

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014043592001**

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

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

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

Linda L. Busby, Respondent
General Securities Representative
CRD No. 2707733

Pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure, Respondents Raymond James & Associates, Inc. (“RJA”), Raymond James Financial Services, Inc. (“RJFS”), and Linda L. Busby (“Busby”) 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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. RJA, RJFS, and Busby hereby accept and consent, 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

RJA has been a FINRA member firm since 1964. RJA is headquartered in St. Petersburg, Florida and currently has approximately 3,400 registered persons based out of approximately 500 branch offices throughout the United States. RJA provides execution, clearance and custodial services to both its retail and institutional clients. RJA also engages in correspondent clearing services and clears for approximately 40 correspondent firms. The firm’s largest correspondent is its affiliate, RJFS.

RJFS has been a FINRA member firm since 1974. RJFS also is headquartered in St. Petersburg, Florida, and currently has approximately 5,600 registered persons based out of approximately 2,900 branch offices throughout the United States. RJFS offers products and services including mutual funds, securities brokerage, asset management, financial planning, securities underwriting, and sales/trading. RJA and RJFS are both wholly-owned subsidiaries of the bank holding company, Raymond James Financial, Inc.

Busby was a non-registered person with RJA from December 1995 through March 2004. In April 2004, Busby became registered with FINRA as a General Securities Representative through her association with RJA. From 2002 through February 2013, Busby was RJA's Anti-Money Laundering Compliance Officer ("AMLCO"). Busby is not currently associated with a FINRA member. Pursuant to Article V, Section 4 of FINRA's By-Laws, FINRA retains jurisdiction over Busby until at least October 11, 2017.

RELEVANT DISCIPLINARY HISTORY

RJA has no relevant disciplinary history.

In March 2012, RJFS entered into an AWC (No. 2009018985203) through which RJFS was censured and fined \$400,000 for failing to implement policies and procedures reasonably designed to detect and cause the reporting of suspicious transactions in the account of its customer who was operating a Ponzi scheme using his brokerage accounts for the period January 2005 through July 2007. As part of that settlement, RJFS also agreed to an undertaking to review RJFS's anti-money laundering ("AML") compliance program and procedures, and certify that its procedures were reasonably designed to achieve compliance with FINRA Rule 3310 (formerly NASD Rule 3011).

Busby has no disciplinary history.

OVERVIEW

From 2006 to 2014, RJA and RJFS experienced growth in each firm's business. From 2006 to 2014, RJA's size increased from approximately 2,398 registered persons in 190 branches in January 2006, to approximately 5,294 registered persons in 445 branches in January 2014; during that same time, RJFS grew from approximately 4,736 registered persons in 2,351 branches, to approximately 4,935 registered persons in 2,519 branches.

RJA and RJFS, however, did not dedicate resources to match the firms' growth with reasonable AML compliance systems and procedures. As a result, RJA, Busby, RJA's AMLCO from 2002 through February 2013, and RJFS allowed certain red flags of potentially suspicious activity to go undetected or inadequately investigated. From November 2011 through June 2014 (the "Relevant Period"), RJA, Busby during her tenure as RJA's AMLCO through February 2013, and RJFS failed to establish AML programs tailored to each firm's business, and instead relied upon a patchwork of written procedures and systems across different departments to detect suspicious activity. These systems and procedures were not coordinated to allow the firms to

link patterns and trends of suspicious conduct, leaving certain risk areas and certain red flags unchecked.

The AML program failures at RJA and RJFS also included both firms' failure to conduct required due diligence and enhanced due diligence and periodic risk reviews for foreign financial institutions, and Busby's failure to ensure that due diligence and periodic reviews were conducted. RJFS also failed to establish and maintain an adequate Customer Identification Program as part of the firm's AML program.

In addition to its AML deficiencies, both RJA and RJFS failed to establish, maintain and enforce a supervisory system reasonably designed to achieve compliance with Section 5 of the Securities Act of 1933 (the "Securities Act") for transactions involving large blocks of low-priced securities. Finally, RJFS failed to establish and maintain reasonable written supervisory procedures with respect to its review of variable annuity exchange transactions and suitability reviews.

