NEW YORK STOCK EXCHANGE LLC
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2016-07-01067

TO: New York Stock Exchange LLC

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

During the period from January 1, 2014, through August 31, 2016 (the "Relevant Period"), Raymond James & Associates, Inc. ("RJA" or the "Firm") violated: (1) Rule 15c3-5 of the Securities Exchange Act of 1934 (the "Exchange Act"), by failing to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial and regulatory risks of its business activity; and (2) NYSE Rule 3110 and former NYSE Rule 342, by failing to establish and maintain a supervisory system reasonably designed to achieve compliance with applicable laws, rules, and regulations, in connection with its: (1) calculation and implementation of certain customer credit limits; (2) determination of certain erroneous order controls; and (3) conducting of annual reviews. Consent to a censure and a $400,000 fine.

* * *

Pursuant to Rule 9216 of the New York Stock Exchange LLC (the "NYSE" or the "Exchange") Code of Procedure, RJA submits this Letter of Acceptance, Waiver, and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, the NYSE will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I. ACCEPTANCE AND CONSENT

A. RJA hereby accepts and consents, solely for the purposes of this proceeding and any other proceeding brought by or on behalf of the NYSE, or to which the NYSE is a party, prior to a hearing and without an adjudication of any issue of law or fact, and without admitting or denying the findings, to the entry of the following findings by the NYSE:

BACKGROUND AND JURISDICTION

1. RJA is a Florida corporation based in St. Petersburg, Florida, with offices throughout the United States, including New York City, New York. RJA has been registered as a broker-dealer with the Securities and Exchange Commission ("SEC") since 1962, and with the NYSE since 1973.

PROCEDURAL HISTORY

2. This matter arises from two referrals to NYSE Regulation by the Financial Industry Regulatory Authority, Inc. ("FINRA"). One referral originated from an investigation by the New York Equities Section of FINRA's Department of Market Regulation,

and concerned clearly erroneous execution ("CEE") filings by the Firm pursuant to NYSE Rule 128. The second referral originated from the 2014 Cycle Examination conducted by the Office of Risk Oversight and Operational Regulation of FINRA's Regulatory Operations Department. That examination reviewed, among other things, the Firm's compliance with Rule 15c3-5 of the Exchange Act (the "Market Access Rule" or "Rule 15c3-5").

VIOLATIONS

3. Rule 15c3-5 requires that a broker or dealer with market access, or that provides a customer with market access, "shall establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of this business activity." Rule 15c3-5(b).

4. The Market Access Rule, in conjunction with the Rule's Adopting Release, specifies certain financial and regulatory risks and corresponding requirements, including the requirement to design reasonable controls and supervisory procedures to prevent the entry of orders that exceed pre-set aggregate credit thresholds for customers, and to prevent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters. *See* Rule 15c3-5(c).

5. In addition, the Market Access Rule requires broker-dealers to establish, document, and maintain a system for regularly reviewing the effectiveness of the above-mentioned controls. *See* Rule 15c3-5(e).

6. The requirements of the Market Access Rule "apply broadly to all forms of market access by broker-dealers that are exchange members or ATS subscribers, including sponsored access, direct market access, and more traditional agency brokerage arrangements with customers, as well as proprietary trading." Risk Management Controls for Brokers or Dealers with Market Access, Exchange Act Release No. 34-63241, 75 Fed. Reg. 69791 (Nov. 3, 2010) (hereinafter "Adopting Release"), at 25.

7. NYSE Rule 3110(b)(1) requires that "Each member organization shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange rules." Rule 3110 took effect on December 1, 2014. Prior to its adoption, NYSE Rule 342(b) imposed similar obligations, requiring member organizations to "provide for appropriate supervisory control . . . of the organization," including "supervision and control of each office, department or business activity."

8. RJA violated the Market Access Rule and NYSE supervision rules in connection with its: (1) calculation and implementation of certain customer credit thresholds; (2) determination of certain erroneous order controls; and (3) conducting of annual reviews.

(1) Violations with Respect to Customer Credit Thresholds

9. Exchange Act Rule 15c3-5(c)(1)(i) requires that broker-dealers' risk management controls and supervisory procedures be reasonably designed to "prevent the entry of orders that exceed appropriate pre-set credit or capital thresholds in the aggregate for each customer." The Market Access Rule's Adopting Release explains that these thresholds should be determined "based on appropriate due diligence as to the customer's business, financial condition, trading patterns, and other matters," and that a broker-dealer must "document that decision." Adopting Release at 39. The SEC reiterated these criteria and documentation obligations on April 15, 2014, in its Response to Frequently Asked Questions Concerning Risk Management Controls for Brokers or Dealers with Market Access.

