

FILED

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

2016 AUG -4 PM 4:18

PA DEPARTMENT OF
BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA	:	
DEPARTMENT OF BANKING AND	:	
SECURITIES, BUREAU OF SECURITIES	:	
LICENSING, COMPLIANCE AND	:	
EXAMINATIONS	:	DOCKET No. 16 <u>0043</u> (SEC-CAO)
v.	:	
	:	
EDWARD D. JONES & CO., LP	:	

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities ("Department"), Bureau of Licensing, Compliance and Examinations ("Bureau") has conducted an investigation of the business practices of Edward D. Jones & Co., LP ("Edward Jones"). Based on the results of its investigation, the Bureau has concluded that Edward Jones has, at certain times, operated in violation of the Pennsylvania Securities Act of 1972, 70 P.S. § 1-101 et. seq. ("1972 Act") with regard to supervision of an agent located in Indiana, Pennsylvania. Edward Jones, in lieu of litigation, and without admitting or denying the allegations herein, and intending to be legally bound, hereby agrees to the terms of this Consent Agreement and Order ("Order").

BACKGROUND

1. The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the 1972 Act.
2. The Bureau is primarily responsible for administering and enforcing the 1972 Act for the Department.

3. The Bureau operates from the Department's main office located at 17 North Second Street, Suite 1300, Harrisburg, PA 17101.

4. At all times material herein, Edward Jones (CRD#250), was in the business of effecting transactions in securities in Pennsylvania as a "broker-dealer" within the meaning of Section 102(e) of the 1972 Act 70 P.S. § 1-102(e). Edward Jones was, at all times material herein, a registered "broker-dealer" pursuant to Section 301 of the 1972 Act, 70 P.S. §1-301.

5. Edward Jones operates and maintains approximately 200 branch offices in Pennsylvania.

6. From in or about June 2006 through November 2014, Bernard Mark Parker ("Parker") (CRD #2010184) was registered as an Edward Jones' registered representative pursuant to Section 301 of the 1972 Act, 70 P.S. § 1-301.

7. From in or about July 2006 through November 2014, Parker maintained an office in the Edward Jones branch located at 100 South 7th Street, Indiana, PA 15701 ("Edward Jones Indiana, Pennsylvania Branch Office").

8. From in or about July 2006 through November 2014, Parker was the sole registered person located in the Edward Jones' Indiana, Pennsylvania Branch Office.

9. From in or about 2008 through 2014, Parker "offered" and "sold" (as those terms are defined by Sections 102(r)(ii) and (r)(i) of the 1972 Act, 70 P.S. § 1-102(r)(ii) and (i)) approximately \$1,200,000 of ownership interests in state tax lien certificates ("Certificates") to investors, including Pennsylvania residents and Edward Jones' clients, through his outside business, Parker Financial Services. Parker misrepresented and inaccurately disclosed the business and securities activities of Parker Financial Services to Edward Jones.

10. At all times material herein, the Certificates “offered” and “sold” by Parker constituted “securities” (as those terms are defined by Sections 102(r)(ii); (r)(i); and (t) of the 1972 Act, 70 P.S. § § 1-102(r)(ii); (r)(i); and (t)).

11. At all times material herein, Edward Jones had a legal duty to reasonably supervise Parker, *see* Section 305(a)(vii), 70 P.S. § 1-305(a)(vii).

12. When Edward Jones learned about Parker’s own investments in the Certificates, Parker misrepresented to Edward Jones and others that he had not sold any Certificates to Edward Jones’ clients. However, in fact, Parker had been selling Certificates to Edward Jones’ clients and others.

13. As a result of the Bureau’s investigation, evidence was obtained which indicates that Edward Jones did not sufficiently follow up on certain red flags connected to Parker’s securities activities. At certain times between 2008 and November 2014, Edward Jones failed to reasonably supervise Parker’s sales of the Certificates to its own clients.

14. In or about October 2015, Edward Jones learned of Parker’s sales of the Certificates to clients and in or about November 2015, Edward Jones discharged Parker from its employ and caused to be filed a Uniform Termination Notice for Securities Industry Registration for Parker (“U-5”) with the Central Registration Depository (“CRD”) system operated by the Financial Industry Regulatory Authority (“FINRA”).

15. The U-5 states, in part:

Parker admitted selling certificates that represented ownership in state tax liens away from the firm and misappropriating a portion of the funds that were to be invested in the state tax liens. Mr. Parker also admitted to providing false information to the firm concerning his outside business activity.

16. Edward Jones has represented to the Bureau that it has reimbursed the known Pennsylvania residents who are Edward Jones' clients who invested in the Certificates through Parker.

VIOLATION

17. By engaging in the acts and conduct set forth in paragraphs 4 through 14 above, Edward Jones failed to reasonably supervise an agent whose acts and conduct form a basis to sanction Edward Jones pursuant to Section 305(a)(vii) of the 1972 Act, 70 P.S. § 1-305(a)(vii).

