

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

NO. 20130377846-01

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: RBC Capital Markets, LLC, Respondent
Broker-Dealer
CRD No. 31194

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, RBC Capital Markets, LLC, ("RBCD" or the "firm") 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 the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm 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

The firm has been a member of FINRA since March 19, 1993, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has the following relevant history related to FINRA Rule 7450:

- On December 12, 2012, FINRA accepted an AWC in which the firm consented to a censure and a total fine of \$62,500, which included a fine of \$20,000 for violations of Rule 7450 during July 1, 2009 through September 30, 2009, and July 28-29, 2010.
- On January 6, 2010, FINRA accepted an AWC in which the firm consented to a censure and a total fine of \$150,000, which included a fine of \$32,500 for violations of NASD Rule 6955 (Rule 7450's predecessor) during July 1, 2006 through September 30, 2006; June 4-5, 2007; and July 15-16, 2008.

SUMMARY

This matter involves a review conducted by the Department of Market Regulation Order Audit Trail System (“OATS”) Operations Team (the “staff”) of compliance with OATS reporting requirements during the period from November 7, 2011, through March 13, 2014 (the “review period”).

OVERVIEW

OATS data is an integral part of FINRA’s market surveillance programs that are designed to detect manipulative activity and other potential violations of FINRA rules and federal securities laws. As a result, a firm’s failure to transmit Reportable Order Events (“ROEs”) or the transmission of inaccurate or incomplete ROEs may hamper FINRA’s ability to detect potentially violative conduct and/or may generate “false positive” alerts requiring the expenditure of unnecessary resources to resolve the alerts. Moreover, such failures or transmissions will cause the Audit Trail to be inaccurate.

The review for this matter was prompted by a report submitted by the firm and an affiliated broker-dealer to Market Regulation staff on July 16, 2013. In the self-report, the firm and its affiliate advised the staff that they had discovered that an OATS reporting system logic change implemented in January 2012 caused the firm’s system to cease reporting certain ROEs. The self-report further advised that the logic issue collectively affected approximately 500 million reportable orders for both the firm and its affiliate.

After implementing a system fix to remediate the issue identified in the July 2013 self-report, the firm engaged an external consulting firm to assess and evaluate the efficacy of its corrective actions. Over the course of approximately eight months, the firm and its affiliate identified additional OATS reporting issues, which they self-reported in March 2014. The firm and its affiliate updated their self-report to the staff on April 2, 2014. The firm also subsequently submitted the ROES in question.

As a result of the additional analysis undertaken by the firm and its consultant, the firm identified additional ROEs which previously had not been reported by the firm. Further, the firm determined that the time periods of non-reporting of ROEs both pre-dated and post-dated the time period initially identified in July 2013. Thus, the firm failed to report a substantial number of OATS-reportable events for itself and on behalf of its affiliate.

SUMMARY OF FINDINGS

As a result of the review, the Department of Market Regulation determined that RBCD failed to transmit to OATS 1,183,844,292 ROEs over a period constituting approximately 28 months. By its conduct, the firm failed to report 15.889 percent of all ROES it was required to transmit to OATS during the 28-month period. Further, the firm’s supervisory system was not reasonably designed to achieve compliance with FINRA Rule 7450.

FACTS AND VIOLATIVE CONDUCT

1. During the review period, RBCD failed to transmit to OATS 1,183,844,292 ROEs on 589 business days. These ROEs represented 15.889 percent of all ROEs (7,450,751,721) that the firm was required to transmit to OATS during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
2. RBCD's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations and the Rules of FINRA. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

RBCD's written supervisory procedures failed to provide for the minimum requirements for adequate written supervisory procedures, in the following subject area: OATS Reporting [categories (b), (c), and (d)]. The conduct described in this paragraph constitutes violations of NASD Rule 3010 and FINRA Rule 2010.

OTHER FACTORS

As described above, the firm self-reported to the staff in July 2013 that it had failed to submit a portion of its OATS-reportable activity, as well as OATS-reportable activity of an affiliated broker-dealer. The firm further undertook steps to remediate the issue, including the engagement of an external consulting firm, to assess and evaluate the corrective actions taken for the issue that led to the July 2013 self-report and, in the course of that engagement, identified and reported to the staff additional OATS reporting issues affecting both the firm's reporting to OATS and the reporting for its affiliate. The sanctions set forth below take into consideration the firm's initial and subsequent self-reporting to the staff and the remedial measures taken by the firm to address the OATS reporting issues.

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

A censure, a fine of \$450,000 (\$325,000 for the Rule 7450 violations and \$125,000 for the supervision violations), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.2. Within 90 calendar days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Respondent shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET**

REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to **MarketRegulationComp@finra.org**, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph I.A.2; and, (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to 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 sanctions imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm 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 NAC 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 General Counsel, 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.

The firm 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

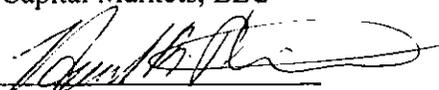
The firm understands that:

- 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 the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm’s 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 response to public inquiries about the firm’s disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. 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 FINRA, or to which FINRA 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 FINRA is not a party.
- D. 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. 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 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.

6/26/2015
Date

Respondent
RBC Capital Markets, LLC

By: 

Name: **HOWARD R. PLOTKIN**
MANAGING DIRECTOR

Title: _____

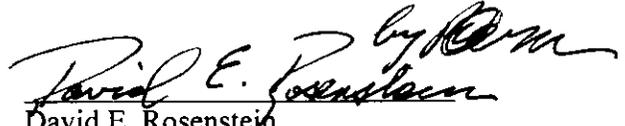
Reviewed by:

Counsel for Respondent

Accepted by FINRA:

7/27/15
Date

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


David E. Rosenstein
Senior Vice President, Legal Section
Department of Market Regulation