FACTS AND VIOLATIVE CONDUCT

1. RJA, Busby, and RJFS Failed to Establish and Implement Policies and Procedures to Reasonably Detect and Cause the Reporting of Suspicious Transactions

FINRA Rule 3310 requires each FINRA member to "develop and implement a written anti-money laundering program reasonably designed to achieve and monitor the member's compliance with the requirements of the Bank Secrecy Act...and the implementing regulations promulgated thereunder by the Department of the Treasury." The program must, at a minimum, "[e]stablish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder...." Broker-dealers are required to report suspicious activity pursuant to 32 C.F.R. 1023.320. The Treasury Department has advised broker-dealers to determine whether activity raises suspicions by monitoring for various "red flags," and Notices to Members 02-21 and 02-47 emphasize members' duties to detect red flags and, if detected, to perform additional due diligence before proceeding with a suspicious transaction. In addition, NASD Rule 3010(b) requires firms to "establish, maintain, and enforce written procedures to supervise the types of business in which it engages...."

For the reasons set forth below, RJA and Busby (from November 2011 through February 2013), and RJFS all failed to develop and implement an AML program that was reasonably designed to detect and report suspicious activity and, accordingly, violated FINRA Rules 3310(a) and 2010.

a. The Interrelationship of the Firms' AML Programs

From 2002 through February 2013, Busby, as RJA's AMLCO, was responsible for ensuring that RJA's AML program was adequately tailored to the Firm's business and for appropriately monitoring, detecting and reporting suspicious activity. Under each firm's written procedures, RJA and RJFS each had separate AML personnel, including Busby as the RJA AMLCO and a separate AMLCO at RJFS, who were responsible for each firm's AML program and supervised

the AML personnel (the “RJA AML Department” and “RJFS AML Department”). During the Relevant Period, the RJA AML Department, a firm of over 5,000 registered representatives responsible for providing clearing services to over 30 introducing firms, consisted of between two and six employees. At the start of the Relevant Period, the RJFS AML Department had only one AML employee, the AMLCO; RJFS eventually doubled the AML staff by adding a second employee in late 2012. However, despite these separate AML Departments and programs, RJA and Busby, and RJFS created a system under which RJFS heavily relied upon RJA, as its clearing firm, to provide certain systems and tools as part of RJFS’s AML program.

Specifically, the firms established a system where RJA generally had control over the creation and implementation of exception reports used to review for potential suspicious activity at both firms, the Customer Identification Program (“CIP”) program for both firms, and the due diligence on low-priced securities for both firms. The close affiliation of these firms created a system of reliance by RJFS on RJA. Indeed, RJFS had insufficient controls in place to ensure that its reliance on RJA was reasonable. RJFS lacked sufficient controls to ensure that each firm understood the expectations and requirements of this relationship with respect to AML program requirements, nor did RJFS have sufficient controls to ensure that the AML systems it was relying on RJA to provide were adequate.

b. RJA and Busby, and RJFS Failed to Commit Adequate Resources to the Firms’ AML Programs

During the Relevant Period, RJA added approximately 1,000 registered representatives through the parent company’s acquisition of another broker-dealer in February 2013. By June 2014, RJFS’s approximately 2.2 million accounts generated over 51 million transactions. RJA handled approximately 2 million RJA accounts, and cleared and monitored trading for more than 30 introducing firms’ accounts. The six RJA AML personnel, supervised by Busby during her tenure as RJA’s AMLCO, and two RJFS AML personnel were responsible for, among other things, reviewing more than a dozen lengthy AML exception reports for suspicious activity across the millions of accounts, filing suspicious activity reports (SARs), and communicating with branch managers and registered representatives regarding client actions and account activity.

In addition, at RJA, the AML Department personnel provided exception reporting to its introducing firms, including RJFS. Because the exception reports generated by RJA contained limited information, the review process by RJA and RJFS of their own reports was largely manual and required the AML Department employees at each firm to search for information in the firms’ systems, including the number of times an account appeared on the reports, the account type (trust, corporate, individual, etc.), account history, account balance, and other factors such as third-party information. RJFS’s and RJA’s staffing of their AML Departments was inadequate in light of the extensive responsibilities assigned to the few individuals, including the labor-intensive manual reviews, particularly in light of the firms’ growth during the Relevant Period.

