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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
whether there has been a violation of the
Securities Act of Washington by:

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

Respondent.

Order Number: S-21-3243-22-CO01

CONSENT ORDER

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INTRODUCTION

Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions (“Securities Division”) and Respondent Edward D. Jones & Co., L.P. do hereby enter into this Consent Order in settlement of the matters alleged herein. Respondent Edward D. Jones & Co., L.P., neither admits nor denies the Findings of Fact and Conclusions of Law as stated below.

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FINDINGS OF FACT

Respondent

1. Edward D. Jones & Co., L.P. (“Edward Jones”) (CRD No. 250) is a limited partnership headquartered in Missouri and a broker-dealer registered with the United States Securities and Exchange Commission (“SEC”) and the Securities Division. Edward Jones is also a federally registered investment adviser.

Background

2. John Scott Winslow (“Winslow”) (CRD No. 3071933) is a resident of Fox Island, Washington. Winslow was first employed in the securities industry in 1998 and was employed by multiple broker-dealers and investment advisers. Winslow was registered with the Securities Division as a securities salesperson as defined under RCW 21.20.005 and investment adviser representative at Edward Jones from September 2013 until his employment was terminated by Edward Jones in December 2021. In April 2022, Winslow entered

1 into a Letter of Acceptance, Waiver, and Consent (AWC) with the Financial Industry Regulatory Authority
2 (FINRA), which found that Winslow violated FINRA Rule 8210 (Provision of Information and Testimony and
3 Inspection and Copying of Books) and Rule 2010 (Standards of Commercial Honor and Principles of Trade).
4 In the AWC, Winslow agreed to the imposition of a bar from associating with any FINRA member. On
5 September 27, 2022, the Securities Division entered a Statement of Charges and Notice of Intent to Enter
6 Order to Cease and Desist, to Deny Future Registrations, to Impose a Fine, and to Charge Costs (“Statement
7 of Charges”) (Order No. S-21-3243-21-SC01) against Winslow, which is still pending.

8 **Nature of the Conduct**

9 *Introduction*

10 3. In 2013, Winslow began working for Edward Jones as a securities salesperson and investment
11 adviser representative. One of Winslow’s clients was a retired senior citizen (hereinafter “senior client”), who
12 had brokerage and advisory accounts, including Individual Retirement Accounts (IRA’s) at Edward Jones. The
13 senior client (now age 78) is a widow whose husband died in 2011. According to firm records, in November
14 2016, the senior client had a net worth of \$625,000 and an annual income of \$23,000. The senior client
15 expected to withdraw a total of \$10,000 over the next three years from one of her Edward Jones accounts.

16 4. Between 2017 and 2020, the senior client transferred more than \$550,000 to Winslow’s personal
17 bank account and to one of his businesses, Wood Monkey, LLC. Winslow told the senior client that he needed
18 money to buy a house and that he would repay her more than she made on her Edward Jones investments.
19 Winslow did not provide the senior client with a written agreement for the loan and did not repay the senior
20 client. Winslow did not disclose to Edward Jones that he received a loan from his client.

21 *Failure to Detect or Search for Outside Businesses*

22 5. Beginning in 2017, the senior client made multiple payments totaling more than \$28,000 to
23 Wood Monkey, LLC (“Wood Monkey”), a business that Winslow formed in 2011. Between 2017 and 2018,

1 the senior client wrote three checks to Wood Monkey from her non-Edward Jones bank account and sent a wire
2 transfer from that same bank account to a bank account in the name of Wood Monkey.

3 6. FINRA Rule 3270 prohibits a securities salesperson from participating in an outside business
4 activity unless the securities salesperson gives prior written notice to their firm. The firm must then review the
5 outside business activity to determine whether any restrictions or conditions should be placed on the securities
6 salesperson's participation in the outside business activity. Edward Jones had policies that required Winslow to
7 annually report all of his outside business activities and to obtain prior written approval before engaging in any
8 outside business activity.

