

STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

In the matter of:

Agency No. 339092

RAYMOND JAMES & ASSOCIATES, INC.  
CRD# 705

Respondent.

Issued and entered  
this 27<sup>th</sup> day of March, 2020

**STIPULATION AND CONSENT ORDER RESOLVING  
NOTICE OF INTENT TO CENSURE AND FINE BROKER-DEALER**

A. Relevant information and statutory provisions, under the Michigan Uniform Securities Act (2002) (the Act), 2008 PA 551, MCL 451.2101 *et seq* (the “Securities Act”):

1. Respondent Raymond James & Associates, Inc. (CRD# 705) (“Raymond James”) is a broker-dealer that has been registered pursuant to the Securities Act in Michigan since February 1983.
2. On October 28, 2019, the State of Michigan, Department of Licensing and Regulatory Affairs, Corporations, Securities & Commercial Licensing Bureau (the “Bureau”) and the Director of the Bureau who serves as the Administrator of the Act (the “Administrator”) issued a Notice of Intent to Censure and Fine Broker Dealer (“NOI”) under MCL 451.2412(3). The NOI alleged that:

Raymond James has failed to reasonably supervise its agents that were subject to its supervision, and those agents committed violations of the Securities Act within the previous 10 years.

3. Prior to the issuance of the Bureau’s NOI, Raymond James undertook a number of remedial efforts, which included enhancing its policies and procedures nationwide, voluntarily retaining compliance consultants to review its Unit Investment Trust (“UIT”) transactions, terminating two Michigan securities agents whose trading activity was inconsistent with the long-term nature of UITs, and remediating impacted clients.
4. Respondent timely requested a hearing under section 412(6) of the Securities Act, MCL 451.2412(6), but thereafter agreed to hold the hearing in abeyance

while the Bureau and Respondent (collectively “the Parties”) attempted to negotiate a resolution of the above-captioned matter.

## B. STIPULATION

The Parties have agreed to and recommend that the Administrator order a settlement of this matter and resolve the NOI pursuant to the terms and conditions set forth below, through the entry of an Administrative Consent Order.

1. Respondent agrees to comply with the Securities Act in connection with all future conduct and activities, including but not limited to ensuring that it reasonably supervises its agents.
2. Respondent neither admits nor denies the allegations in the NOI. Respondent consents to entry of this Consent Order only for the purpose of resolving the NOI in an expeditious fashion that avoids the time and expense associated with an administrative proceeding and any appeals therefrom.
3. The Parties agree that this Consent Order is automatically admissible in a proceeding to enforce its provisions or in any administrative proceeding under the Securities Act.
4. Except in an action by the Bureau to enforce the obligations in this Consent Order, this Consent Order is not intended to be deemed or used as: (a) an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) an admission of, or evidence of, any such alleged fault or omission of Raymond James in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or other tribunal.
5. The Parties agree that this Consent Order concludes the Bureau’s investigation and any other action that the Administrator could commence under applicable Michigan law on behalf of the Bureau as it relates to the substance of the NOI. The Parties agree that this Consent Order resolves only Respondent’s activities, conduct, and alleged Securities Act violations contained in the NOI and does not address or resolve any other activities, conduct, or potential Securities Act violations engaged in by Respondent not expressly contained in NOI or occurring after the date of this Consent Order.
6. Respondent agrees that, effective upon entry of this Consent Order, any request for an administrative hearing related to the NOI is automatically revoked, and the NOI is automatically resolved, without further action of the Parties.

7. The Parties agree that protection of the investing public does not require additional disciplinary action if Respondent agrees to a reduced civil fine. The Administrator agrees to reduce the total fine in the NOI, and Respondent agrees to pay, a civil fine of Fifty Thousand Dollars (\$50,000.00) to the Bureau within sixty (60) days after the mailing date of this Consent Order. The fine must be paid by check or money order payable to the "State of Michigan," contain Respondent's identifying information (Respondent's name and Agency No. 339092), and be mailed to:

Corporations, Securities & Commercial Licensing Bureau  
Final Order Monitoring – Securities & Audit Division  
P.O. Box 30018  
Lansing, MI 48909