RJFS entered into an AWC with FINRA in 2012 which found that RJFS failed to implement policies and procedures that were reasonably designed to detect and cause the reporting of

suspicious transactions in the accounts of one customer, and also cited the fact that RJFS had only one person, the AMLCO, to handle RJFS' AML surveillance and investigation responsibilities between 2005 and 2007. RJFS increased the staffing of its AML Department in late 2012 by adding one additional person. Similarly, although RJA was aware of FINRA's concerns about the adequacy of the resources at RJFS, RJA only increased the staffing of its AML Department when it added the four AML employees from the parent company's acquisition of a smaller broker-dealer.

c. *RJA and Busby, and RJFS Failed to Establish and Implement AML Procedures and Systems Reasonably Expected To Detect Suspicious Activity*

i. *RJA and Busby, and RJFS Failed To Establish Reasonable Written Procedures for Certain Aspects of the Firms' AML Programs*

RJA did not have a single written procedures manual describing its AML procedures; rather to the extent written procedures existed addressing supervision related to AML, they were scattered through various departments. Busby, during her tenure as RJA's AMLCO, did not have control or oversight over the individuals in the other departments handling the AML-related processes. Although RJA had written procedures relating to generation of exception reports and review of suspicious account activity, it did not have sufficient written procedures setting forth red flags for suspicious trading activity. Moreover, RJA, as a clearing firm, did not have a written supervisory procedure requiring it to monitor for suspicious activity of transactions in introduced accounts of RJFS. Instead, RJA and Busby improperly relied solely on RJFS to conduct AML surveillance on the RJFS accounts for potentially suspicious trading activity.

RJA and Busby, and RJFS failed to establish reasonable written AML procedures related to SAR reporting. Although RJA and RJFS each maintained written procedures detailing guidelines for when a SAR should be filed, providing guidance for identifying transactions necessitating the filing of a SAR, and detailing the procedure for filing a SAR, neither firm had reasonable procedures for monitoring and reporting continued or repeated suspicious activity in customers' accounts after a SAR filing. As a result, the firms did not reasonably consider whether certain continuing activity SARs needed to be filed, where appropriate. For example, RJA filed a SAR relating to suspicious money movements from multiple accounts to a third-party account after a wire transfer was declined by a third-party bank. However, due to its lack of reasonable procedures requiring ongoing monitoring for similar activity, RJA failed to detect or consider filing an additional SAR, despite the continued similar activity between the accounts.

ii. *RJA and Busby, and RJFS Failed to Establish Reasonable AML Systems Tailored to Each Firm's Business*

The AML procedures that were in place at both firms required the firms to review accounts for potential suspicious activity. These procedures largely relied upon each firm's limited staff to review the AML exception reports and report-generated alerts for red flags of potentially suspicious activity.

RJA and Busby, and RJFS, however, failed to develop and implement surveillance reports

tailored to detect certain types of potentially suspicious transactions. For example, neither RJA nor RJFS had written procedures requiring review of, or surveillance reports monitoring for, the following high-risk activities:

- Transfers of funds to unrelated accounts without any apparent business purpose;
- Journaling securities and cash between unrelated accounts for no apparent business purpose, particularly internal transfers of cash from customer accounts to employee or employee-related accounts; and
- Movement of funds, by wire transfer or otherwise, from multiple accounts to the same third party account.

In addition, neither RJA nor RJFS had surveillance reports or procedures in place to reasonably monitor for high-risk incoming wire activity, such as third-party wires and wires received from known money laundering or high-risk jurisdictions. While the firms had other exception reports that monitored some incoming wire activity, those reports had thresholds that provided the reviewer with a limited view of the activity. In addition, those reports failed to track material details about incoming wire activity including, the denomination of the currency received or the country of origin. Accordingly, RJA, Busby, and RJFS were unable to reasonably monitor and investigate certain potentially suspicious transactions that could have been identified through the review of high-risk incoming wire transfer activity.

Although RJA and RJFS both had procedures that required surveillance of accounts with wire activity and no securities trading, the firms did not have an AML surveillance report or other adequate means of identifying red flags of potentially suspicious conduct. As a result, the firms failed to identify 513 accounts engaged in this high-risk activity during the Relevant Period. Indeed, during a two month period from April to May 2014, one RJFS account for customer JTMF had 14 incoming and outgoing wire transfers totaling approximately \$2.4 million, without any securities trading activity. Despite the suspicious money movement, the account activity was neither identified nor investigated.

For the surveillance reports that were generated for the firms, RJA and Busby, and RJFS failed to establish reasonable procedures to conduct any trend or pattern analysis or otherwise combine information generated by the multiple reports to look for patterns of activity across the reports over time. Specifically, each firm relied upon its staff in the AML Department, or elsewhere in the firm, to manually review for such patterns and trends. Likewise, RJA and RJFS would have to manually review to determine if an account was appearing on multiple exception reports and investigation logs. As described above, the limited AML staff combined with the volume of trading in each firm made manual review an unreasonable supervisory system.

iii. RJA and RJFS Surveillance Reports Failed to Reasonably Monitor for Suspicious Activity

RJA and RJFS relied on the Structured Deposits Report, the Excessive Wires Report, and the Foreign Disbursements Report as three of their primary AML surveillance reports. These reports, which were developed by RJA, and implemented by Busby during her tenure as

AMLCO, were not reasonably tailored to each firm's trading activity, and as a result, the reports had deficiencies that did not give the firms an effective view of suspicious activity.

