

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018056422401**

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

RE: Edward D. Jones & Co., L.P. (“Edward Jones”)
Respondent CRD No. 250

Pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure, Edward Jones 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, FINRA will not bring any future actions against Edward Jones alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Edward Jones hereby accepts and consents, 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

Edward Jones is a retail broker-dealer that has been a member of FINRA or its predecessor since 1939. As of May 2019, Edward Jones had 21,752 registered persons and 13,925 branch offices.

RELEVANT DISCIPLINARY HISTORY

Edward Jones does not have any relevant disciplinary history.

OVERVIEW

Edward Jones’ disclosures to FINRA of seventy-nine customer complaints over a two-year period understated the customers’ alleged damages. Those misleading filings violated FINRA Rules 1122 and 2010 and Article V, Section 2(c) of FINRA’s by-laws.

FACTS AND VIOLATIVE CONDUCT

The Uniform Application for Securities Industry Registration or Transfer (“Form U4”) is the means by which FINRA’s member firms register and report certain information about their associated persons. FINRA Rule 1122 prohibits member firms from filing misleading information on a Form U4, and Article V, Section 2(c) of FINRA’s by-laws requires member firms to keep their Forms U4 current. FINRA Rule 2010 requires members to observe high standards of commercial honor and just and equitable principles of trade.

Question 14I(3)(a) on Form U4 asks whether the respondent has been the subject of a customer’s complaint that “contained a claim for compensatory damages of \$5,000 or more.” The disclosure page accompanying that question asks for the “alleged compensatory damage amount.” FINRA considers that information, in conjunction with other factors, in determining whether and how to investigate customers’ complaints.

From April 2016 to March 2018, Edward Jones filed 158 Forms U4 containing affirmative answers to Question 14I(3)(a). In 114 of those 158 filings, Edward Jones reported that the “alleged compensatory damage amount” was \$5,000, and included an additional explanatory note: “\$5,000 or more/cannot determine amount.” However, in 79 of the 114 cases — 69% — where Edward Jones reported alleged damages of \$5,000, the customer’s complaint specified an amount of damages that exceeded \$5,000. For example, one complaint sought damages of \$6,417.02 for commissions on an allegedly unsuitable product, another complaint sought damages of \$93,139 for allegedly excessive sales of securities, and a third complaint sought damages of \$630,000 for allegedly excessive fees and sales charges.

The inaccuracies in Edward Jones’ Form U4 filings resulted from a misunderstanding by certain of Edward Jones’ associates about the applicable requirements for disclosing customers’ complaints. When FINRA identified the inaccuracies, Edward Jones promptly updated the Forms U4 at issue to reflect the specific amounts of the customers’ alleged damages, provided additional training to its associates, and instituted additional safeguards for its process of disclosing customers’ complaints.

By filing Forms U4 containing misleading information about the amount of alleged damages in customers’ complaints, Edward Jones violated FINRA Rule 1122 and Article V, Section 2 of FINRA’s by-laws, and consequently FINRA Rule 2010.

B. Edward Jones also consents to the imposition of the following sanctions:

- Censure
- Fine of \$40,000
- Written certification, as described below

Edward Jones agrees to pay that fine upon notice that this AWC has been accepted and that the fine is due and payable. Edward Jones has submitted an Election of Payment form showing the method by which the firm proposes to pay the fine imposed. Edward Jones specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, that fine.

Within thirty days after the issuance of this AWC, an appropriate principal of Edward Jones shall certify in writing, addressed to Loyd Gattis, Senior Counsel, at the address below, that Edward Jones has (i) reviewed its systems, policies, and procedures, written and otherwise, governing the firm's review, analysis, and disclosure of alleged damages in customer complaints; and (ii) as of the date of the certification, the firm has established and implemented systems, policies, and procedures, written and otherwise, governing the review, analysis, and disclosure of alleged damages in customer complaints that are reasonably designed to achieve compliance with FINRA Rule 1122 and Article V, Section 2 of FINRA's by-laws. The certification shall describe with specificity the actions that Edward Jones took to ensure such compliance.

The sanctions imposed in this AWC shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Edward Jones specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the firm;
- 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, Edward Jones specifically and voluntarily waives 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.

Edward Jones further specifically and voluntarily waives 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

Edward Jones understands 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 Edward Jones; and
- C. If accepted:
 - 1. this AWC will become part of Edward Jones' permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 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. Edward Jones 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. Edward Jones 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 Edward Jones' testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Edward Jones may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Edward Jones understands that it 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 Edward Jones, 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 Edward Jones has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Edward Jones to submit it.

6/10/2019
Date (mm/dd/yyyy)

Edward D. Jones & Co., L.P.

By: 
Merri Jo Gillette
Deputy General Counsel

Reviewed by:


Robert G. Brunton
Associate General Counsel
Counsel for Respondent Edward D. Jones & Co., L.P.
12555 Manchester Road
St. Louis, MO, 63131
314/515-9784

Accepted by FINRA:

6-19-2019
Date

Signed on behalf of the
Director of ODA, by delegated authority


J. Loyd Gattis III
Senior Counsel
FINRA Department of Enforcement
120 West 12th Street
Kansas City, Missouri 64105
816-802-4710