9 7. Winslow did not disclose the existence of Wood Monkey or other outside business activities to
10 Edward Jones. The supervisory system of Edward Jones failed to detect or prevent these outside business
11 violations. Edward Jones was not aware that Winslow had multiple active businesses, including Wood
12 Monkey, which he formed in 2011, and Wood Monkey Woodworks, LLC, which he formed in 2010. Both of
13 these businesses have been active for more than ten years, and Winslow made annual filings for these
14 businesses with the Washington Secretary of State. These filings are publicly available on the Secretary of
15 State website. The supervisory system of Edward Jones was deficient, since it relied on self-reporting by
16 financial advisors and did not include procedures to search publicly available information and websites for
17 possible undisclosed outside businesses. As discussed below, Winslow was subject to regular branch audits by
18 branch auditors, who did not search for or detect Winslow's outside businesses.

19 *Deficient Supervision and the Failure to Detect and Prevent Financial Abuse by Winslow*

20 8. Edward Jones failed to establish adequate supervisory systems to detect and prevent financial
21 abuse by one of its financial advisors.

22 9. As an investment adviser representative, Winslow occupied a position of trust with respect to
23 his clients, especially senior clients, who are particularly vulnerable to financial abuse if they live alone and do

1 not drive an automobile. For years, Winslow’s conduct went undetected by the Edward Jones supervisory
2 system. When the numerous withdrawals finally triggered alerts in 2020, supervisory staff did not contact the
3 senior client to verify the information that Winslow provided regarding the withdrawals. Supervisors only
4 contacted Winslow, who provided false and misleading explanations without consequence. Supervisors
5 cleared the alerts without conducting a client contact, which enabled Winslow to continue to exploit the senior
6 client until a relative intervened in 2021.

7 10. As detailed below, Winslow made entries in Edward Jones records with a multitude of reasons
8 for the numerous withdrawals that were being made out of the senior client’s accounts. Edward Jones did not
9 have policies or procedures that required supervisors to contact the client and verify the information provided
10 by the financial advisor for the numerous large withdrawals and two annuity liquidations.

11 11. Between 2015 and his termination in 2021, Winslow used an office in Gig Harbor, Washington
12 (CRD Branch Number 622614). Over that time period, Winslow had six Office of Supervisory Jurisdiction
13 (OSJ) supervisors. This revolving door of supervisors provided deficient supervision of Winslow, who
14 repeatedly exploited the senior client over that time period.

15 12. In August 2018, Winslow caused securities to be sold in the senior client’s account and \$30,000
16 was transferred to the senior client’s bank account. Winslow made entries in Edward Jones records indicating
17 that the senior client requested the transfer to cover “expected medical bills” and the expenses for the estate of
18 a deceased relative. About a week later, on September 6, 2018, the senior client wired \$35,000 to Winslow.

19 13. About six weeks later, on or about October 16, 2018, the senior client withdrew \$34,000 from
20 her Edward Jones account. Winslow made entries in Edward Jones records that stated the senior client was
21 “still concerned about having enough cash” to cover expenses relating to her deceased relative. After making
22 this withdrawal, the senior client wired \$38,000 to Winslow.

1 14. On or about March 28, 2019, Edward Jones completed an audit of Winslow at his office in Gig
2 Harbor, Washington. The auditor found no violations of the firm’s policies on borrowing money from clients.
3 The auditor’s only finding was that Winslow was using outdated marketing materials. Earlier that month, the
4 senior client withdrew a total of \$14,900 from her Edward Jones accounts and wired \$12,000 to Winslow.

5 15. In July 2019, the senior client withdrew \$10,000 from her Edward Jones account. Winslow
6 made entries in Edward Jones records stating that the senior client needed the funds to “cover remodel
7 expenses and changes to [her] front yard.”

8 16. The next month (August 2019), a total of \$37,800 was withdrawn from the senior client’s
9 accounts at Edward Jones, including \$19,800 that was withdrawn from her Individual Retirement Account
10 (IRA). About twelve days later, the senior client wired \$44,000 to Winslow.

11 17. In early September 2019, the senior client withdrew \$68,000 from her Edward Jones account.
12 Winslow made entries in Edward Jones records stating the senior client wanted cash to “purchase a rental
13 property.” About two weeks later, the senior client wired \$89,000 to Winslow. Later that month, another
14 \$23,850 was withdrawn from the senior client’s account. In October 2019, the senior client wired \$27,200 to
15 Winslow.

16 18. On November 8, 2019, Winslow made notes in Edward Jones records indicating that the senior
17 client requested a \$42,000 transfer to her bank account. Winslow falsely stated: “She is completing the project
18 at her rental home.” In truth, the senior client did not own a rental home. A few days after the \$42,000 was
19 deposited into the senior client’s bank account, the senior client wired the same amount (\$42,000) to
20 Winslow’s bank account.

