

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20110303457-01

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. ("Respondent," "RAJA," or 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. The firm has no relevant disciplinary history.

SUMMARY

In Review No. 20110303457 the Fixed Income staff of FINRA's Department of Market Regulation ("Market Regulation") reviewed RAJA's handling of convertible bond trades for advisory clients of RAJA and one of its affiliates (the "Affiliate"), during the period of April 1, 2011 through June 30, 2012 (the "review period") for compliance with applicable securities laws and regulations and FINRA Rules, including certain disclosure and consent requirements of Section 206(3) of the Investment Advisers Act of 1940 (the "Advisers Act"). During the review period, RAJA lacked a reasonable supervisory system, including written supervisory procedures, by not, among other things, including ongoing reviews of daily trade blotters of its convertible bonds desk for the specific trading pattern discussed herein as well as compliance with applicable securities laws and regulations discussed herein. Accordingly, RAJA violated NASD Rule 3010 and FINRA Rule 2010 due to its above supervisory failures.

FACTS AND VIOLATIVE CONDUCT

1. § 206(3) of the Advisers Act generally prohibits, among other things, any investment adviser (or an affiliate) from knowingly acting as a principal in a trade with an advisory client, unless the adviser (or affiliate) discloses in writing the capacity in which it is acting before the completion of such transaction and obtains the client's consent to such transaction on a trade-by-trade basis, subject to limited exceptions not applicable to this case. This restriction also applies to situations where an adviser (or affiliate) indirectly engages in such trading (*e.g.*, by selling securities in a principal capacity to an unaffiliated party that, in turn, concurrently sells the security to the advisory client).
2. During the review period, RAJA's convertible bonds desk, in 99 instances, sold bonds to another broker-dealer ("the BD Firm") in a principal capacity and concurrently (within a few minutes or less) either: (1) purchased the same amount of bonds from the BD Firm in an agency capacity for a RAJA advisory client or clients, or (2) purchased the same amount of bonds from the BD Firm in a principal capacity for an advisory client or advisory clients of the Affiliate.¹ All the above trades were effectuated by RAJA's convertible bonds desk in its New York City office for advisory accounts that were managed on a discretionary basis.
3. Since RAJA's convertible bonds were offered on a conditional basis, its convertible bonds desk needed to manually accept any attempt by a third party to lift its offer off the Alternative Trading System used. Accordingly, the convertible bonds desk knew that there was an attempt to lift RAJA's inventory for the exact same quantity of the same convertible bond that RAJA was concurrently looking to buy such bonds for an advisory client.
4. While RAJA's written supervisory procedures pertaining to managed accounts generally prohibited principal trades with advisory clients (absent an exception) and established trading system functionality limitations to preclude principal fills directly for advisory clients, RAJA's supervisory oversight over its convertible bonds trading did not include, among other things, ongoing reviews of daily trade blotters that might detect potentially violative conduct such as the specific trading pattern discussed herein.

¹ The 99 instances each consist of a sequence of associated transactions, including RAJA's transactions with the BD Firm and related fills of a financial adviser's order on behalf of an advisory client or advisory clients. These sequences resulted in fills of advisory clients on 578 occasions.

5. By lacking a reasonable supervisory system, including written supervisory procedures, for achieving compliance by the firm with § 206(3) of the Advisers Act, as described above, and other applicable securities laws and regulations with respect to its convertible bonds trading during the review period, RAJA violated NASD Rule 3010 and FINRA Rule 2010.

B. RAJA also consents to the imposition of the following sanctions:

a censure, a fine of \$180,000, and an undertaking to revise the firm's written supervisory procedures and address training of associated persons with respect to compliance concerning the areas described in paragraphs I.A.4-5. Within 60 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of RAJA shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850**, a signed, dated letter, or an e-mail from a work-related account of the registered principal to **MarketRegulationComp@finra.org**, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraphs I.A.4-5 and related aspects of the above training of firm personnel in that regard; and, (3) the date the revised procedures were implemented.

RAJA 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.

RAJA 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

RAJA 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, RAJA specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, 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.

RAJA 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

RAJA understands that:

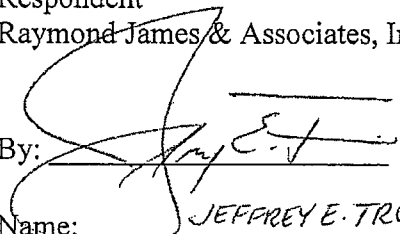
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; 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 accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Respondent 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. Respondent 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. Respondent 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.

Feb. 6, 2017
Date

Respondent
Raymond James & Associates, Inc.

By: 
Name: JEFFREY E. TROCIN

Title: PRESIDENT, GLOBAL EQUITIES

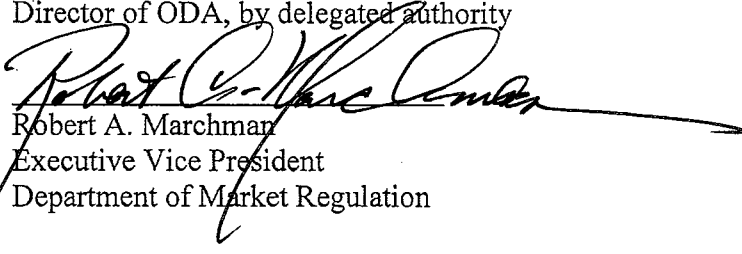
Reviewed by:


Michael D. Wolk, Partner
Sidley Austin LLP
Counsel to Respondent
1501 K Street, N.W.
Washington, D.C. 20005
(202) 736-8807

Accepted by FINRA:

3/2/2017
Date

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


Robert A. Marchman
Executive Vice President
Department of Market Regulation