

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 20080153687-01**

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 Corporation (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. The firm's registration remains in effect. On March 3, 2008, RBC Dain Rauscher Inc. ("DAIN") merged with its affiliate, RBC Capital Markets Corporation ("RBCD" or "RBCM"). In connection with this merger, RBC Dain Rauscher Inc., CRD No. 31194, was renamed RBC Capital Markets Corporation<sup>1</sup>, and later amended the firm name to RBC Capital Markets, LLC.

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<sup>1</sup> RBC Capital Markets Corporation utilized various Market Participant Identifiers ("MPIDs") during the review periods involved in this matter, including RBCD and RBCM.

### **RELEVANT DISCIPLINARY HISTORY**

On January 6, 2010, an AWC became final wherein the firm was censured, fined \$150,000, required to provide restitution in the amount of \$7,254.18 and required to update its written supervisory procedures. The AWC included a \$5,000 fine for Municipal Securities Rulemaking Board ("MSRB") trade reporting violations from January 1, 2008 through March 31, 2008 and a \$7,500 fine for MSRB trade reporting violations from April 1, 2008 through June 30, 2008. On January 16, 2008, an AWC became final wherein RBCM (when operating under CRD No. 6579) was censured and fined \$17,500 for Trade Reporting and Compliance Engine ("TRACE") trade reporting violations, which occurred during the period July 1, 2004 through December 31, 2004.

### **SUMMARY**

This matter arose out of the following reviews:

- 20080153687, wherein the Fixed Income staff reviewed the firm's block<sup>2</sup> transaction reporting to TRACE during the period July 1, 2008 through September 30, 2008 (the "2008 TRACE block reporting review period").
- 20080164317, wherein the Fixed Income staff reviewed the firm's TRACE transaction reporting during the period October 1, 2007 through December 31, 2007 (the "2007 TRACE review period").
- 20090181162, wherein the Fixed Income staff reviewed the firm's municipal bond transaction reporting to the MSRB during the period January 1, 2009 through March 31, 2009 (the "2009 municipal trade reporting review period").
- 20090184286, wherein the Trade Reporting staff of the Department of Market Regulation reviewed the firm's trade reporting to the OTC Reporting Facility ("OTCRF") during the period January 1, 2009 through April 30, 2009 (the "OTC trade reporting review period").
- 20090189347, wherein the Fixed Income staff of the Department of Market Regulation reviewed the firm's compliance with TRACE transaction reporting during the period January 1, 2009 through March 31, 2009 (the "1<sup>st</sup> Quarter 2009 TRACE trade reporting review period").

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<sup>2</sup> For purposes of 20080153687 and 20090195998, block size transactions are TRACE-eligible transactions whose volume size equals 5,000,000 for a single trade reported to TRACE.

- 20090195998, wherein the Fixed Income staff of the Department of Market Regulation reviewed the firm's block transaction reporting to TRACE during the period April 1, 2009 through June 30, 2009 (the "2009 TRACE block reporting review period").
- 20090196272, wherein the Fixed Income staff of the Department of Market Regulation reviewed the firm's block<sup>3</sup> transaction reporting to the MSRB during the period April 1, 2009 through June 30, 2009 (the "2009 municipal block trade reporting review period").
- 20090206620, wherein the Customer Issues staff of the Department of Market Regulation reviewed the firm's handling and execution of market orders during the period April 1, 2009 through June 30, 2009 (the "market order review period").
- 20100217836, wherein the Fixed Income staff of the Department of Market Regulation reviewed the firm's trade reporting of negative yields to the MSRB during the period October 1, 2009 through December 31, 2009 ("negative yield review period").
- 20100228019, wherein the Fixed Income staff of the Department of Market Regulation reviewed the firm's block transaction reporting to the MSRB during the period January 1, 2010 through March 31, 2010 (the "2010 municipal block trade reporting review period").
- 20100250761, wherein FINRA's Member Regulation staff reviewed a sample of the firm's trade reporting to the MSRB during the period July 20, 2009 through July 24, 2009.

### **FACTS AND VIOLATIVE CONDUCT**

#### **20080153687**

1. The firm failed to report to TRACE 105 block transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted 10 percent of all block transactions in TRACE-eligible securities that the firm reported during the 2008 TRACE block reporting review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(a) and a

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<sup>3</sup> For purposes of 20090196272 and 20100228019, a block is defined as a trade involving a quantity of \$5,000,000 face amount or greater.

pattern or practice of late reporting without exceptional circumstances in violation of NASD Rule 2110.

