

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934

Release No. 95875 / September 22, 2022

ADMINISTRATIVE PROCEEDING

File No. 3-21133

In the Matter of

**RAYMOND JAMES &
ASSOCIATES, INC.,**

Respondent.

**ORDER INSTITUTING
PROCEEDINGS AND
MAKING FINDINGS
PURSUANT TO SECTION
15(b)(4) OF THE SECURITIES
EXCHANGE ACT OF 1934**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b)(4) of the Securities Exchange Act of 1934 (“Exchange Act”) against Raymond James & Associates, Inc. (“Raymond James” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Raymond James has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Raymond James consents to the entry of this Order Instituting Proceedings and Making Findings Pursuant to Section 15(b)(4) of the Securities Exchange Act of 1934 (“Order”), and to the findings as set forth below.

III.

On the basis of this Order and the Respondent's Offer, the Commission finds¹:

A. SUMMARY

1. From October 2015 through March 2019, Frederick M. Stow ("Stow"), a registered representative associated with Raymond James, misappropriated \$901,500 from the individual retirement account ("IRA") of an elderly customer, with \$148,000 of that amount misappropriated during the time period of Raymond James' supervisory failures herein from July 2018 through April 2019. Stow executed the scheme by forging or otherwise by fraudulently obtaining wire transfer authorization letters and diverting the customer's funds to his personal bank account. The customer passed away in March, 2019, at the age of 98, and his accounts were frozen. Soon thereafter, Stow misappropriated \$22,400 from another elderly customer by forging a wire transfer authorization letter and diverting that customer's funds to another of Stow's personal accounts. Raymond James did not discover Stow's fraud until May 2019, when Stow confessed it to his supervisor.

2. In June 2018, ten months before Stow confessed his fraud, Stow's supervisor personally met with the first defrauded customer and elevated concerns about Stow and the customer's account to more senior supervisory personnel and compliance. Specifically, Stow's supervisor communicated that: (1) the customer did not fully understand his financial affairs; (2) "extremely high" amounts of money that appeared to exceed the customer's living expenses were being transferred by wire from his individual retirement account; (3) Stow was personally paying the associated wire expenses even though he was not earning significant commissions from the account; and (4) Stow's performance was poor and declining, he was earning little income, and he was in arrears on a recruiting loan.

3. In June 2018, with the input of compliance personnel, a supervisory group that included Stow's direct supervisor and others in the supervisory chain (collectively, "Supervisors") collectively referred the matter to the firm's Senior-and-at-Risk-Clients group ("SARC"), which had been formed in 2017 to primarily respond to potential external threats of financial exploitation, e.g., from family members or caregivers. Due to a lack of clear communication about the scope of SARC's investigation, and the process for next steps after SARC's work, the Supervisors did not undertake any further action other than putting Stow on a performance improvement plan.

4. In rolling out SARC, Raymond James lacked policies and procedures reasonably designed to clearly communicate to supervisory and compliance staff SARC's

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

process or the scope of SARC's work in supporting supervisors. While rolling out the program, Raymond James directed its personnel to send all concerns regarding suspected financial abuse of seniors to SARC, but did not adequately inform interested parties, including supervisors, about the scope and results of SARC's reviews.

B. RESPONDENT

5. Raymond James & Associates, Inc. is a corporation that is organized under the laws of the State of Florida and has its principal place of business in St. Petersburg, Florida. Raymond James has been registered with the Commission as a broker-dealer since 1962 and as an investment adviser since 1974. The firm is a wholly owned subsidiary of Raymond James Financial, Inc., a publicly held corporation traded on the New York Stock Exchange.

C. OTHER RELEVANT INDIVIDUAL

6. Frederick Markley Stow was a registered representative associated with Raymond James from 2013 until May 29, 2019. On October 29, 2020, Stow pleaded guilty in a related criminal matter to aggravated identity theft, wire fraud, and securities fraud, and was later sentenced to a term of 60 months of incarceration. On July 9, 2021, a final judgment was entered by consent against Stow enjoining him from future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. On July 13, 2021, pursuant to Stow's consent, the Commission entered an order barring Stow from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, or from participating in any offering of a penny stock.