The Structured Deposits Report reviewed all deposits of cash equivalents into a customer's account over a rolling 90-day period. The Excessive Wires Report identified accounts that had four or more incoming and/or outgoing wires over \$10,000 in total over the prior 90 days. The limited time period for both of these reports was too short to detect patterns of activity. Neither report reviewed related accounts collectively to determine if deposits or wires were being sent to different accounts to avoid detection. In addition, the Excessive Wires Report did not identify multiple wires from related accounts or wires where the funds were extracted from a linked account, thus leaving a gap in the surveillance of excessive wires from customers with multiple accounts.

Neither the Structured Deposits Report nor the Excessive Wires Report identified whether the funds on deposit were first-party or third-party. As a result, the reviewer could not readily identify the higher level of transfer risk associated with third-party deposits from the face of the reports. Likewise, the thresholds applied for the two reports were unreasonable for the higher level of risk for third-party deposits.

The Foreign Disbursement Report listed all checks and outgoing wires to a foreign destination. This report, along with the Structured Deposit Report and Excessive Wires Report, failed to include critical details that would facilitate the detection of potentially suspicious transactions. For example, the exception reports themselves failed to identify a customer's risk level; therefore, a low-risk customer would be viewed through the same prism as a high-risk customer, even though the money movements of a high-risk customer would likely warrant closer scrutiny. The systems used to generate the reports also failed to link accounts; thus the exception reports did not indicate whether there was similar activity occurring in related accounts. Patterns of transactions across related accounts did not appear on exception reports and alerts unless the individual transactions each met the thresholds for the reports.

d. *RJA, Busby, and RJFS Failed to Reasonably Investigate Red Flags*

i. *Systemic Failure to Reasonably Investigate Alerts Generated by AML Surveillance*

As a result of RJA's and RJFS's AML procedures, the firms both had gaps in their surveillance of activity for AML red flags. Even when the exception reports or other surveillance identified red flags, RJA, Busby, and RJFS failed to reasonably investigate many instances in order to determine whether a SAR should be filed. At RJFS, AML exception reports and alerts generated approximately 140,000 line items for review, but only 1,800 of these items were escalated for further review. The surveillance reports for RJA generated approximately 150,000 line items, but only approximately 4,000 of these items were escalated for further review.

The firms closed thousands of alerts each month without reasonably identifying the purpose of the high-risk transactions that triggered the alerts, and AML analysts were not required to detail their rationale when closing out alerts. In other instances, the firms closed alerts by incorrectly

stating that the activity was “in line” with client profiles when, in fact, the triggering activity conflicted with the client’s stated financial information, anticipated wire activity, or other aspects of the client’s profile.

ii. *RJA’s and RJFS’s Unreasonable AML Systems and Procedures Led to Inadequate Investigations of Suspicious Activity*

Although the RJA and RJFS AML analysts identified some red flags and opened investigations, the investigations were deficient. For example:

- When RJA conducted due diligence on an Ecuadorian bank customer at account opening, RJA’s adverse news information service identified a negative news report about the Ecuadorian bank’s subsidiary. RJA contracted with a third-party vendor to obtain adverse news information about customers and potential customers, but rather than having the vendor send the reports to the RJA AML Department, RJA had the vendor send reports to the RJA Credit Department. Adverse news information was not available or consistently escalated to the RJA AML Department, and in the case of the Ecuadorian bank’s subsidiary news, RJA’s Credit Department did not escalate the report to the AML Department to consider since the news did not directly involve the RJA customer. RJA conducted diligence on the bank customer’s president, but not the individual who had trading authorization over the account. If RJA’s AML Department had received the negative news about the bank’s subsidiary and reasonably investigated the news and the customer’s control person, it would have identified negative news that the person who held trading authorization and the subsidiary of the Ecuadorian bank each had been sanctioned by FinCEN and OCC for AML deficiencies.
- RJA did not reasonably investigate suspicious wire transfers sent from the personal account of a RJA foreign affiliate’s financial advisor into the accounts of his own foreign customers. In total, 194 customers of the same foreign financial advisor transferred over \$10 million in third-party wires to a non-RJA client unregistered currency exchange business in the United States. RJA and Busby eventually opened an investigation in March 2012, which Busby conducted herself, into the non-client unlicensed currency exchange business, but the investigation was inadequate. For example, RJA failed to identify news reports that the non-client unregistered currency exchange business in the United States had been sanctioned by the U.S. Department of Treasury in 2009 relating to embargo program violations.
- RJA and Busby identified some red flags associated with the outgoing third-party wire transfer of \$250,000 to a Panamanian bank account, but failed to reasonably investigate multiple red flags, which included: (1) the round dollar amount; (2) the stated purpose of “export banana shipment” was inconsistent with the accounts’ prior activity relating to gold mining; (3) the individual receiving the funds was in Ecuador but the funds were transferred to Panama; and (4) the Letter of Authorization provided to RJA by the customer was dated a day before the invoice provided by the customer. One month after the RJA investigation, the owner of the Panamanian account was subsequently arrested in Venezuela and deported to Colombia for alleged money laundering.