**20080164317**

2. During the 2007 TRACE review period, the firm failed to report to TRACE 68 transactions in TRACE-eligible securities that it was required to report. These transactions constituted 1.4 percent of the inter-dealer transactions in TRACE-eligible securities that the firm was required to report to TRACE during the 2007 TRACE review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(b).
3. During the 2007 TRACE review period, the firm failed to report to TRACE the correct contra-party's identifier for 75 transactions in TRACE-eligible securities. These transactions constituted 1.5 percent of the inter-dealer transactions in TRACE-eligible securities that the firm reported to TRACE during the 2007 TRACE review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(c)(6).
4. During the 2007 TRACE review period, the firm reported to TRACE 132 transactions in TRACE-eligible securities that it was not required to report. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(e).
5. During the 2007 TRACE review period, the firm failed to report to TRACE the time of trade execution in the correct format for one transaction in a TRACE-eligible security. The conduct described in this paragraph constitutes a violation of NASD Rule 6230(c)(8).
6. During the 2007 TRACE review period, the firm failed to report to TRACE the correct price and symbol indicating whether the trade was a buy or sell for one transaction in a TRACE-eligible security. The conduct described in this paragraph constitutes a violation of NASD Rule 6230(c).

**20090181162**

7. During the 2009 municipal trade reporting review period, the firm failed to report information regarding 1,674 purchase and sale transactions effected in municipal securities to the Real-time Transaction Reporting System ("RTRS") in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Users Manual. Specifically, the firm failed to

report information about such transactions within 15 minutes of Time of Trade to an RTRS Portal. These transactions constituted two percent of the transactions that the firm reported to the RTRS during the 2009 municipal trade reporting review period. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

8. In 45 instances, the firm improperly reported information to the RTRS that it should not have. Specifically, the firm improperly reported five "purchase and sale transactions effected in municipal securities" to the RTRS, when the inter-dealer deliveries were "step outs" and thus, were not inter-dealer transactions reportable to the RTRS. Additionally, the firm improperly reported 40 customer transactions to RTRS that it was not required to report. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

**20090184286**

9. The firm failed, within 90 seconds after execution, to transmit to the OTC Reporting Facility 178 last sale reports of transactions in OTC Equity securities. These transactions constitute 5.5 percent of the transactions reviewed that the firm reported to the OTC Reporting Facility during the OTC trade reporting review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6622(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.
10. During the OTC trade reporting review period, the firm failed, within 90 seconds after execution, to transmit to the OTC Reporting Facility 55 last sale reports of transactions in OTC Equity securities and failed to designate to the OTC Reporting Facility such last sale reports as late. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6622(a).
11. During the OTC trade reporting review period, the firm failed to report to the OTC Reporting Facility the correct time of execution for 42 transactions in Reportable Securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7230A(d)(4).

**20090189347**

12. During the 1<sup>st</sup> Quarter 2009 TRACE trade reporting review period, the firm failed to report to TRACE 2,159 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted 3.8 percent of the transactions in TRACE-eligible securities that the firm reported to TRACE during the 1<sup>st</sup> Quarter 2009 TRACE trade reporting review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.
13. During the 1<sup>st</sup> Quarter 2009 TRACE trade reporting review period, the firm double reported to TRACE 66 transactions in TRACE-eligible securities and reported to TRACE 20 transactions in TRACE-eligible securities that it was not required to report. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730.
14. During the 1<sup>st</sup> Quarter 2009 TRACE trade reporting review period, the firm failed to report to TRACE the correct time of trade execution for 193 transactions in TRACE-eligible securities. These inaccurate reports constituted less than one percent of the 57,060 reports that the firm submitted to TRACE during the 1<sup>st</sup> Quarter 2009 TRACE trade reporting review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
15. During the 1<sup>st</sup> Quarter 2009 TRACE trade reporting review period, the firm failed to report to TRACE 20 transactions in TRACE-eligible securities that it was required to report. These transactions constituted less than one percent of the transactions in TRACE-eligible securities that the firm was required to report to TRACE during the 1<sup>st</sup> Quarter 2009 TRACE trade reporting review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(b).

**20090195998**

16. During the 2009 TRACE block reporting review period, the firm failed to report to TRACE 436 block transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted 15 percent of all block transactions in TRACE-eligible securities that the firm reported during the 2009 TRACE block reporting

review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

17. During the TRACE block reporting review period, the firm reported to TRACE 19 transactions in TRACE-eligible securities that it was not required to report. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730.
18. During the TRACE block reporting review period, the firm failed to report to TRACE the correct time of trade execution for four transactions in TRACE-eligible securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
19. The firm failed to show the correct time of execution on the memorandum of 14 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Rule 3110.

#### **20090196272**

20. During the 2009 municipal trade reporting block review period, the firm failed to report information regarding 97 block purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Users Manual. Specifically, the firm failed to report information about such transactions within 15 minutes of Time of Trade to an RTRS Portal. These transactions constituted 14 percent of the block transactions that the firm reported to the RTRS during the 2009 municipal block trade reporting review period. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.
21. In one instance, the firm improperly reported a transaction to the RTRS that it was not required to report. The conduct described in this paragraph constitutes a violation of MSRB Rule G-14.

