

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

DEC 31 2013

Bureau of Securities Licensing,
Compliance and Enforcement

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND
SECURITIES, BUREAU OF SECURITIES
LICENSING, COMPLIANCE AND
ENFORCEMENT

v.

RBC CAPITAL MARKETS, LLC

DOCKET No. 13/40001 (SEC-CAQ)

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BUREAU OF SECURITIES LICENSING,
COMPLIANCE AND ENFORCEMENT

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CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities (“Department”), Bureau of Licensing, Compliance and Enforcement (“Bureau”), has conducted an investigation of the registration of RBC Capital Markets, LLC (“RBC”) Client Associates (“CAs”) and RBC’s supervisory system with respect to the registration of CAs through a coordinated investigation by state securities regulators. Solely for the purpose of terminating the multi-state coordinated investigation, and in settlement of the issues contained herein, without admitting or denying the facts or conclusions contained herein, and in lieu of an administrative hearing, RBC, 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. RBC, CRD #31194, was, at all times material herein, a registered broker-dealer pursuant to Section 301 of the 1972 Act, 70 P.S. §1-301, with offices in the Commonwealth of Pennsylvania.

4. The CAs function as sales assistants and typically provide administrative and sales support to one or more of RBC's registered representatives ("RRs"). There are different CA positions, including Registered Client Associate and Registered Senior Client Associate.

5. The primary job duties vary depending on the specific CA position. In varying degrees, the "Major Job Accountabilities" of a CA include:

- a. Handling client requests;
- b. Resolving client inquiries;
- c. Determining if client issues require escalation to the RR or the branch management team; and
- d. Processing of operational documents such as letters of authorization and client check requests.

6. In addition to the responsibilities described above, and of particular significance to this Order, some CAs are permitted to accept unsolicited orders from clients; others are permitted, with the assistance of the RR, to prospect for new clients, open new accounts, gather assets and select investments to recommend to clients. As discussed below, RBC's written policies and procedures require that any CAs accepting client orders first obtain the necessary licenses and registrations.

7. Notably, RRs might have a "primary CA" and a "secondary CA", or a "primary team" and a "secondary CA team". As suggested by the designation, the customary practice is that the primary CA or team would handle the RR's administrative matters and client orders.

However, if the primary CA or team was unavailable, the secondary CA or team would step in to handle the RR's administrative matters and client orders.

8. During the period from 2005 to 2009, RBC employed an average of approximately 672 CAs per year.

Registration Required

9. Unless exempted, pursuant to Section 301(a) of the 1972 Act, 70 P.S. §1-301(a), it is unlawful for any person to transact business as an agent unless he is registered under the 1972 Act.

10. Pursuant to Section 301(a) of the 1972 Act, 70 P.S. §1-301(a), a person cannot accept unsolicited orders in Pennsylvania without being registered in Pennsylvania.

11. Pursuant to Sections 602.1(b) and (c) of the 1972 Act, 70 P.S. §1-602.1(b) and (c), a broker-dealer also may be subject to an administrative assessment and investigative costs for having failed to reasonably supervise its agents.

RBC Requires Registration of Client Associates

12. In order for a CA to accept client orders, RBC generally requires each CA to pass the Series 7 and 63 qualification exams and to register in the appropriate jurisdictions.

13. At all times relevant to this Order, RBC's policies and procedures specified that each CA maintain registrations in the same jurisdictions as his or her Financial Adviser ("FA"), or broadly required that each CA maintain registrations in all necessary jurisdictions.

Regulatory Investigations and Findings

14. During late 2009, RBC received regulatory inquiries regarding CA registrations.
15. The multi-state investigation focused on systemic issues with RBC CA registrations and related supervisory structure. Specifically:
 - a. After accepting an order from a client, CAs accessed the electronic order entry system to place the order;
 - b. The order entry system automatically recorded the identity of the person entering the order using the user's login information. If the order was received from the client by someone other than the person entering the order, the person entering the order was required to identify the person who accepted the order from the client by typing the name or initials in a text box; and
 - c. RBC's trading system checked the registration of the RR assigned to the account, but did not check the registration status of the person accepting the order, if different from the RR, (the "who accepted field") to ensure that the person was registered in the appropriate jurisdiction.
16. The multi-state investigation identified instances in which CAs supported RRs registered in Pennsylvania when the CAs were not registered in Pennsylvania as agents of RBC. This difference in registration status increased the possibility that CAs would accept orders which they did not solicit from customers without proper registration.
17. The multi-state investigation determined that it was highly likely that certain RBC CAs accepted orders which they did not solicit in Pennsylvania at times when the CAs were not appropriately registered in Pennsylvania.