- RJA's failure to reasonably monitor journaling between accounts, combined with its failure to reasonably monitor incoming wires and inadequate investigation of red flags, also caused RJA to fail to adequately investigate activity in the 18 accounts related to an RJA customer JCM. JCM-related entities actively moved funds between the 18 accounts, often with no trading activity, including movement of \$2 million to a South Korean bank account for the benefit of a third-party. In 2013, RJA opened two investigations into transactions in the JCM-related accounts, one after the \$2 million wire appeared on the Foreign Disbursements Report and one after an SEC request relating to JCM, but these investigations failed to reasonably investigate all of the JCM-related account activity. RJA also closed 70 alerts generated from the Excessive Wires Report for these accounts without any documented rationale.
- RJA's failure to have reasonable reports to review for patterns and trends across trading activity also led to the firm's failure to identify red flags in the accounts of a foreign bank, BP. Over the period of January 2012 through October 2013, in which Busby was the RJA AMLCO for approximately thirteen months, BP engaged in short-term in-and-out trading of over \$70 million in U.S. Treasury Bonds. Many of these transactions were in round dollar amounts, and many of the sales were followed by the almost immediate purchase of the same bond at a higher price which appeared to lack economic purpose. Such in-and-out activity without economic purpose by a foreign entity was a red flag of suspicious activity that was not detected by RJA or Busby.

Based on the facts set forth above, RJA, Busby (from November 2011 through February 2013), and RJFS violated FINRA Rules 3310(a) and 2010.

2. RJFS Failed To Maintain Written Procedures Reasonably Designed to Review and Monitor Journaling Between Accounts and Failed to Maintain Books and Records for Movements of Stock to Third-Party Accounts

During the Review Period, NASD Rule 3012(a)(2)(B)(i) required firms to maintain written procedures that are reasonably designed to review and monitor all transmittals of funds, including wires from customers to third party accounts and between customers and the firm's registered representatives. In addition, NASD Rule 3010(b) required that firms document their supervisory systems in the firm's written supervisory procedures. RJFS failed to maintain reasonable written supervisory procedures related to journaling securities between customer accounts and employee-related accounts. As a result, between July 2013 and December 2013, an RJFS branch manager failed to detect that RJFS registered person Jo Ellen Fisher¹ converted approximately \$1 million from an elderly customer to her own use. Fisher converted the funds by transferring securities from the RJFS customer's account to Fisher's daughter's account. Although RJFS' exception reports flagged some, but not all, of the transfers, the firm's written procedures for the review and approval of these exception reports, and the parameters for the reports, were insufficient.

¹ See *Jo Ellen Fisher*, Offer No. 2014041208401 (Oct. 2014)(Fisher permanently barred from associating with any FINRA member in any capacity.)

In addition to the requirements of NASD Rule 3012(a)(2)(B)(i), FINRA Rule 4511 requires member firms to make and preserve books and records as required under FINRA rules and Rules 17a-3 and 17a-4 of the Securities Exchange Act. Rule 17a-4(b)(4) requires firms to preserve records relating to communications concerning a firm's business. RJFS failed to establish, maintain and enforce procedures to preserve letters sent to customers confirming movements of stock valued over \$50,000 from RJFS accounts to third-party accounts at RJFS for the required period of time.

As a result of these failures, RJFS violated FINRA Rules 4511 and 2010, NASD Rule 3010(b) and 3012(a)(2)(B)(i), and Exchange Act Rule 17a-4(b).

