principal on three occasions for one order when it acted instead in multiple capacities as both agent and riskless principal, (5) incorrectly disclosed its capacity as acting only as agent on one occasion for one order when it acted in multiple capacities as dual agent, riskless principal and principal, and (6) incorrectly disclosed its compensation as a "commission" when it acted in a riskless principal capacity on 22 occasions for one order. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
2. During the 2011 TMMS Review Period, the firm incorrectly marked short sales as long sales on 700 occasions on its proprietary trade ledger, and incorrectly marked long sales as short sales on 112 occasions on its proprietary trade ledger. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Rule 3110.

B. The firm also consents to the imposition of the following sanctions:

**A censure and a fine of \$12,500 (consisting of \$7,500 for the violations of SEC Rule 10b-10 and \$5,000 for the books and records violations).**

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

The firm specifically and voluntarily waives 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**

The firm 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm 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.

The firm 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**

The firm 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. The firm 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: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. The firm 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 has been given a full opportunity to ask questions about it; that it has agreed to the AWC's 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.

10/28/13  
Date

Respondent  
Raymond James & Associates, Inc.

By: 

Name: P. H. McMahon

Title: Dir. EA. IRAD, Jm

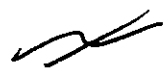
Reviewed by:

\_\_\_\_\_  
Attorney Name  
Counsel for Respondent  
Firm Name  
Address  
City/State/Zip  
Phone Number

Accepted by FINRA:

11/25/13  
Date

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

  
James J. Nixon  
Chief Litigation Counsel  
Department of Market Regulation

2011 Market Regulation Examination Samples  
 Raymond James Associates, Inc. ("RAJA")  
 Exam No. 20110261652  
 Sample Source/Period\*: October 5 and 6, 2011

| <u>Sample Size</u> | <u>Sample Description</u>                                                                                                                                                        |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 18                 | Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements                                                                                        |
| 3238               | Short Sales reviewed for compliance with SEC Rule 203(b) security location requirements                                                                                          |
| 0                  | Sales reviewed for compliance with SEC Rule 204 fail-to-deliver requirements                                                                                                     |
| 59                 | Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624                                                                 |
| 0                  | Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements                                        |
| 0                  | Buy and Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements                                           |
| 0                  | Sell orders entered into Nasdaq OMX BX execution system for compliance with Nasdaq OMX BX Rule 4755 long/short reporting requirements                                            |
| 0                  | Sell orders entered into Nasdaq OMX PHLX execution system for compliance with Nasdaq OMX PHLX Rule 3305 long/short reporting requirements                                        |
| 0                  | Sell orders entered into DirectEdge-Exchange execution system for compliance with EDGA/EDGX Rule 11.15 long/short reporting requirements                                         |
| 0                  | Sell orders entered into NYSE-Arca execution system for compliance with NYSE-Arca Equity Rule 7.16 long/short reporting requirements                                             |
| 26                 | Limit orders for NMS securities in which the member acts as an exchange market maker for compliance with the display requirements of SEC Rules 602 and 604, and Nasdaq Rule 3390 |
| 125                | Orders for compliance with best execution requirements of NASD Rule 2320                                                                                                         |
| 100                | Held orders from the Held Order Protection Review                                                                                                                                |
| 0                  | Not Held orders from the Not Held Order Review                                                                                                                                   |
| 0                  | Order executed with a .PRP (Prior Reference Price) trade modifier                                                                                                                |
| 25                 | Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders     |
| 100                | Orders for compliance with order protection requirements of NASD Rules 2110, IM-2110-2, 2111, and Nasdaq Rules 2110, IM-2110-2, and 2111                                         |
| 2                  | Open Limit orders to buy and/or open Stop orders to sell securities that traded ex-dividend for compliance with NASD Rule 3220 and Nasdaq Rule 4761                              |
| 0                  | Order memoranda and Net Trading agreements for compliance with NASD Rule 2441 requirements                                                                                       |
| 50                 | Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450, and Nasdaq Rules 6954 and 6955 requirements                                 |

2011 Market Regulation Examination Samples  
Raymond James Associates, Inc. ("RAJA")  
Exam No. 20110261652  
Sample Source/Period\*: October 5 and 6, 2011

| <u>Sample Size</u> | <u>Sample Description</u>                                                                                                                                                                                                                                                      |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 83                 | Customer confirmations prepared and maintained in connection with select samples for compliance with SEC Rule 10b-10                                                                                                                                                           |
| 25                 | Orders for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements.                                                                                                                                        |
| 4                  | Data sets published for Month Year monthly order execution report for compliance with SEC Rule 605 requirement to publish accurate data (a 'data set' encompasses all required statistical data for single security and order type/size category as described in SEC Rule 605) |
| 1                  | Quarterly Routing Report for compliance with SEC Rule 606 requirements                                                                                                                                                                                                         |
| 10                 | CRD registration records for persons conducting and/or supervising Firm's trading and/or market making activities for compliance with NASD Rule Series 1020, 1030, 1040 and Nasdaq Rule Series 1020, 1030, 1040                                                                |
| 25                 | Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders                                                                                                   |
| 1                  | Disclosures to customers relating to trading in the Extended Hours session for compliance with FINRA Rule 2265 and Nasdaq Rule 4631                                                                                                                                            |
| 8309               | Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110                                                                                                                                         |
| 222                | Trades reported to a TRF or OTCRF for compliance with FINRA Rules 6380A and 7230A or 6622 and 7330                                                                                                                                                                             |
| All Provided       | Member's "Regular & Rigorous" review procedures regarding order execution quality for compliance with NASD Rules 2320 and 3010                                                                                                                                                 |
| All Provided       | Member's supervisory and operational policies and procedures and documentation evidencing execution of the policies and procedures for compliance with SEC Regulation NMS Rule 611                                                                                             |
| All Provided       | Member's supervisory system, written supervisory procedures ("WSPs") and documentation evidencing execution of the WSPs for compliance with NASD Rule 3010 or Nasdaq Rule 3010 requirements                                                                                    |
| 0                  | Trading Halts declared during the on-site portion of the examination for which FINRA Staff observed the operation of the ATS.                                                                                                                                                  |
| 0                  | Trades reported to the ADF/TRACS for compliance with FINRA Rule 6282                                                                                                                                                                                                           |
| 0                  | ADF orders and quotes accessed by other market participants for compliance with FINRA Rule 6250 requirements to submit Order and Order Response reports                                                                                                                        |