8. If any portion of the fine is overdue for at least six months, the Administrator may refer it to the Michigan Department of Treasury for collection action against Respondent. In addition, the Administrator reserves the right to pursue any other action or proceeding permitted by law to enforce payment of the fine.
9. The Parties acknowledge and agree that the Administrator retains the right to pursue any action or proceeding permitted by law to enforce compliance with the provisions of this Consent Order, and that failure to comply with this Consent Order may result in the reinstatement of the NOI, pending any other action the Administrator chooses to take as a result of Respondent's failure to comply.
10. Respondent agrees to cooperate with the Bureau and comply with any reasonable investigative demands made by the Bureau in the future for purposes of ensuring compliance with this Consent Order or the Securities Act.
11. Respondent acknowledges and agrees that: (a) the Administrator has jurisdiction and authority to enter this Consent Order; (b) the Administrator may enter this Consent Order without any further notice to Respondent; and (c) upon entry of this Consent Order, it is final and binding, and Respondent waives any right to a hearing or an appeal of this Consent Order and the NOI under the Securities Act, the rules promulgated under the Securities Act or the predecessor Securities Act, the Administrative Procedures Act of 1969, 1969 PA 306, MCL 24.201 *et seq.*, or other applicable law.
12. The Parties understand and agree that this Consent Order will be presented to the Administrator for her final approval as evidence by its entry, and that

the Administrator may, in her sole discretion, decide to accept or reject this Consent Order. If the Administrator accepts this Consent Order by entering it, this Consent Order becomes fully effective and binding in accordance with Paragraph B.11. above. If the Administrator rejects this Consent Order by refusing to enter it, the Parties waive any objection to submitting a hearing request for adjudication through a formal administrative proceeding and the Administrator remaining the final decisionmaker at the conclusion of that proceeding.

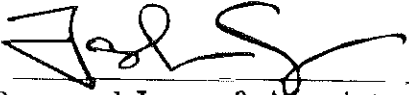
13. The Parties acknowledge and agree that this Consent Order contains the entire understanding of the Parties and supersedes and forever terminates all prior and contemporaneous representations, promises, understandings, and negotiations, whether oral or written, with respect to its subject matter. The Parties further agree that this Consent Order may only be amended, modified, or supplemented by a duly executed writing signed by each Party and approved by Order of the Administrator.
14. The Parties acknowledge and represent that: (a) each Party has read this Consent Order in its entirety and fully understands all of its terms, conditions, ramifications, and consequences; (b) each Party unconditionally consents to the terms of this Consent Order; (c) each Party has consulted with or had ample opportunity to consult with legal counsel of his, her, or its choosing prior to executing this Consent Order; (d) each Party has freely and voluntarily signed this Consent Order; and (e) the consideration received by each Party as described in this Consent Order is adequate.
15. Respondent understands and intends that by signing this Consent Order, it is waiving the right, pursuant to the Act, the rules promulgated under that Act and the Uniform Securities Act (Predecessor Act), 1964 PA 265, MCL 451.501 *et seq.*, and the Administrative Procedures Act, 1969 PA 306, MCL 24.201 *et seq.*, to prior notice and a hearing before an administrative law judge, at which the Bureau would be required to defend any disciplinary action taken under Section 412 of the Act, MCL 451.2412, by presentation of evidence and legal authority and at which Respondent would be entitled to appear with or without an attorney to cross-examine all witnesses presented by the Bureau and to present such testimony or other evidence or legal authority deemed appropriate.
16. The Parties agree that this Consent Order: (a) does not and shall not be interpreted to subject Respondent or its associated persons to disqualification, or to form the basis for such a disqualification, under the federal securities laws, or rules or regulations thereunder, including without limitation, Section 3(a)(39) of the Securities Exchange Act of 1934, as

amended, and as used therein; or Section 203(e)(9) of the Investment Advisers Act of 1940, as amended, or the rules and regulations of any self-regulatory organization, or the securities laws, rules, and regulations of the various states, commonwealths, and territories of the United States of America, including without limitation, any disqualification from relying upon the exemptions from securities registration or related safe harbor provisions; (b) does not disqualify Respondent or its affiliates or any current or former officers, directors, trustees, agents, members, partners or employees of Respondent and Respondent's affiliates from any business that they are otherwise qualified or licensed to perform; (c) does not state, imply, or constitute a finding that Respondent or its affiliates or any current or former officers, directors, trustees, agents, members, partners, associated persons, or employees of Respondent or Respondent's affiliates engaged in willful, reckless, manipulative, deceptive, or fraudulent conduct, or serve as the basis for any future action to establish violation of the federal laws, rules or regulations of self-regulatory organizations; (d) for any person or entity not a party to this Consent Order, does not limit or create any private rights or remedies against Respondent, limit or create liability of Respondent, or limit or create defenses of or for Respondent to any claims; and (e) that, pursuant to Rule 506 and Rule 262 of the Securities Act of 1933 ("1933 Act"), disqualification under Rules 504 or 506, or Rule 262 under the 1933 Act should not arise as a consequence of this Consent Order. The application of this paragraph is limited solely to this Consent Order and the conduct resolved in connection therewith, and it does not otherwise limit or affect application of the cited statutes and rules in any other respect.