10. This matter concerns the establishment and implementation of credit limits for the orders of institutional counterparties that were effected on an agency basis (the "Customer Orders"). The Firm did not provide these customers direct market access and the Customer Orders were manually entered into the NYSE SuperDOT by Firm traders. The Firm did not allow customers to enter orders into NYSE SuperDOT.

11. The Firm failed to satisfy the above-mentioned Market Access Rule credit threshold requirements with respect to the Customer Orders by: (i) adopting an unreasonable methodology for determining customer credit thresholds; and (ii) failing to reasonably implement its customer credit thresholds.

Credit Threshold Methodology

12. During the Relevant Period, the Firm's methodology for setting customer credit thresholds was set forth in the Enterprise Risk Management Credit Risk Management Policy (the "CRM Policy"). The CRM Policy defined the Firm's "credit limits" as "the maximum recommended level of credit and/or market exposure that should be extended based on a financial assessment and the anticipated and/or historical usage of a borrower and/or counterpart." The CRM Policy went on to provide global exposure limits, which were derived from the risk rating the Firm assigned to a customer and the customer type (*i.e.*, bank, broker-dealer, or asset manager).

13. However, the Firm did not use these credit limits as automated pre-trade blocks, and thus they did not function as credit thresholds as defined in the Market Access Rule. *See* Rule 15c3-5(c)(1).

14. Instead, the Firm created separate automated pre-trade blocks based on the risk rating the Firm assigned to each customer. The purpose of these blocks was "to identify and prevent large erroneous trading." They applied only to equities trading and, in some circumstances, the amount of the automated pre-trade blocks exceeded the global exposure limits described above. At times, these blocks were more than $100 million larger than the credit limits assigned to the same Firm customers.

15. As a result of the foregoing, the Firm failed to establish, document, and maintain risk

management controls and supervisory procedures reasonably designed to prevent the entry of orders that exceed appropriate pre-set credit thresholds.

Implementation of Credit Thresholds

16. The Firm's implementation of its pre-trade credit thresholds was also unreasonable.

17. Throughout the Relevant Period, the Firm failed to undertake the analysis necessary for it to determine an appropriate risk rating and corresponding credit limit for certain Firm customers. On certain occasions, the Firm's Credit Risk Management Group was unable to obtain customer financial information from Firm traders, and thus the Firm did not assign these customers a risk rating, credit limit, or automated pre-trade block. As a result, in those instances the Firm entered the Customer Orders without the credit thresholds required by the Market Access Rule.

18. In other instances, the Firm failed to implement an automated pre-trade block for customers notwithstanding that the Firm had assigned such customers a risk rating and credit limit. In those instances as well, the Firm entered the Customer Orders without the credit thresholds required by the Market Access Rule.

19. In addition, the Firm assigned some customers multiple trading locations in its order management system, which it called short names. The Firm assigned the applicable automated pre-trade block to each short name. However, for certain of these customers, the Firm failed to aggregate trading across such short names, thereby effectively enabling Customer Orders in multiples of the assigned automated pre-trade credit threshold.

20. The Firm also failed on certain instances to correctly enter automated pre-trade credit thresholds. In certain situations, the automated pre-trade credit thresholds were inaccurately entered at a limit significantly higher than assigned. For example, in one instance, the Firm intended to implement a pre-trade automated block for a customer account of $150 million, but mistakenly entered an amount of $750 million, which the Firm failed to correct for 15 months. According to the Firm, the customer did not trade in excess of the intended $150 million block amount.

21. The acts, practices, and conduct described above in paragraphs 12 through 20 constitute violations of Rule 15c3-5(b), Rule 15c3-5(c)(1)(i), NYSE Rule 342 (prior to December 1, 2014), and NYSE Rule 3110 (on and after December 1, 2014).

(2) Violations with Respect to Erroneous Order Controls

22. Pursuant to Rule 15c3-5(b) and 15c3-5(c)(1)(ii), broker-dealers are required to establish, document, and maintain "risk management controls and supervisory procedures . . . reasonably designed to . . . [p]revent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time, or that indicate duplicative orders." The Market Access Rule requires such controls and procedures in order to reduce risks to broker-dealers, their customers, and the securities markets.

