

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013037060701**

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

RE: Edward D. Jones & Co., L.P., Respondent
CRD No. 250

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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

Edward D. Jones & Co., L.P. ("Edward Jones" or the "Firm") has been a member of FINRA since 1939 and conducts a general securities business. It has more than 15,000 registered representatives and more than 10,000 branch offices throughout the United States.

OVERVIEW

From December 1, 2006 to November 30, 2012 ("the relevant period"), Edward Jones failed to establish, maintain and enforce a supervisory system, including a written supervisory control system, reasonably designed to prevent unauthorized transfers of customer funds to third-party accounts, in violation of NASD Rules 3010, 3012(a)(2)(B)(i), 2110 and FINRA Rule 2010.¹

¹ NASD Rule 2110 became FINRA Rule 2010 on December 15, 2008. Since Edward Jones' inadequate supervisory procedures span from 2006 to 2012, both NASD Rule 2110 and FINRA Rule 2010 apply.

FACTS AND VIOLATIVE CONDUCT

Facts

During the relevant period, a branch office administrator in the Firm's St. Mary, Pennsylvania, branch office, forged over fifty Letters of Authorization ("LOAs") and converted more than \$60,000 from Firm customers.¹

Edward Jones failed to detect the forgeries and conversions in a timely manner because of its inadequate supervisory system and procedures.

The Firm's Written Supervisory Procedures ("WSPs") required LOAs to be signed by the customer and sent from the branch office to the home office. However, the Firm did not require anyone to review the signatures for authenticity. The Firm's Security Registration Department merely reviewed the LOA to ensure that the signature was consistent with the account holder's name, but did not compare the document to a confirmed original signature.

Until December 2011, the Firm's WSPs required a signed LOA for internal transfers of assets or cash if the value exceeded \$100.

Beginning in December 2011, the Firm changed its WSPs to raise the minimum transfer amount for requiring signed LOAs to \$5,000. Throughout the relevant period, the Firm sent Negative Confirmation Letters ("NCLs")² for any transfer below the minimum threshold (\$100 or \$5,000) for requiring LOAs or above \$10,000.³

The branch office administrator transferred funds without authorization by forging LOAs to transfer amounts within the Firm's thresholds, thereby avoiding the issuance of NCLs. The Firm did not otherwise detect her misappropriation until the final forged LOA triggered an NCL and the account holder's inquiry.

Violation

NASD Conduct Rule 3010(a) requires member firms to establish a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations. NASD Conduct Rule 3010(b) requires each member firm, "[t]o establish, maintain and enforce written supervisory procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives and associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable rules of [NASD]." The Firm's system failed to provide an adequate

¹ The Firm reimbursed the customers for the misappropriated funds and terminated the branch office administrator. FINRA subsequently barred the branch office administrator for her conduct.

² NCLs are sent by the Firm to customers notifying them of transfers in their accounts.

³ In 2013, the Firm changed its WSPs to require NCLs for transfers over \$10.

mechanism to verify purported customer signatures on the LOAs or determine if the transfer of funds was authorized. Edward Jones thereby violated NASD Rules 3010, NASD Rule 2110 and FINRA Rule 2010.

NASD Conduct Rule 3012(a)(2)(B)(i) specifically requires member firms "to establish maintain, and enforce written supervisory control policies and procedures that are reasonably designed to review and monitor all transmittals of funds or securities from the accounts of customers to third-party accounts." The rule explains that third-party accounts are any transmittal, or wire, that would result in a change in beneficial ownership of the asset, including internal account transfers. Edward Jones failed to have an adequate written supervisory control system that was reasonable to supervise the transfers of customer funds to third-party accounts. Therefore, Edward Jones violated NASD Conduct Rule 3012(a)(2)(B)(i), NASD Rule 2110 and FINRA Rule 2010.

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

- A censure; and
- A fine of \$75,000.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent 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, Respondent 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.

Respondent 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

Respondent understands that:

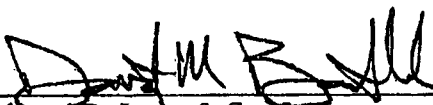
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against it; and
- C. If accepted:
1. *this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;*
 2. *this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent'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. 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 Respondent'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. Respondent 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 Respondent 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.

December 17, 2014
Date


Edward D. Jones & Co., L.P.

By: DAVID BARTHOLOMEW
General Partner

Reviewed by:

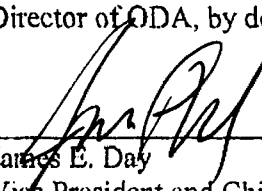
A handwritten signature in black ink, appearing to read "John W. Shaw", written over a horizontal line.

John W. Shaw, Esq.
Counsel for Respondent
Berkowitz Oliver Williams Shaw & Eisenbrandt LLP
2600 Grand Boulevard, Suite 1200
Kansas City, MO 64108

Accepted by FINRA:

1/23/11
Date

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



James E. Day
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