#### **20090206620**

22. In 28 instances, the firm failed to execute orders fully and promptly. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2010 and NASD Rule 2111(a).

23. In nine transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, as reflected on Exhibit A which is attached. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2010 and NASD Rule 2320.

**20100217836**

24. During the negative yield review period, the firm failed to report the correct yield to the RTRS in 18 reports of transactions in municipal securities. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14(b)(ii).
25. During the negative yield review period, on 18 occasions, the firm provided written notification disclosing to its customer an incorrect yield in 18 transactions in municipal securities. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-15(a)(i).

**20100228019**

26. During the 2010 municipal block trade reporting review period, the firm failed to report information regarding 81 block purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Users Manual. Specifically, the firm failed to report information about such transactions within 15 minutes of Time of Trade to an RTRS Portal. These transactions constituted 11 percent of the block transactions that the firm reported to the RTRS during the 2010 municipal block trade reporting review period. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.
27. In four instances, the firm improperly reported a transaction to the RTRS that it was not required to report. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

**20100250761**

28. During the period April 1, 2009 through January 21, 2010, the firm failed to report information regarding 2,977 purchase and sale transactions effected in municipal securities to the RTRS. The conduct described in

this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

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

- A censure;
- a total fine of \$125,000, of which amount, \$70,000 pertains to MSRB Rule G-14 and G-15 violations. The \$125,000 fine is comprised of \$7,500 for the TRACE trade reporting violations in 20080153687; \$7,500 for the TRACE trade reporting violations in 20080164317; \$10,000 for the MSRB Rule G-14 trade reporting violations in 20090181162; \$10,000 for the OTCRF trade reporting violations in 20090184286; \$7,500 for the TRACE trade reporting violations in 20090189347; \$7,500 for the TRACE trade reporting violations in 20090195998; \$5,000 for the record keeping violations in 20090195998; \$10,000 for the MSRB Rule G-14 trade reporting violations in 20090196272; \$10,000 for the best execution and market order timeliness violations in 20090206620; \$10,000 for the MSRB Rule G-14 reporting violations in 20100217836; \$5,000 for the MSRB Rule G-15 confirmation disclosure violations in 20100217836; \$20,000 for the MSRB Rule G-14 trade reporting violations in 20100228019; and \$15,000 for the MSRB Rule G-14 trade reporting violations in 20100250761; and
- restitution by Respondent to the investors listed on Exhibit A which is attached, in the total amount of \$241.26, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this AWC is accepted by the National Adjudicatory Council. A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850 or in an e-mail from a work-related account of the registered principal to **MarketRegulationComp@finra.org**, no later than 120 days after acceptance of this AWC. If for any reason, Respondent cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer is known to have last resided.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) 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 sanction(s) 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 National Adjudicatory Council ("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 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.

10-6-11  
Date

Respondent  
RBC Capital Markets, LLC

By: Richard T. Chase

Name: Richard T. Chase  
Managing Director &  
General Counsel  
Title: \_\_\_\_\_

Reviewed by:

Ralph DeSena  
Ralph DeSena  
Director & Senior Counsel  
RBC Capital Markets

Accepted by FINRA:

11/8/11  
Date

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

Thomas R. Gira  
Thomas R. Gira  
Executive Vice President  
Department of Market Regulation

**RBC Capital Markets Corporation**  
**Matter No. 20090206620**

Exhibit A

| Item No. | Date      | Issue | Quantity | Trade Time | Trade Price | Restitution |
|----------|-----------|-------|----------|------------|-------------|-------------|
| 1        | 4/2/2009  | PHMD  | 40       | 14:10:51   | 1.85        | \$2.00      |
| 2        | 4/28/2009 | MSDXP | 300      | 14:53:13   | 25.0501     | \$2.97      |
| 3        | 5/7/2009  | HPCCP | 150      | 11:31:02   | 14          | \$37.50     |
| 4        | 5/8/2009  | SONO  | 200      | 13:38:04   | 18.56       | \$4.00      |
| 5        | 5/15/2009 | PVTB  | 100      | 12:24:36   | 19.19       | \$4.00      |
|          |           |       | 100      | 12:24:36   | 19.19       |             |
| 6        | 5/20/2009 | MSDXP | 50       | 9:41:40    | 26.0001     | \$2.50      |
| 7        | 5/26/2009 | AMGN  | 400      | 10:36:53   | 50.08       | \$8.00      |
| 8        | 6/4/2009  | MANT  | 100      | 13:34:42   | 39.07       | \$165.29    |
|          |           |       | 1233     | 14:59:55   | 38.99       |             |
| 9        | 6/15/2009 | FITB  | 300      | 14:31:08   | 7.67        | \$15.00     |
|          |           |       | 100      | 14:31:08   | 7.67        |             |
|          |           |       | 300      | 14:31:08   | 7.67        |             |
|          |           |       | 50       | 14:31:08   | 7.67        |             |
|          |           |       |          |            | Total:      | \$241.26    |