D. STOW'S BRANCH MANAGER CONDUCTS A REVIEW OF CUSTOMER'S ACCOUNT AND INTERVIEWS CUSTOMER

7. In January 2018, Raymond James named a new branch manager ("Branch Manager") to manage Raymond James' Cool Springs, Tennessee branch, and tasked him with reviewing the branch's accounts to familiarize himself with the branch's financial advisors and clients. Others in the supervisory chain suggested to Branch Manager that he should review senior citizens' accounts.

8. Branch Manager memorialized his review in several memoranda, which he forwarded to Supervisors and compliance in June 2018. Branch Manager also discussed the findings of his review with his Supervisors and compliance that same month.

9. Pursuant to Supervisors' suggestion, one of the accounts that Branch Manager reviewed belonged to one of Stow's customers, a World War II-era veteran ("Customer"), who was 98 years old.

10. Branch Manager noted in his memoranda that “extremely high” amounts of money were being wire transferred from Customer’s account and that the amounts seemed excessive considering Customer’s known living expenses, which Branch Manager stated from the perspective of a person who had personal experience managing the finances of his own parents who, like Customer, also required full-time caregivers.

11. Branch Manager further stated that the wire transfers occurred at a rate of one to two wires per week at times, and that Stow personally paid the wire fees for those transfers even though he was not earning much in commissions from the account.

12. Given the amounts and nature of the withdrawals, Branch Manager was concerned that someone could be taking advantage of Customer. So, in mid-June 2018, Branch Manager met with Customer in Customer’s home, where he lived alone with a 24-hour caregiver. Branch Manager noted that Customer was aware of the balance of his account and that he “just sign[s] checks that are put in front of [him]”. After meeting with Customer for approximately one hour, Branch Manager determined that Customer’s memory was impaired and that he could be vulnerable.

13. On June 18, 2018, after meeting with Customer, Branch Manager met with Stow about his concerns regarding Customer’s account, and additional concerns he had about Stow’s business practices, and Stow’s poor and declining performance, which he noted in a separate memorandum.

14. Among other things, Branch Manager noted that Customer did not have the name of a trusted contact or power-of-attorney on file for Customer’s account. Branch Manager also asked Stow about the wire fees, and Stow explained that he was paying Customer’s wire fees, because he was “just trying to help the client out.”

15. Branch Manager, had a separate concern about another account of an elderly customer of Stow’s, who was an 86-year-old woman living in a memory care facility. Branch Manager did not see a power-of-attorney on file for this customer and so he was concerned that Stow executed unauthorized trades in this customer’s account at the direction of the customer’s son. Stow explained that he thought he had a power-ofattorney for the son.

16. Branch Manager advised Stow that he was going to escalate his concerns about Customer’s account and the other elderly customer’s account to Raymond James’ compliance group and its newly created SARC group, which investigates whether a person outside the firm could be taking advantage of a senior customer.

E. STOW’S BRANCH MANAGER ELEVATES CONCERNS TO SUPERVISORS

17. Branch Manager discussed his concerns with Supervisors and Raymond James’ compliance officer for the Nashville-area branches (“Compliance Officer”).

18. On June 20, 2018, Branch Manager also emailed his memorandum detailing his concerns to his supervisor and Compliance Officer. Compliance Officer forwarded Branch Manager's memoranda to SARC with Branch Manager's approval, stating that the "supervisory side" would also be meeting to address Branch Manager's concerns but that they might need SARC's help.

19. On June 28, 2018, Branch Manager, Supervisors, and the Compliance Officer met to discuss Branch Manager's concerns about Customer's account and the other elderly customer's account, as well as Stow's poor and declining performance.

20. During the meeting, Branch Manager, Supervisors, and Compliance Officer discussed all of the concerns identified in Branch Manager's review. In addition, they discussed the fact that Stow's performance was poor and declining, that he was in arrears on a \$361,000 loan Raymond James had previously made to him, and that he was earning only approximately \$1,200 per month after withholdings because the firm had retained almost his entire payout for the last six months, which still was insufficient to cover the minimum loan payments.

21. The group collectively determined to refer both elderly customers' accounts to SARC for follow-up. However, none of the group understood SARC's process or the scope of SARC's work in supporting supervisors.