3. RJA and Busby Failed to Conduct Due Diligence on Certain Correspondent Accounts of Foreign Financial Institutions

FINRA Rule 3310(b) requires firms to establish and implement an AML program, including written procedures reasonably designed to ensure compliance with the Bank Secrecy Act ("BSA"). Firms are required, pursuant to Section 312 of the Patriot Act, which amended the BSA, Treasury Regulation 31 C.F.R. 1010.610 to conduct due diligence on correspondent accounts for foreign financial institutions ("FFIs"). The due diligence must include "appropriate, specific, risk-based, and, where necessary, enhanced policies, procedures, and controls that are reasonably designed to enable the covered financial institution to detect and report, on an ongoing basis, any known or suspected money laundering activity conducted through or involving any correspondent account"

Specifically, Treasury Regulation 31 C.F.R. 1010.610 requires broker-dealers to perform an assessment of the money laundering risk present in the case of each correspondent account, taking into account, as part of that assessment, all relevant factors, including: (i) the nature of the FFI's business and the markets it serves; (ii) the type, purpose, and anticipated activity of such correspondent account; (iii) the nature and duration of the broker-dealer's relationship with the FFI; (iv) the AML and supervisory regime of the jurisdiction that issued the charter or license to the FFI; and (v) information known or reasonably available to the broker-dealer about the FFI's AML record.

The rule also requires broker-dealers to conduct a periodic review of the correspondent account activity to determine: (i) whether the activity in the account is consistent with the information that was initially obtained about the type, purpose, and anticipated activity of the account; and (ii) whether, given the volume and/or type of activity in the account, the broker-dealer can adequately identify suspicious transactions.

RJA customers included FFIs, some of which were located in countries or jurisdictions of primary money laundering concern, according to the U.S. Department of State, which heightened their AML risks. RJA's procedures required the firm to obtain a Foreign Financial Institution Questionnaire ("FFIQ") as part of its due diligence process in order for RJA to obtain all the information necessary to comply with Regulation 1010.610. The FFIQ provided RJA with the

correspondent account holder's business, markets served, client base, types of expected activity, and nature of the account.

RJA, and Busby as RJA AMLCO until February 2013, failed to reasonably enforce its due diligence procedures for certain correspondent accounts of certain FFIs. Specifically, RJA failed to obtain FFIQs for some FFIs, limiting its ability to assess the correspondent account's risk level. For example, RJA failed to obtain an FFIQ for a Panamanian FFI and instead improperly relied upon the FFIQ for an affiliated Ecuadorian FFI. Additionally, RJA opened an account for another FFI which was titled in the name of the FFI's Miami Branch, but RJA failed to obtain an FFI's corporate resolution for the FFI's Miami branch.

Moreover, RJA and Busby as RJA AMLCO until February 2013, also had no reliable periodic review process in place to ensure that the activity in the FFIs' accounts was consistent with representations made by FFIs at the time of account opening. This failure resulted in RJA performing no periodic risk reviews of a Portuguese FFI account, even though the FFI was assigned a high-risk rating by RJA.

As a result, RJA and Busby violated FINRA Rules 3310(b) and 2010.

4. RJFS Failed to Establish and Maintain an Adequate Customer Identification Program

Under the BSA, firms are required to establish, document and maintain a written Customer Identification Program. Pursuant to 31 C.F.R. 1023.220, the CIP must include procedures: (i) for verifying the identity of a customer within a reasonable time before or after a customer account is opened; (ii) that specify the verifying information that will be obtained and describe when the broker-dealer will use documentary, non-documentary methods or a combination thereof to verify customer identity; and (iii) that provide for the collection of required verifying information and maintenance of the required records.

31 C.F.R. 1023.220(a)(6) allows a broker-dealer to rely on another financial institution to perform CIP provided that certain conditions are met, including that the reliance is reasonable and a written contract exists and the other financial institution provides annual certifications to the broker-dealer. However, the broker-dealer retains the obligation to comply with the rule in the event that the financial institution fails to perform CIP in accordance with the rule.

As stated above, RJFS relied upon RJA to conduct certain aspects of CIP for RJFS's customers. However, RJFS did not meet the requirements of 31 C.F.R. 1023.220(a)(6). Further, even an informal delegation of CIP responsibilities to RJA was unreasonable. There was no written agreement between the two entities or procedures detailing how and when RJA would provide this service to RJFS. RJFS's AMLCO, who was solely responsible for ensuring the firm fulfilled its AML compliance obligations, acknowledged that, while she knew RJA was performing CIP, she was not involved in establishing the scope or parameters of RJA's CIP procedures; in fact, RJFS relied on RJA to audit its compliance with its CIP.