17. The Parties agree that this Consent Order is a public record required to be published and made available to the public, consistent with section 11 of the Michigan Freedom of Information Act, MCL 15.241. The Bureau currently publishes copies of orders issued under the Securities Act to the Bureau's website and includes a summary of order content in monthly disciplinary action reports separately published on its website. The Administrator will also update its Form U6 filed with the CRD.
18. The Parties agree that facsimile or electronically transmitted signatures may be submitted in connection with this Consent Order and are binding on that Party to the same extent as an original signature.

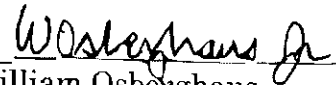
Through their signatures, the Parties agree to the above terms and conditions.

Dated: 3/20/20

Signed:   
Raymond James & Associates, Inc.  
By: TASH ELWIN

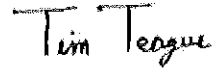
Acknowledged and Review by:

Dated: 3/22/20

  
William Osberghaus  
Attorney for Respondent

Approved by:

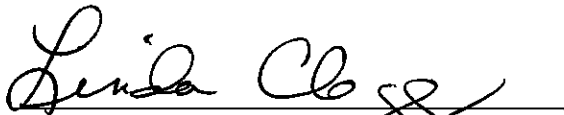
Dated: 3/23/20

Signed:   
Timothy L. Teague  
Securities & Audit Division Director  
Corporations, Securities & Commercial  
Licensing Bureau

C. ORDER

The Administrator NOW, THEREFORE, ORDERS:

THE TERMS AND CONDITIONS IN THIS CONSENT ORDER ARE BINDING AND EFFECTIVE, IN ACCORD WITH THE FULLY EXECUTED STIPULATION CONTAINED HEREIN.

A handwritten signature in cursive script that reads "Linda Clegg". The signature is written in black ink and is positioned above a horizontal line.

Linda Clegg, Administrator and Interim Director  
Corporations, Securities & Commercial Licensing Bureau

**STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU**

In the matter of:

Agency No. 339092

RAYMOND JAMES & ASSOCIATES, INC.  
CRD# 705

Respondent.

\_\_\_\_\_ /

This 25<sup>th</sup> day of October, 2019

Issued and entered

**NOTICE OF INTENT TO CENSURE AND FINE BROKER-DEALER**

**I. RELEVANT FACTS AND APPLICABLE LAW.**

Relevant information and statutory provisions, under the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq* (the "Securities Act"):

1. Raymond James & Associates, Inc. (CRD#705) ("Raymond James") is a broker-dealer that has been registered pursuant to the Securities Act in Michigan since in or around February of 1983.
2. The Corporations, Securities, and Commercial Licensing Bureau ("Bureau") within the Department of Licensing and Regulatory Affairs began an investigation of an agent previously associated with Raymond James, Timothy Dijak (CRD#1278867, "Dijak"), after Raymond James disclosed that it had terminated Dijak for unsuitable sales practices surrounding Unit Investment Trusts ("UIT" or "UITs"). Thereafter, Raymond James provided the Bureau with information related to another agent previously associated with the firm, Robert Rubarth (CRD#2315888, "Rubarth"), who was terminated by Raymond James for similar sales practices with respect to UITs.
3. The Bureau's investigations into Raymond James, Dijak, and Rubarth resulted in the issuance of a Notice of Intent to Revoke, Suspend, Condition, or Limit the registrations of both Dijak (Exhibit 1) and Rubarth (Exhibit 2), in addition to this Notice of Intent to Censure and Fine Broker-Dealer.
4. The Bureau's investigation developed evidence that Raymond James failed to reasonably supervise Dijak and Rubarth in their sales of UITs to the investing public.
5. UITs are federally registered investment companies that hold fixed, non-managed securities portfolios which terminate on a predetermined date.