18. As a result of the inquiries by state regulators, RBC conducted a review of its CA registration practices.

19. RBC's review found that as of November 2008, the firm had 692 registered CAs. While CAs were registered in approximately 7 states, at that time RRs were registered, on average, in 17 states. Approximately 454, almost 66% of those registered CAs were only registered in their home state or their home state and one additional state.

20. Many RBC CAs were not registered in the same jurisdictions as their respective RRs. RBC's review identified incidences where CAs who were not properly state registered accepted orders they had not solicited.

21. Beginning in 2010, RBC took steps to enhance its policies and procedures regarding CAs' state registrations, and added a substantial number of CA state registrations.

a. In January 2010, RBC amended its registration policy to require that each CA register in the same states as the RRs whom they support. RBC alerted the field to this policy.

b. In November 2010, Supervisors in RBC's branches and complexes reviewed the current CA registrations to ensure the CAs were properly registered prior to the annual renewals.

c. RBC updated its training to include additional information on registration requirements and on the firm's policies on CA registration. RBC also, as part of the annual registration renewal process, added to the annual renewal notice information regarding the CA registration policy.

d. RBC modified its procedures regarding the manner in which it grants electronic order entry access to client accounts. The required forms were revised to

identify supporting CAs and the forms are provided to the Licensing and Registration department to verify that proper registrations are in place for RRs and CAs when access is granted.

e. RBC conducted Compliance Training sessions for CAs covering information on order entry procedures and registration requirements.

f. RBC revised its registration forms to identify assigned CAs on RRs' registration forms and assigned RRs on CAs' registration forms. This allows the registration and licensing group to submit registrations for the CAs that mirror those held by the RRs whom they support.

22. RBC also has undertaken to implement enhancements to its order entry systems and to its supervision of the order entry procedures. The order entry systems will require the individual entering an order either to attest that he or she also accepted the order or to identify the person who accepted the order by entering that person's system ID. RBC policies and procedures prohibit RBC personnel from using any credentials but their own to log on to the order entry systems. RBC is developing an exception report to identify any trades entered in an account for which the person who accepted the order did not hold the necessary state registration.

23. RBC provided timely responses and substantial cooperation in connection with the regulatory investigations into this issue.

VIOLATIONS

24. The Bureau has jurisdiction over RBC because it regulates the offer and sale of securities in the Commonwealth of Pennsylvania pursuant to the 1972 Act, 70 P.S. § 1-101 et. seq.

25. RBC's failure to establish an adequate system to monitor the registration status of persons accepting client orders constitutes a failure to reasonably supervise its agents in violation of Section 305(a)(vii) of the 1972 Act, 70 P.S. § 1-305(a)(vii) and Regulation § 305.011(a), 10 Pa. Code § 1-305.011(a).

26. RBC's failure to ensure its CAs were registered in the appropriate jurisdictions constitutes a failure to enforce its established written procedures and a failure to reasonably supervise its agents in violation of Section 305(a)(vii) of the 1972 Act, 70 P.S. 1-305(a)(vii) and Regulation § 305.011(a), 70 Pa. Code § 1-305.011(a).

AUTHORITY

27. Because RBC has failed to reasonably supervise its agents, the Department may issue an order imposing an administrative assessment against RBC pursuant to Section 602.1(c) of the 1972 Act, 70 P.S. § 1-602.1(c).

28. The Department finds the following relief appropriate and in the public interest.

RELIEF

29. This Order concludes any action that the Bureau could commence against RBC under applicable Pennsylvania law as it relates to unregistered activity in Pennsylvania by RBC's CAs and RBC's supervision of CA registrations during the period from January 1, 2005 through the date of this Order.