Further, RJA failed to perform CIP in accordance with 31 C.F.R 1023.220. RJA failed to verify customer identifying information in a reasonable and timely manner. In 2012, RJA had a backlog of CIP exceptions that RJA had failed to initially review. RJFS's failure to establish and maintain an adequate CIP program in accordance with 31 C.F.R 1023.220 violated FINRA Rules 3310(b) and 2010.

5. RJA and RJFS Failed to Establish, Maintain and Enforce a Supervisory System Reasonably Designed to Achieve Compliance with Section 5 of the Securities Act in Violation of NASD Rule 3010 and FINRA Rule 2010

NASD Rule 3010(a) requires firms to "establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD [and FINRA] Rules." Rule 3010(b) requires that firms document the system in the firm's written supervisory procedures. Section 5 of the Securities Act prohibits the offer or sale of securities, through interstate commerce or the mails, unless a registration statement is in effect as to the securities or the offer or sale is exempt from registration. During the relevant period, RJA and RJFS failed to establish, maintain, and enforce a supervisory system reasonably designed to achieve compliance with Section 5 through incomplete risk reviews, due diligence failures, and failures to implement existing procedures.

During the review period, RJA's and RJFS's procedures limited its due diligence reviews of low-priced securities to only physical deposits of 100,000 shares or more where the shares were priced below one dollar. RJFS relied on RJA's Custody Department to conduct such due diligence reviews. This due diligence system, however, was inadequate because the firms failed to require that due diligence reviews be conducted on electronically deposited low-priced securities.

In addition, both RJA and RJFS had a policy that prohibited trading of low-priced securities until a favorable due diligence review was completed. The firms, however, at times permitted customers to immediately sell deposited shares of large blocks of low-priced securities prior to or without the completion of an RJA due diligence review. In one example, RJA customer MBS received an \$86,400 low-priced securities deposit through an ACAT transfer on January 13, 2014. Starting only 15 days later, the customer began liquidating the securities and RJA failed to conduct due diligence on the securities to ensure that the transactions complied with Section 5.

Neither RJA nor RJFS established reasonable supervisory systems and procedures designed to ensure compliance with Section 5. As a result, both RJA and RJFS violated NASD Rules 3010(a) and (b) and FINRA Rule 2010.

6. RJFS Failed to Maintain and Update Certain Written Supervisory Procedures Related to Variable Annuity Transactions

FINRA Rule 2330(d) requires members to establish and maintain written supervisory procedures related to purchases and exchanges of variable annuities. During the relevant period, while RJFS reviewed for patterns of variable annuity exchanges, it failed to establish and maintain written

supervisory procedures documenting that review process. In addition, RJFS' written supervisory procedures failed to sufficiently describe the factors to be reviewed by branch auditors when performing suitability reviews of variable annuity transactions during branch examinations. RJFS also did not maintain updated written procedures relating to variable annuity supervision insofar as the procedures included reference to a discontinued variable annuity surveillance report. As a result of the foregoing, RJFS violated NASD Rule 3010(b), and FINRA Rules 2330(d) and 2010.

B. RJA consents to the imposition of the following sanctions:

1. A censure;
2. A fine in the amount of \$8 million; and
3. RJA shall conduct a comprehensive review of the adequacy of its AML and supervisory policies, systems, procedures, and training. At the conclusion of the review, which shall be no more than 180 days after the date of the Notice of Acceptance of this AWC, RJA shall certify that its procedures are reasonably designed to achieve compliance with FINRA Rule 3310. The certification shall be provided in a written letter to FINRA staff, and signed by a corporate officer of RJA on behalf of RJA. The letter shall be accompanied by a Written Report, at a minimum, stating (i) the adequacy of the Firm's policies, systems, procedures and training relating to AML and supervision; (ii) a description of the review performed and the conclusions reached; and (iii) recommendations for modifications and additions to the Firm's policies, systems, procedures and training. The letter should identify the Respondent and the case number, and shall be submitted to EnforcementNotice@FINRA.org and by letter to Kevin D. Rosen, Senior Regional Counsel, FINRA, Department of Enforcement, 5200 Town Center Circle, Tower I, Suite 200, Boca Raton, Florida 33486.