AUTHORITY

18. Because Edward Jones has failed to reasonably supervise an agent pursuant to Section 305(a)(vii) of the 1972 Act, the Department has the authority to deny, suspend, revoke or condition any registration of Edward Jones.

19. Because Edward Jones has failed to reasonably supervise an agent pursuant to Section 305(a)(vii) of the 1972 Act, the Department has the authority to impose an administrative assessment of up to \$100,000 for each act or omission that constitutes a violation, and also order Edward Jones to pay the costs of the investigation, *see* 70 P.S. § 1-602.1(c)(1)(i) and 70 P.S. § 1-602.1(b).

RELIEF

20. Within 15 days of the Effective Date of this Order, as defined in Paragraph 29, Edward Jones shall pay the Department an administrative assessment in the amount of \$135,000. Payment shall be made by certified check or money order made payable to the "Department of Banking and Securities" and shall be mailed or delivered, in person, to the Bureau of Licensing, Compliance and Enforcement located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

21. Within 15 days of the Effective Date of this Order, as defined in Paragraph 29, Edward Jones shall pay the Department investigative costs in the amount of \$10,000. Payment

shall be made by certified check or money order made payable to the "Department of Banking and Securities" and shall be mailed or delivered, in person, to the Bureau of Licensing, Compliance and Enforcement located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

22. Edward Jones is ORDERED to comply with the 1972 Act, and Regulations adopted by the Department, and in particular Section 305(a)(vii), 70 P.S. § 1-305(a)(vii).

23. Should Edward Jones fail to pay the costs and the assessment as set forth in paragraphs 20 and 21 above, the sanctions set forth elsewhere in the Order shall continue in full force and effect until full payment is made. However, this provision shall not be construed as affording Edward Jones the option of either paying the costs and the assessment or being indefinitely subjected to the sanctions.

24. Should Edward Jones fail to comply with any and all provisions of this Order, the Department may impose additional sanctions and costs and seek other appropriate relief subject to Edward Jones' right to a hearing pursuant to the 1972 Act.

FURTHER PROVISIONS

25. Consent. Edward Jones hereby knowingly, willingly, voluntarily and irrevocably consents to the entry of this Order pursuant to the Bureau's authority under the 1972 Act and agrees that it understands all of the terms and conditions contained herein. Edward Jones, by voluntarily entering into this Order, waives any right to a hearing or appeal concerning the terms, conditions and/or penalties set forth in this Order.

26. Entire Agreement. This Order contains the entire agreement between the Department and Edward Jones. There are no other terms, obligations, covenants, representations, statements, conditions, or otherwise, of any kind whatsoever concerning this

Order. This Order may be amended in writing by mutual agreement by the Department and Edward Jones.

27. Binding Nature. The Department, Edward Jones, and all officers, owners, directors, employees, heirs and assigns of Edward Jones intend to be and are legally bound by the terms of this Order.

28. Counsel. This Order is entered into by the parties upon full opportunity for legal advice from legal counsel.

29. Effectiveness. Edward Jones hereby stipulates and agrees that the Order shall become effective on the date that the Bureau executes the Order (“Effective Date”).

30. Other Enforcement Action.

(a) The Department reserves all of its rights, duties, and authority to enforce all statutes, rules and regulations under its jurisdiction against Edward Jones in the future regarding all matters not resolved by this Order.

(b) Edward Jones acknowledges and agrees that this Order is only binding upon the Department and not any other local, state or federal agency, department or office regarding matters within this Order.

31. Authorization. The parties below are authorized to execute this Order and legally bind their respective parties.

32. Counterparts. This Order may be executed in separate counterparts, by facsimile and by PDF.

33. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

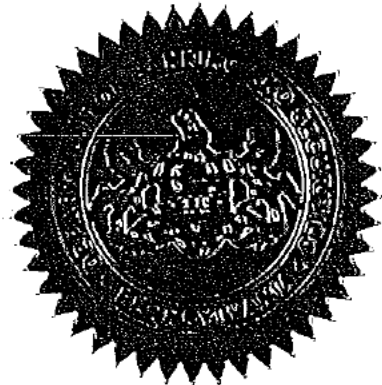
34. Finding. The Department finds that it is necessary and appropriate in the public interest and for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the 1972 Act to issue this Order.

WHEREFORE, in consideration of the foregoing, including the recital paragraphs, the Commonwealth of Pennsylvania, Department of Banking and Securities, Bureau of Securities, Licensing, Compliance and Examinations and Edward D. Jones & Co., LP, intending to be legally bound, do hereby execute this Consent Agreement and Order.

**FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES
BUREAU OF SECURITIES, LICENSING, COMPLIANCE AND EXAMINATIONS**

Redacted
James Klutinoty
Chief of the Western Region
Bureau of Securities, Compliance, Licensing and Examinations

Date: 7/29/16



FOR EDWARD D. JONES & CO., LP

Redacted
(Officer Signature)

DAVID BARTHOLOMEW
(Print Officer Name)

Principal & Senior Associate General Counsel
(Title)

Date: July 27, 2016