21 19. In December 2019, the senior client withdrew \$36,000 from her Edward Jones account.
22 Winslow made entries in Edward Jones records stating that the senior client wanted to make the withdrawal
23

1 because the estate for her deceased relative was “not finalized yet.” Days later, the senior client wired \$38,600
2 to Winslow.

3 20. In January 2020, a \$485,000 check from the senior client was deposited into her account at
4 Edward Jones. Days later, the check was returned for insufficient funds. Supervisory staff did not speak to the
5 senior client regarding the reversal of the check. A few days later, a check for \$522,098.16 was deposited from
6 the estate of the senior client’s deceased relative. No supervisory alerts were triggered by the reversal of the
7 check or the large infusion of funds, which substantially increased the size of the senior client’s portfolio.

8 *Alert Regarding Irregular ACH Withdrawals*

9 21. By March 2020, the numerous withdrawals from the senior client’s account finally triggered an
10 Elderly Protection alert to the firm’s Field Supervision Department. On or about March 11, 2020, \$60,000 was
11 withdrawn from the senior client’s account. The alert indicated that the senior client had made multiple ACH
12 withdrawals between March 2019 and March 2020. Supervisory notes regarding the alerts indicate that the
13 total amount withdrawn was \$336,650. A member of the Edward Jones supervisory staff spoke to Winslow.
14 The supervisor noted that Winslow “does not have any capacity concerns” regarding the senior client. After
15 conducting his review, the supervisor noted: “No further action at this time.”

16 22. No member of the Edward Jones supervisory staff contacted the senior client regarding the
17 numerous withdrawals that had been made from her account. Between 2018 and 2020, the senior client made
18 14 withdrawals that totaled over \$400,000. While the senior client indicated in 2016 that she expected to
19 withdraw \$10,000 over the next three years from one of her four accounts, she withdrew over \$70,000 in 2018
20 and over \$230,000 in 2019. Edward Jones’ supervisory staff made no attempt to contact the client and verify
21 the various explanations that Winslow gave for the large withdrawals, including medical bills, remodel
22 expenses, yard work, and the purchase of a rental property. In truth, Winslow used funds from the senior client
23 to purchase a residence for himself.

1 *Post-Alert Transactions and Events*

2 23. The following month (April 2020), the senior client wired \$86,000 to Winslow from her bank
3 account. Winslow liquidated an annuity owned by the senior client that was worth approximately \$50,000,
4 which caused her to incur a surrender charge of approximately \$1,300. Winslow made an entry in Edward
5 Jones records that falsely stated that the senior client had “decided to remove the funds from her contract and
6 donate them.”

7 24. In May 2020, Winslow made entries in Edward Jones records stating that the senior client
8 wanted to do “additional yard work and updates to the house” and was “considering new windows and then a
9 sprinkler system outside.” Winslow was later contacted by a supervisor about the senior client’s account. The
10 supervisor informed Winslow that the account was flagged for review and that there were questions regarding
11 the client’s investment objectives and how the client was planning to meet her higher liquidity needs. Winslow
12 responded that he had talked with the senior client and that “the liquidity need has been reduced” to \$100,000
13 for the account. No further action was taken by the supervisor.

14 25. In June 2020, the senior client wired \$86,000 to Winslow from her non-Edward Jones bank
15 account. In September 2020, Winslow noted in Edward Jones records that the senior client wanted to “start
16 making distributions to a few animal shelters by the end of the year.”

17 26. In December 2020, Winslow liquidated an annuity that was worth approximately \$142,000 and
18 the senior client incurred a surrender charge of approximately \$2,600. When Winslow was questioned by
19 Edward Jones supervision staff, he falsely stated that the senior client wanted to liquidate the annuity to “free
20 up cash” to purchase another residence. The liquidation was approved by the Edward Jones Annuity
21 Supervision Team, which did not speak to the senior client about the transaction.

22 27. In January 2021, the senior client’s remaining assets at Edward Jones were transferred to an
23 account at Vanguard. In May 2021, the email address for the senior client’s account at Vanguard was changed

1 to an email address used by Winslow. This account was used for the purchase of over \$300,000 worth of gold
2 coins that were shipped to a P.O. Box used by Winslow.

