

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013035599201**

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

RE: Raymond James & Associates, Inc.
Member Firm
CRD No. 705

Raymond James Financial Services, Inc.
Member Firm
CRD No. 6694

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Raymond James & Associates, Inc. and Raymond James Financial Services, Inc. (collectively, "Raymond James" or "Firms") submit 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 Firms 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 & Associates, Inc. has been a FINRA registered broker-dealer since August 1964. Raymond James Financial Services, Inc. has been a FINRA registered broker-dealer since May 1974. The Firms are wholly owned subsidiaries of Raymond James Financial, Inc., a financial holding company headquartered in St. Petersburg, Florida. Collectively, the Firms have approximately 11,400 registered representatives and 3,200 branch offices across the United States and offer products and services including mutual funds, securities brokerage, asset management, financial planning and securities underwriting and sales and trading.

RELEVANT DISCIPLINARY HISTORY

In Acceptance, Waiver and Consent No. 2010023995301 (September 2012), FINRA censured and fined Raymond James \$250,000 for inadvertently disclosing personally identifiable information (“PII”) to an unapproved, nonaffiliated third party and failing to establish and maintain adequate supervisory systems and procedures to safeguard against the unauthorized disclosure of, or to monitor or prevent the dissemination of, customer PII, in violation of Rules 10(a) and 30 of Regulation S-P under the Securities Exchange Act of 1934 and NASD Rules 3010 and 2110.

OVERVIEW

Between January 1, 2011 and March 31, 2015 (the “Relevant Period”), Raymond James caused certain newly-recruited registered representatives from other brokerage firms (“recruits”) to disclose customer nonpublic personal information to Raymond James in violation of Rule 10 of Regulation S-P. Raymond James thereby violated FINRA Rule 2010.

In addition, during the Relevant Period, Raymond James failed to establish and maintain reasonable supervisory systems, including written supervisory procedures (“WSPs”) and training, to ensure compliance with Regulation S-P in violation of NASD Rules 3010(a) and (b)¹ and FINRA Rules 3110(a) and (b), and 2010.²

FACTS AND VIOLATIVE CONDUCT

Raymond James Violated FINRA Rule 2010 by Causing Certain Recruits to Disclose Nonpublic Personal Information in Violation of Regulation S-P

Rules 7(a) and 10(a) of Regulation S-P prohibit registered broker-dealers from disclosing nonpublic personal information of their customers to a nonaffiliated third party without first providing them with a clear and conspicuous notice of the broker-dealer’s privacy practices and an explanation of the customer’s opt-out rights, as well as providing the customers with a reasonable opportunity to opt-out of any such disclosure to the nonaffiliated third party.

Regulation S-P defines “nonpublic personal information” as “(i) Personally identifiable financial information; and (ii) Any list, description, or other grouping of consumers (and publicly available information pertaining to them) that is

¹ NASD Rule 3010 was superseded by FINRA Rule 3110 effective December 1, 2014.

² Raymond James’ failure to ensure compliance with Regulation S-P relates to the three areas described in Section I.A. of this AWC.

derived using any personally identifiable financial information that is not publicly available.”

Section 3(t)(3) of Regulation S-P specifically states that nonpublic personal information includes “any list of individuals’ names and street addresses that is derived in whole or in part using personally identifiable financial information that is not publicly available information, such as account numbers.”

The Adopting Release for Regulation S-P states that “nonpublic personal information” includes any customer lists (including names, street addresses, and telephone numbers) that are derived in whole or in part from information provided to a financial institution by a customer.

Many States permit sharing of nonpublic personal information with nonaffiliated third parties pursuant to the customer’s negative consent, *i.e.*, the customer is presumed to have opted-in to sharing unless the customer provides the firm with notice that the customer is opting-out. Certain States require affirmative consent, *i.e.*, the customer must opt-in to sharing the customer’s nonpublic personal information with the nonaffiliated third parties before the information may be shared.

During the Relevant Period, Raymond James had a Transition Management Department which, among other things, provided assistance to recruits prior to the recruits leaving their current broker-dealer. The Transition Management Department assisted recruits with office setup and preparing new account forms and other documents to enable the transfer of those recruits’ customers’ accounts from their current broker-dealers to Raymond James.

As part of this transition process, Raymond James, through its Transition Management Department, assisted certain recruits with disclosing to Raymond James customer nonpublic personal information prior to the recruits leaving their current broker-dealer.

The nonpublic personal information provided to Raymond James included customer name, address, telephone number, coupled with the account type, account registration, and certain information related to the account features.

Raymond James used the nonpublic personal information provided to pre-populate new account forms with certain customer information.

Raymond James, however, failed to make any determination as to whether the recruits, or the current broker-dealers with which the recruits were associated, had obtained the customers’ consent to provide Raymond James with the customers’ nonpublic personal information or provided customers with notice of, and an opportunity to opt-out of, the disclosure.