23. The Firm failed to satisfy these requirements by: (i) failing to implement certain hard limit erroneous order controls based on the individual trading characteristics of the relevant security, share quantity, or a reasonable notional quantity; and (ii) failing to reasonably supervise the overriding of soft limit erroneous order controls.

24. During the Relevant Period, NYSER identified orders for which the Firm filed a CEE petition or which otherwise qualified for treatment as a CEE pursuant to NYSE Rule 128, including:

    a. On March 12, 2014, RJA received by FIX message an order to buy 172,800 shares of stock "ABC" from an institutional customer. A Firm trader inadvertently entered the order in its entirety directly into the NYSE SuperDOT as a market order to buy. The approximately $3 million order executed immediately in its entirety, and the price of ABC increased $.62 (4%) from $17.38 to $18.00. The order constituted approximately 4% of the symbol's 4.5 million share average daily volume. The Firm filed a CEE petition with the NYSE, which the exchange denied because the executions failed to meet the required price movement.

    b. On June 18, 2014, the Firm received by FIX message an order to buy 30,000 shares of stock "DEF" from an institutional customer. A Firm sales trader inadvertently routed the order directly to SuperDOT as a market order, which executed instantly, increasing the price $1.50, or approximately 5%. The approximately $950,000 order constituted 9% of the symbols 350,000 share average daily volume over the prior 30 trading days. The Firm filed a clearly erroneous error petition with the NYSE, and the Exchange busted all trades above $33.04, totaling 8,748 shares.

25. Reasonable erroneous order controls based on the individual trading characteristics of the relevant security, notional quantity, or share quantity may have prevented these trades and the resulting CEE petitions.

26. During the Relevant Period, the Firm implemented a hard single order limit of $100 million in our around September 2014, which it reduced to $75 million in or around December 2016. In addition, the Firm used certain soft limits, including warnings when a Firm trader entered an order equal to or greater than 100,000 shares or an order with a limit price equal to or greater than 4% away from the market.

27. However, prior to in or around September 2014, the Firm failed to implement any single order hard limits. Thus, at the time of the Firm's two CEE petitions, the Firm lacked any hard limits to restrict erroneous orders. In addition, throughout the Relevant Period, the Firm failed to implement a single order hard limit based on the characteristics of the traded security—such as a limit derived from the security's average daily traded volume—or based on share volume.

28. In addition, the Firm set the hard limits it did implement at unreasonably high levels

($100 million and $75 million). The Firm's trades in the above-mentioned CEE petitions amounted to approximately $3 million and $1 million, and would not have been prevented by the Firm's hard limits despite the fact that each of these trades was erroneous. A reasonable hard limit based on average daily trading volume, notional amount, or share amount could have prevented these trades.

29. As noted, the Firm used certain soft limits during the Relevant Period. However, the Firm failed to train or supervise its traders with respect to the overriding of such limits, and failed to maintain any records of when Firm traders bypassed such soft blocks.

30. Based on the foregoing, the Firm failed to establish, document, and maintain risk management controls and supervisory procedures reasonably designed to prevent the entry of erroneous orders, in violation of Rule 15c3-5(b), Rule 15c3-5(c)(1)(ii), NYSE Rule 342 (prior to December 1, 2014), and NYSE Rule 3110 (on and after December 1, 2014).

(3) Violations with Respect to the Firm's Annual Reviews

31. Exchange Act Rule 15c3-5(e) provides that broker-dealers shall "establish, document, and maintain a system for regularly reviewing the effectiveness of the risk management controls and supervisory procedures . . . and for promptly addressing any issues," including by reviewing, "no less frequently than annually, the business activity of the broker or dealer in connection with market access to assure the overall effectiveness of such risk management controls and supervisory procedures." The Rule further provides that "Such review shall be conducted in accordance with written procedures and shall be documented," and that such procedures and documentation of review must be preserved in a manner consistent with Exchange Act Rule 17a-4(e)(7).

32. Throughout the Relevant Period, the Firm failed to regularly review the effectiveness of its risk management controls and supervisory procedures. The Firm considered only whether its controls were functioning, not whether they were appropriate or effective given the Firm's business. In addition, the Firm's Market Access Rule reviews failed to include an analysis of customer credit limits or automated pre-trade blocks. A reasonable Market Access Rule annual review should have identified the deficiencies noted above, including, in particular, customers trading without—or with inaccurate—automated pre-trade credit thresholds.