6. UITs typically charge investors in three phases. First, an up-front sales charge is assessed to the investor at the point of purchase; second, often in the second or third month after the offering period, a creation and development fee is charged; third, usually in months five, six, and seven of the UIT's lifespan, a deferred sales charge is assessed each month. Thereafter, the product is typically held without further fees until its maturity. Many UITs have maturities of 15 to 24 months, with some debt-based UITs terminating after several decades. At termination of a UIT, the securities held by the UIT are liquidated and the proceeds are distributed to investors, or investors may receive their pro rata share of the securities in kind. If an investor rolls the proceeds of the terminated UIT into a new UIT with the same sponsor, the cost of the subsequent UIT purchase is often at a lower cost to the investor than if it was a new UIT purchase.
7. Given the front-loaded nature of UIT fees and expenses, if an investor liquidates the UIT before maturity and uses the proceeds to purchase a new UIT, the investor loses the time that it would hold the UIT without further fees. Doing this repeatedly causes an investor to incur unnecessary fees at an accelerated rate, which is one reason that UITs are intended for buy-and-hold investors.
8. Broker-dealers and their agents receive more frequent, and therefore higher, fee and commission payments at the expense of investors when they repeatedly recommend pre-maturity liquidations of UITs, then subsequently recommend reinvestment of the proceeds in new UITs instead of allowing UITs to mature before reinvestment. These practices have been referred to by the Securities and Exchange Commission ("SEC") as "short-hold transactions"; by the Financial Industry Regulatory Authority ("FINRA") as "early rollovers or exchanges"; and by Raymond James in its correspondence with Bureau staff as "short hold switches".
9. Dijak and Rubarth both engaged in short-hold transactions in customer accounts on a frequent basis while employed by or associated with Raymond James. Raymond James did not have adequate policies and procedures in place to reasonably supervise Dijak's<sup>1</sup> and Rubarth's<sup>2</sup> UIT short-hold transaction trading. Raymond James had written supervisory procedures ("WSPs") for UITs; however, the WSPs only called for supervisor review of the time period between the initial purchase by the investor and its sale. The WSPs did not direct supervisors to review the time left before maturity when a UIT was sold.

---

<sup>1</sup> Analysis by Bureau staff shows that between June 3, 2013 and May 30, 2018, Dijak executed 8,987 UIT transactions and that, of those, 5,271 were sell transactions. Of the 5,271 sell transactions, 4,858 were executed at least 100 days before the UIT's maturity date. On average, Dijak sold UITs 390 days prior to UIT maturity dates.

<sup>2</sup> Analysis by Bureau staff shows that between June 3, 2013 and May 30, 2018, Rubarth executed 2,327 UIT transactions. Of those, 1,043 were sell transactions. Of the 1,043 sell transactions, 947 were executed at least 100 days before maturity of the UIT. On average, Rubarth sold UITs 345 days prior to UIT maturity dates.

10. The failure to reasonably supervise Dijak and Rubarth led to unsuitable transactions in many customer accounts over several years, causing investors to sell UITs repeatedly and significantly before maturity; subsequent reinvestments of sales proceeds in new UITs frequently followed. The pattern of short-hold selling and purchasing new UITs caused investors to incur accelerated and excessive fees and charges under the circumstances.

11. The Director ("Administrator") of the Bureau has reviewed materials relating to Raymond James's actions as a registrant under the Securities Act. The Administrator has determined that it is authorized, appropriate, and in the public interest to censure, impose a bar, or impose a civil fine, based upon Raymond James's conduct discussed above and hereafter.

12. Section 412(3) of the Securities Act, MCL 451.2412(3), states:

If the administrator finds that the order is in the public interest and subsection (4)(a) to (f), (i) to (j), or (l) to (n) authorizes the action, an order under this act may censure, impose a bar, or impose a civil fine in an amount not to exceed a maximum of \$10,000.00 for a single violation or \$500,000.00 for more than 1 violation on a registrant...

13. Section 412(4) of the Securities Act, MCL 451.2412(4) states in relevant part:

(4) A person may be disciplined under subsections (1) to (3) if any of the following apply to the person:

\*\*\*

(i) The person has failed to reasonably supervise an agent, investment adviser representative, or other individual, if the agent, investment adviser representative, or other individual was subject to the person's supervision and committed a violation of this act or the predecessor act or a rule adopted or order issued under this act or the predecessor act within the previous 10 years...