F. RAYMOND JAMES' SENIOR AND AT-RISK CLIENTS GROUP CONDUCTS A LIMITED REVIEW OF CUSTOMER'S ACCOUNT ACTIVITY AND DETERMINES THAT FURTHER ACTION IS NOT WARRANTED

22. Upon receiving Compliance Officer's referral, SARC conducted an investigation limited to a review of account documents and notes from the Branch Manager's review and interviews, in part, to comply with two newly enacted FINRA rules, Rules 2165 and 4512. These FINRA rules permit member firms to place temporary holds on disbursements of funds or securities from the accounts of specified adults, including customers aged 65 or older, where there is a reasonable belief of financial exploitation of these customers, and require firms to make reasonable efforts to obtain the name of and contact information for a trusted contact person for a customer's account. SARC's investigation of the Customer was directed towards determining whether any person outside of the firm was exploiting the Customer. Consequently, SARC's investigation did not specifically contemplate the potential exploitation of a senior customer by a registered representative.

23. The SARC analyst took three steps to investigate Branch Manager's concerns. First, he reviewed account documents for inconsistencies in each account's activity, such as varying frequency or amounts of distributions. Second, he reviewed the notes Stow had placed in the customers' files to give him a "picture" of the customers' lives. Third, he reviewed account documents to determine whether there were other persons authorized to act on behalf of the customers per letters of authorization or powers

of attorney. Aside from the Branch Manager's notes and meeting summaries which were provided to SARC, neither the SARC analyst nor anyone else from SARC ever spoke to the customers, Branch Manager, or Stow.

24. Upon completing this limited investigation, on July 10, 2018, the SARC analyst replied to Compliance Officer's initial email, stating that he did not see anything that would require SARC to take immediate action, such as Adult Protective Services notification or account restrictions. At the time, SARC was not required to document the review nor report its findings if SARC had concluded no action was required. As a result, when SARC's work was completed, Stow's Supervisors were not adequately informed that the review of Stow's customers focused on external threats.

G. SUPERVISORS TAKE NO FURTHER ACTION FOLLOWING THE SENIOR AND AT-RISK CLIENTS GROUP'S DECISION NOT TO TAKE ACTION

25. Around July 2018, Compliance Officer informed Supervisors, of SARC's determination that no immediate action was required.

26. Supervisors never saw any documentation from SARC nor spoke directly with anyone in SARC and thereby had an inadequate understanding of the work that SARC did.

27. After SARC's review, Stow's performance continued declining. In November 2018, Raymond James placed Stow on a performance improvement plan because his gross production had fallen below its minimum requirement. From July 2018 until Customer's passing in March 2019, Stow continued to misappropriate money from Customer every month, using the same scheme as before. Because there was no change in circumstances to warrant an additional inquiry beyond what had already been completed, Raymond James did not conduct any further meaningful supervisory inquiry specifically directed at Stow's potential theft.

28. In April 2019, Stow misappropriated money from another elderly customer using the same scheme he had used to misappropriate money from Customer. In May 2019, Stow ultimately confessed his scheme to Branch Manager after being questioned repeatedly by the executor of Customer's estate about the missing money.

H. RAYMOND JAMES FAILED REASONABLY TO SUPERVISE

29. As a result of the conduct described above, Raymond James failed reasonably to supervise Stow within the meaning of Section 15(b)(4)(E) of the Exchange Act with a view to preventing and detecting his violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Raymond James failed to develop policies and procedures reasonably designed to clearly communicate to supervisory and compliance staff SARC's process or the scope of SARC's work in supporting supervisors.

REMEDIAL STEPS

In determining whether to accept the Offer, the Commission has considered the following remedial steps the firm has taken. Following the discovery of Stow's fraud, the Firm enhanced aspects of its processes related to SARC consultation with the reporting personnel and his or her supervisor; training; and engagement. SARC now documents its consultation and the results of its review, including notification to supervisors and, if applicable, the Firm's compliance and supervision departments, so that there is a clear hand-off when SARC completes an investigation. Moreover, Raymond James has also added organizational enhancements in order to involve supervisory personnel directly in SARC's work. This development, among other things, enhances SARC's communication with supervisors and control functions and provides "boots on the ground" engagement by supervisory personnel on senior exploitation issues. This enhancement to the program also provides more targeted training in identifying and escalating potential issues to the engaged supervisors, which supplements other firm training on senior exploitation issues.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer. Accordingly, it is hereby ORDERED that:

A. Raymond James be and hereby is censured; and

B. Raymond James shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$500,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard Oklahoma
City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Raymond James as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Justin Jeffries, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 950 East Paces Ferry Road N.E., Suite 900, Atlanta, GA 30326-1232.

Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa Countryman
Secretary