RJFS consents to the imposition of the following sanctions:

1. A censure;
2. A fine in the amount of \$9 million; and
3. RJFS shall conduct a comprehensive review of the adequacy of its AML and supervisory policies, systems, procedures, and training. At the conclusion of the review, which shall be no more than 180 days after the date of the Notice of Acceptance of this AWC, RJFS shall certify that its procedures are reasonably designed to achieve compliance with FINRA Rule 3310. The certification shall be provided in a written letter to FINRA staff, and signed by a corporate officer of RJFS on behalf of RJFS. The letter shall be accompanied by a Written Report, at a minimum, stating (i) the adequacy of the Firm's policies, systems, procedures and training relating to AML and supervision; (ii) a description of the review performed and the conclusions reached; and (iii) recommendations for

modifications and additions to the Firm's policies, systems, procedures and training. The letter should identify the Respondent and the case number, and shall be submitted to EnforcementNotice@FINRA.org and by letter to Kevin D. Rosen, Senior Regional Counsel, FINRA, Department of Enforcement, 5200 Town Center Circle, Tower I, Suite 200, Boca Raton, Florida 33486.

Busby consents to the imposition of the following sanctions:

1. A three-month suspension from association with any FINRA member in any capacity; and
2. A fine in the amount of \$25,000.

Respondents RJFS and RJA agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondents RJFS and RJA have submitted an Election of Payment form showing the method by which Respondents RJFS and RJA propose to pay the fine imposed.

The fine against Respondent Busby shall be due and payable either immediately upon re-association with a member firm following the three-month suspension, or prior to any application or request for relief from statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondents specifically and voluntarily waive any right to claim that Respondents are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

Respondent Busby understands that if she is barred or suspended from associating with any FINRA member, she becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Respondent Busby may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against Respondents;
- 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, Respondents specifically and voluntarily waive 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.

Respondents further specifically and voluntarily waive 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

Respondents understand 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 Respondents; and
- C. If accepted:
 - 1. this AWC will become part of Respondents permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondents;
 - 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

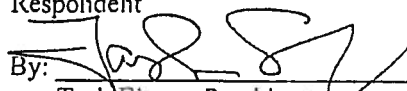
4. Respondents may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondents may not take any position in any 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 Respondents': (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. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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 RJA, certifies that a person duly authorized to act on its behalf has read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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.

5/5/16
Date (mm/dd/yyyy)

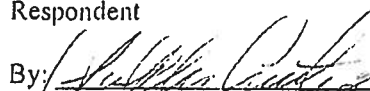
Raymond James & Associates, Inc.
Respondent

By: 
Tash Elwyn, President

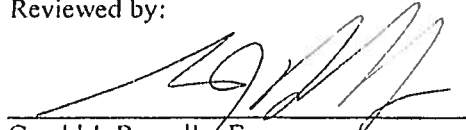
The undersigned, on behalf of RJFS, certifies that a person duly authorized to act on its behalf has read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, 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.

5/5/2016
Date (mm/dd/yyyy)

Raymond James Financial Services, Inc.
Respondent

By: 
Scott Alan Curtis, President

Reviewed by:



Gerald J. Russello, Esq.
Paul M. Tyrrell, Esq.
Counsel for Respondents RJA and RJFS
Sidley Austin LLP
787 Seventh Avenue
New York, New York 10019
(212) 839-5716

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

Date (mm/dd/yyyy)

Respondent Linda Busby

Reviewed by:

Andrew W. Sidman
Counsel for Linda Busby
Bressler, Amery & Ross, P.C.
17 State Street, 34th Floor
New York, NY 10004
(T) 212 425 9300

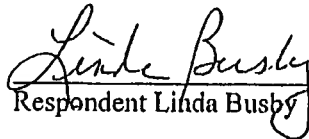
Reviewed by:

Gerald J. Russello, Esq.
Paul M. Tyrrell, Esq.
Counsel for Respondents RJA and RJFS
Sidley Austin LLP
787 Seventh Avenue
New York, New York 10019
(212) 839-5716

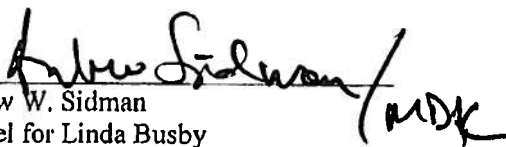
I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

5/5/16

Date (mm/dd/yyyy)


Respondent Linda Busby

Reviewed by:


Andrew W. Sidman
Counsel for Linda Busby
Bressler, Amery & Ross, P.C.
17 State Street, 34th Floor
New York, NY 10004
(T) 212 425 9300