In some instances, certain recruits, with the assistance of Raymond James, disclosed nonpublic personal information to Raymond James when: (1) the customer had opted-out of sharing his or her information, (2) the customer's current broker-dealer did not disclose that nonpublic personal information may be shared with a nonaffiliated third party, or (3) the customer resided in a State that required affirmative consent to share the customer's nonpublic personal information.

By causing certain recruits to disclose their customers' nonpublic personal information in violation of Rule 10 of Regulation S-P, Raymond James violated FINRA Rule 2010.

**Raymond James Failed to Establish and Maintain Reasonable
Supervisory Systems, Including Written Supervisory Procedures,
To Ensure Compliance with Regulation S-P**

NASD Rule 3010(a) and FINRA Rule 3110(a) state, in relevant part, that each member shall establish and maintain a system to supervise the activities of each representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable NASD/FINRA Rules. Final responsibility for proper supervision shall rest with the member.

NASD Rule 3010(b)(1) and FINRA Rules 3110(b)(1) state, in relevant part, that each member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with the applicable securities laws and regulations, and with applicable NASD/FINRA Rules.

During the Relevant Period, Raymond James failed to implement reasonable supervisory systems, including WSPs, and training to ensure compliance with Regulation S-P in the following ways:

First, Raymond James failed to implement reasonable supervisory systems, including WSPs, to prevent the improper solicitation of nonpublic personal information from recruits. The Firms' procedures permitted employees of the Transition Management Department to solicit nonpublic personal information (including customer names, addresses, and telephone numbers derived from personally identifiable financial information) and once successfully solicited, the Firms maintained that information on their systems. There were no systems or WSPs that required the Firms to reasonably conclude whether the customers' consent had been obtained to provide Raymond James the customers' nonpublic personal information or, when appropriate, whether the customer lived in a State that required affirmative consent and provided such consent.

Second, Raymond James failed to adequately train and educate its Transition Management Department staff on what constituted nonpublic personal information and the appropriate circumstances in which such information could be shared. Indeed, the Firms' WSPs incorrectly informed the Transition Management Department that it could solicit certain customer nonpublic personal information without first reasonably concluding whether information sharing was appropriate.

Third, with respect to registered representatives who were transitioning from the Firms to another broker-dealer (outgoing reps), Raymond James was unable to demonstrate that its WSPs were systematically followed and enforced. In certain circumstances, the Firms did not maintain documents required by the WSPs to evidence that the Firms monitored whether non-public personal information was being disclosed by outgoing reps. Those documents included: (1) a list of customer information the registered representative intended to take from Raymond James³ (2) a report of customers that had opted out of information sharing; and (3) a letter reminding the outgoing rep of his obligation to adhere to the Firms' privacy policies.

As a result of the foregoing, Raymond James failed to establish and maintain reasonable supervisory systems, including WSPs, to ensure compliance with Regulation S-P, in violation of NASD Rules 3010(a) and (b), and FINRA Rules 3110(a) and (b) and 2010.

- B. Raymond James consents to the imposition of the following sanctions:
1. A censure; and
 2. A fine of \$500,000.

Raymond James also agrees to comply with the following undertaking:

Raymond James shall review and revise, as necessary, its policies, procedures, and internal controls with respect to the areas described in section I.A. above. Within 45 business days of the issuance of the Notice of Acceptance of this AWC, the Chief Executive Officers and Chief Compliance Officers at the firms shall certify in writing to FINRA's Department of Enforcement that, with respect to the areas described in section I.A. above, (i) the firm has engaged in the review described above; and (ii) as of the date of the certification, the firms have established and implemented policies, procedures, and internal controls reasonably designed to achieve compliance with Regulation S-P. The Department of Enforcement may in its discretion, upon a showing of good cause, extend the dates for compliance with any of the terms of this provision.

³ In accordance with Raymond James' privacy policy, Raymond James' WSPs permitted outgoing reps in good standing to take to their new broker-dealer customer names, addresses, telephone numbers and email addresses, except for customers that opted out of sharing that information.

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

Raymond James 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

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

- A. To have a Complaint issued specifying the allegations against the firms;
- 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 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.

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 me; and
- C. If accepted:
 - 1. this AWC will become part of the firms' permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 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. 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. Raymond James 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 firms': (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. Raymond James may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Raymond James 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 firms, 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 he 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 firms to submit it.

2/26/2016
Date (mm/dd/yyyy)

D-W Zank
Raymond James & Associates, Inc.
Respondent

By: DENNIS W. ZANK CEO
(name and title)

2/25/2016
Date (mm/dd/yyyy)

Scott A. Curtis
Raymond James Financial Services, Inc.
Respondent

By: SCOTT A. CURTIS, PRESIDENT
(name and title)

Reviewed by:

Olga Greenberg
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Accepted by FINRA:

3/8/16
Date

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


Jennifer L. Crawford
Director
FINRA Department of Enforcement
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