



STATE OF CALIFORNIA

Department of Financial Protection and Innovation

GOVERNOR **Gavin Newsom** • COMMISSIONER **Clothilde V. Hewlett**

For Immediate Release

July 11, 2023

Contact:

DFPI.media@dfpi.ca.gov

California Joins Multi-State \$12.4 Million Settlement with Broker-Dealer Raymond James

SACRAMENTO — The California Department of Financial Protection and Innovation (DFPI) announced today it has joined a multi-state settlement with Raymond James & Associates, Inc. and Raymond James Financial Services, Inc. (collectively, Raymond James). The firms will pay at least \$8.2 million in refunds to clients and \$4.2 million in penalties and costs to the states for failing to ensure reasonable commission charges on equity transactions, harming main street investors.

[In California](#), Raymond James will pay full restitution of not less than \$460,000.00, plus interest in the amount of 6 percent, to customers with transactions that included an unreasonable commission for services performed (i.e., in excess of 5 percent of the principal trade amount) from July 1, 2018, through July 17, 2023.

“Large broker-dealers must comply with protections for investors no matter how big or small those investors’ transactions are,” said DFPI Commissioner Clothilde V. Hewlett. “Today’s agreement reflects the ongoing efforts by state securities regulators to protect investors and make sure that they are treated fairly by financial services firms.”

The settlement stems from a North American Securities Administrators Association (NASAA) investigation spearheaded by state securities regulators from Alabama, California, Illinois, Massachusetts, Montana, and Washington. Following a coordinated investigation, the states concluded that Raymond James charged excessive commissions on over 270,000 low-principal amount equity transactions nationwide. Raymond James took a commission on these transactions in excess of 5 percent of the principal value, sometimes taking as much as 90 percent of the customer’s transaction amount. Raymond James’s supervisory systems failed to detect the automatic commission amount that resulted in overcharges to some of its customers. Over the past five years, Raymond James took over \$8,250,000 in excess commissions from their clients.

As a part of the settlement, Raymond James also agrees to ensure that its supervisory policies and procedures have been enhanced so that all commissions are fair and reasonable within 60 days after the effective date of DFPI’s order. Raymond James will certify that it has established:

- Compliance systems to prevent the imposition of unreasonable or unfair commissions;
- Operational changes designed to ensure that, regardless of the principal amount of a transaction, commissions will not exceed 5 percent, in the absence of a documented exception; and

- Systems that incorporate all equity transactions, regardless of the principal amount of the transaction, when identifying and reviewing potentially excessive commissions.

After one year, Raymond James will undergo a review to confirm the implementation of the changes set forth in the DFPI order. The review will also assess the efficacy of the changes to Raymond James's practices, policies, and procedures. The results of this review will be reported to the states.

Raymond James & Associates, Inc. is a broker-dealer registered in California since September 12, 1978, with 42 branch offices in California. Raymond James Financial Services, Inc. is a broker-dealer registered in California since September 2, 1977, with 231 branch offices in California. Both entities show their principal place of business in the State of Florida.

The DFPI found no evidence of fraudulent conduct by Raymond James, and Raymond James fully cooperated with the investigation. Raymond James neither admits nor denies the findings or conclusions of law as set out in DFPI's order.

The DFPI expects any person offering securities, lender, or other financial services provider that operates in California to comply with our financial laws. Investors may file a complaint directly with the DFPI if a company is suspected of using unlawful, unfair, deceptive, or abusive practice online (dfpi.ca.gov/file-a-complaint) or call toll-free at (866) 275-2677.

About DFPI

The California Department of Financial Protection and Innovation (DFPI) protects consumers, regulates financial services, and fosters responsible innovation. The DFPI protects consumers by establishing and enforcing financial regulations that promote transparency and accountability. We empower all Californians to access a fair and equitable financial marketplace through education and preventing potential risks, fraud, and abuse. Learn more at dfpi.ca.gov.

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