30. This Order is entered into solely for the purpose of resolving the referenced multi-state investigation, and is not intended to be used for any other purpose. For any person or entity

not a party to the Order, this Order does not limit or create any private rights or remedies against RBC, limit or create liability of RBC, or limit or create defenses of RBC, to any claims.

31. Pursuant to Section 602.1(b) and (c) of the 1972 Act, 70 P.S. §1-602.1, RBC is hereby ordered to pay the sum of ninety-five-thousand, six-hundred, forty-six dollars and seventeen cents (\$95,646.17) to the Department within ten days of this Order. 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.

32. This Order is not intended by the Department to subject any "Covered Person" to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, or the US Virgin Islands including, without limitation, any disqualification from relying upon the state or federal registration exemptions or safe harbor provisions. "Covered Person," means RBC or any of its affiliates and their current or former officers or former officers, directors, employees, or other persons that would otherwise be disqualified as a result of the Orders (as defined below).

33. This Order and the order of any other State in related proceedings against RBC (collectively, the "Orders") shall not disqualify any Covered Person from any business that they otherwise are qualified, licensed or permitted to perform under applicable securities laws of the Commonwealth of Pennsylvania and any disqualifications from relying upon this state's registration exemptions or safe harbor provisions that arise from the Orders are hereby waived.

34. This Order shall be binding upon RBC and its successors and assigns as well as to successors and assigns of relevant affiliates with respect to all conduct subject to the provisions

above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

35. RBC 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) and Regulation § 305.011(a), 10 Pa. Code § 305.011(a). Specifically, RBC agrees to establish and maintain policies, procedures and systems to reasonably supervise the trade process so that a person can only accept client orders that originate from jurisdictions where the person accepting the order is appropriately registered.

36. Should RBC fail to pay the assessment as set forth in paragraph 31, 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 RBC the option of either paying the assessment or being indefinitely subjected to the sanctions.

37. Should RBC 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 RBC's right to a hearing pursuant to the 1972 Act.

FURTHER PROVISIONS

38. Consent. RBC 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. RBC, by voluntarily entering into this Order, permanently waives any right to a hearing or appeal concerning the terms, conditions and/or penalties set forth in this Order.

39. Cooperation. RBC has cooperated with regulators conducting the investigations by responding to inquiries, providing documentary evidence and other materials, and providing regulators with access to facts relating to the investigations and is in agreement to resolve the investigations pursuant to the terms of this Order.

40. Tax claims. RBC agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any administrative monetary assessment, cost or penalty it is paying pursuant to this Order.

41. Entire Agreement. This Order contains the entire agreement between the Department and RBC. 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 RBC.

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

43. Effectiveness. RBC hereby stipulates and agrees that the Order shall become effective on the date that the Bureau executes the Order ("Effective Date").

44. 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 RBC in the future regarding all matters not resolved by this Order.

(b) RBC acknowledges and agrees that this Order is only binding upon the Department and not any other local, state or federal agency, department or office that has separate, independent jurisdiction over the issues described herein .

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

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

47. 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.

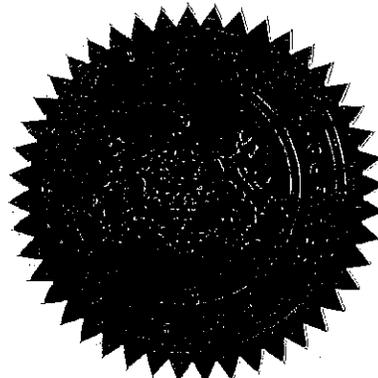
48. Finding. The Department finds that it is necessary and appropriate in the public interest and for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the 1972 Act to issue this Order.

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 Enforcement and RBC Capital Markets, LLC, 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 ENFORCEMENT**

Victoria A. Reider
Executive Deputy Secretary of Banking

Date: December 31, 2019



FOR RBC Capital Markets, LLC

Sr. V.P., Compliance Director
Title

Date: 12-12-13