33. Based on the foregoing, the Firm violated Exchange Act Rule 15c3-5(e) and NYSE Rule 342 (prior to December 1, 2014) and NYSE Rule 3110 (on and after December 1, 2014).

RELEVANT PRIOR DISCIPLINARY HISTORY

34. In connection with FINRA's 2013 examination of the Firm, the Firm received a letter of cautionary action for violations of Rule 15c3-5 related to the Firm's failure to establish automated pre-trade capital and credit thresholds, failure to establish

reasonable erroneous order controls, and failure to adequately evidence that it performed a reasonable review of its risk management controls.

OTHER FACTORS CONSIDERED

35. In determining to resolve the matter on the basis set forth herein, NYSE Regulation Enforcement took into consideration that the Firm ceased its direct access to any NYSE exchange as of September 2016.

SANCTIONS

B. The Firm also consents to the imposition of the following sanctions:

1. **Censure and fine in the amount of $400,000**

The Firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable, on a schedule to be agreed upon by NYSE Regulation and the Firm. The Firm has submitted a Method of Payment Confirmation form showing the method by which it will pay the fine imposed.

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

The Firm agrees that it shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made pursuant to any insurance policy, with regard to any fine amounts that the Firm pays pursuant to this AWC, regardless of the use of the fine amounts. The Firm further agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state, or local tax for any fine amounts that the Firm pays pursuant to this AWC, regardless of the use of the fine amounts.

II. WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under the NYSE Code of Procedure:

A. To have a Formal Complaint issued specifying the allegations against the Firm;

B. To be notified of the Formal 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 Exchange's Board of Directors and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the Firm specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Regulatory Officer of the NYSE; the Exchange's Board of Directors, Disciplinary Action Committee ("DAC"), and Committee for Review ("CFR"); any Director, DAC member, or CFR member; Counsel to the Exchange Board of Directors or CFR; any other NYSE employee; or any Regulatory Staff as defined in Rule 9120 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.

The Firm further specifically and voluntarily waives any right to claim that a person violated the ex parte communication prohibitions of Rule 9143 or the separation of functions prohibitions of 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

The Firm understands that:

A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed by NYSE Regulation, and accepted by the Chief Regulatory Officer of the NYSE pursuant to NYSE Rule 9216;

B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; and

C. If accepted:

1. The AWC shall be sent to each Director and each member of the Committee for Review via courier, express delivery or electronic means, and shall be deemed final and shall constitute the complaint, answer, and decision in the matter, 25 days after it is sent to each Director and each member of the Committee for Review, unless review by the Exchange Board of Directors is requested pursuant to NYSE Rule 9310(a)(1)(B);

2. This AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by the Exchange, or any other regulator against the Firm;

3. The NYSE shall publish a copy of the AWC on its website in accordance with NYSE Rule 8313;

4. The NYSE may make a public announcement concerning this agreement and the subject matter thereof in accordance with NYSE Rule 8313; and

5. The Firm 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. The Firm may not take any position in any proceeding

brought by or on behalf of the Exchange, or to which the Exchange is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Exchange is not a party.

D. A signed copy of this AWC and the accompanying Method of Payment Confirmation form delivered by email, facsimile or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy.

E. The Firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of NYSE Regulation or its staff.

The Firm certifies that, in connection with each of the Exchange's requests for documents in connection with this matter, the Firm made a diligent inquiry of all persons who reasonably had possession of responsive documents, and that those documents have been produced or identified in a privilege log. The Firm acknowledges that, in agreeing to the AWC, the Exchange has relied upon, among other things, the completeness of such document production.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's 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.

10/19/18
Date

Raymond James & Associates, Inc.,
Respondent

By: _____
Jeffrey Trocin
Co-President, Global Equites and
Investment Banking

Reviewed by:

_____
Michael D. Wolk, Esq.
Sidley Austin LLP
(202) 736-8807
Counsel for Respondent

Accepted by NYSE Regulation

10/19/2018
Date

_____
Daniel J. Northrop
Enforcement Counsel
NYSE Regulation

Signed on behalf of New York Stock
Exchange LLC, by delegated authority from
its Chief Regulatory Officer