14. Section 412(6) of the Securities Act, MCL 451.2412(6), states:

(6) The administrator may suspend or deny an application summarily, restrict, condition, limit, or suspend a registration, or censure, bar, or impose a civil fine on a registrant pending final determination of an administrative proceeding. On the issuance of the order, the administrator shall promptly notify each person subject to the order that the order has been issued, the reasons for the action, and that, within 15 days after the receipt of a request in a record from the person, the matter will be scheduled for a hearing. If a hearing is not requested by a person subject to the order or is not ordered by the administrator within 30 days after the date of service of the order, the order is final. If a hearing is requested or ordered, the administrator, after notice of and opportunity for

hearing to each person subject to the order, may modify or vacate the order or extend the order until final determination.

15. The Administrator may censure, impose a bar, or impose a civil fine pursuant to section 412(3) of the Securities Act, MCL 451.2412(3), because it is in the public interest, and because:

A. Raymond James has failed to reasonably supervise its agents that were subject to its supervision, and those agents committed violations of the Securities Act within the previous 10 years.

## **II. ORDER.**

The Administrator finds that this ORDER is authorized, appropriate, and in the public interest based on the above-cited facts and law.

IT IS ORDERED as follows:

1. The Administrator intends TO CENSURE AND FINE RAYMOND JAMES & ASSOCIATES, INC. under section 412(3) of the Securities Act, MCL 451.2412(3), because it has failed to supervise its agents, which supports the imposition of a censure and a fine under the above-cited provisions of the Michigan Uniform Securities Act (2002), 2008 PA 551, MCL 451.2101 *et seq.*

2. In her final order, the Administrator intends to impose a civil fine of \$250,000.00 against Raymond James under section 412(3) of the Securities Act, MCL 451.2412(3).

3. In accordance with sections 412(3) and 412(6) of the Securities Act, MCL 451.2412(3) and MCL 451.2412(6): This is NOTICE that the Administrator intends to commence administrative proceedings to censure, impose a bar, or impose a civil fine, and that Raymond James has thirty (30) calendar days after the date that this Order is served on it to submit a written request to the Administrator that this matter be scheduled for a hearing. If the Administrator timely receives a written request, the Administrator shall schedule a hearing within 15 days after receipt of the written request. If a hearing is not requested by Raymond James or is not ordered by the Administrator within 30 days after the date of service of this Order, then the Order becomes FINAL. If a hearing is requested or ordered, the Administrator, after notice of and an opportunity for hearing to Raymond James, may modify or vacate this Order or extend the Order until final determination.

## **III. ORDER FINAL ABSENT HEARING REQUEST**

1. Under section 412(6) of the Securities Act, MCL 451.2412(6), the Raymond James's failure to submit a written request for a hearing to the Administrator within 30 days after the service date of this NOTICE OF INTENT TO CENSURE AND FINE BROKER-DEALER shall result in this order becoming a FINAL ORDER by operation of law. The FINAL ORDER includes

the imposition of the fines described in section II.2, and the fine amounts set forth below will become due and payable to the Administrator within sixty (60) days after the date this order becomes final:

\$250,000.00 – Raymond James & Associates, Inc., under section 412(3) of the Securities Act, MCL 451.2412(3).

2. CIVIL FINE payments should be payable to the STATE OF MICHIGAN and contain identifying information (e.g., names and complaint numbers) and mailed to the following address:

Corporations, Securities & Commercial Licensing Bureau  
Final Order Monitoring  
P.O. Box 30018  
Lansing, MI 48909

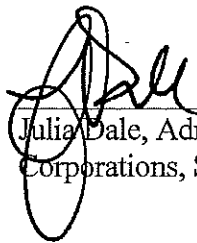
3. Failure to comply with the terms of this Order within the time frames specified may result in additional administrative penalties, including the summary suspension or continued suspension of all registrations held by Raymond James under the Securities Act, the denial of any registration renewal, and/or the denial of any future applications for registration, until full compliance is made. Raymond James may voluntarily surrender or withdraw a registration under the Securities Act; however, the surrender or withdrawal will not negate the summary suspension or continued suspension of the relevant registrations or any additional administrative proceedings if a violation of this Order or the Securities Act occurred.

4. Failure to pay the civil fines within six (6) months after this Order becomes final may result in the referral of the civil fines to the Michigan Department of Treasury for collection action against Raymond James.

**If Raymond James requests a hearing, the request must be in writing and filed with the Department of Licensing and Regulatory Affairs, Corporations, Securities & Commercial Licensing Bureau, Regulatory Compliance Division, P.O. Box 30018, Lansing, MI 48909.**

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

By:



Julia Dale, Administrator and Director  
Corporations, Securities & Commercial Licensing Bureau

10/28/19  
Date