3 28. In July 2021, an attorney wrote a letter to the headquarters of Edward Jones and stated that the
4 senior client had executed a durable power of attorney because she was experiencing diminished mental
5 capacity. The attorney provided a copy of the power of attorney and requested copies of her account
6 statements. About two months later, in September 2021, the legal department of Edward Jones emailed a letter
7 to the senior client and stated that the firm was unable to respond to the attorney because the power of attorney
8 was not effective without a physicians' incapacitation letter as required by Washington law but the attorney
9 had not provided such a letter.

10 29. On December 3, 2021, financial examiners from the Securities Division conducted an
11 examination of Winslow's office in Gig Harbor. During an interview, Winslow was asked about funds that he
12 received from the senior client. Winslow claimed that he received a total of approximately \$221,000 as "gifts"
13 from the senior client, and that the senior client loaned him \$300,000 for his house. Edward Jones has policies
14 that generally prohibit financial advisors from receiving loans from clients and strictly limit the receipt of gifts.

15 30. On or about December 9, 2021, Edward Jones conducted a virtual branch audit of Winslow's
16 office. The auditor cited Winslow for the use of improper business cards and found no other violations. On
17 December 13, 2021, Winslow's employment was terminated by Edward Jones after an internal review. In
18 March 2022, Edward Jones entered into a settlement with the senior client.

19 31. In the time period between the activity and the entry of this Consent Order, Edward Jones
20 revised and updated its supervisory and compliance policies, procedures, and systems by implementing new
21 algorithms to detect potentially problematic distributions from senior clients' accounts, creating a senior client
22 protection team, updating its audit procedures to require review of the Secretary of State's website, and
23

1 specified additional scenarios in its guidance where supervisors should initiate a client contact, even if there are
2 explanations documents by the branch team.

3 Based upon the above Findings of Fact, the following Conclusions of Law are made:

4 **CONCLUSIONS OF LAW**

5 1. Based on the above Findings of Fact, Respondent Edward D. Jones & Co., L.P. failed to
6 reasonably supervise a securities salesperson and investment adviser representative, John Scott Winslow, who
7 engaged in dishonest or unethical business practices in the securities business, including WAC 460-22B-090(1)
8 (borrowing money from a securities customer); WAC 460-24A-220(6) (borrowing money from an investment
9 advisory client); and WAC 460-24A-220(20) (engaging in acts, practices, or courses of business which are
10 fraudulent, deceptive, manipulative or unethical). John Scott Winslow also violated RCW 21.20.020 and RCW
11 21.20.010. Pursuant to RCW 21.20.110(1)(j), this failure to reasonably supervise is grounds for the imposition
12 of a fine.

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14 Based upon the foregoing and finding it in the public interest:

15 IT IS AGREED AND ORDERED that Respondent Edward D. Jones & Co., L.P. shall reasonably
16 supervise its registered securities salespersons and investment adviser representatives as required by RCW
17 21.20.110(1)(j).

18 IT IS FURTHER AGREED AND ORDERED that Respondent Edward D. Jones & Co., L.P. shall be
19 liable for and shall pay a fine of \$150,000 on or before the entry of this Consent Order.

20 IT IS FURTHER AGREED AND ORDERED that Respondent Edward D. Jones & Co., L.P. shall be
21 liable for and shall pay investigative costs of \$25,000 on or before the entry of this Consent Order.

22 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

1 IT IS FURTHER AGREED that Respondent Edward D. Jones & Co., L.P. entered into this Consent
2 Order freely and voluntarily and with a full understanding of its terms and significance.

3 IT IS FURTHER AGREED that in consideration of the foregoing, Respondent Edward D. Jones & Co.,
4 L.P. waives its right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter
5 34.05 RCW.

6
7 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

8 Signed this 8th day of November, 2022

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10 Signed by:

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

12
13 /s/
James Crowe
14 Senior Associate General Counsel

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2 SIGNED and ENTERED this 14 day of November, 2022.



7 /s/
8 William M. Beatty
9 Securities Administrator

10
11 Approved by:

Presented by:

12
13 /s/
14 Brian J. Guerard
15 Chief of Enforcement

16
17 /s/
18 Robert Kondrat
19 Financial Legal Examiner