

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009016251601**

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

RE: Canaccord Genuity, Inc. (f/k/a Canaccord Adams, Inc.), Respondent
Member Firm
CRD No. 1020

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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

Canaccord Genuity, Inc. ("Canaccord") has been a member of FINRA since 1946. Its principal place of business is in Boston, Massachusetts. Canaccord engages in securities underwriting, research, and institutional sales to clients in the US and Canada. The Firm is approved to do business in all 50 states and the District of Columbia. It currently has approximately 164 registered representatives operating out of 11 branch offices in the US and Canada.

RELEVANT DISCIPLINARY HISTORY

In January 2011, Canaccord entered into an AWC with FINRA in which it agreed, without admitting or denying the findings, to a censure and fine of \$40,000 for failing to have in place reasonable information barrier procedures with respect to the firm's PIPE business and for failing to have a reasonable system for the review of electronic communications.

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In August 2004, the Securities and Exchange Commission issued a Consent Order in which Canaccord was censured, ordered to cease and desist further violations of Section 17(a) of the Securities Act of 1933, Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-4 thereunder and fined \$575,000 for failing to disclose payments received from other broker-dealers for the issuance of research reports on three companies and for failing to retain electronic communications.

OVERVIEW

From at least May 2007 through July 2009 (the "relevant period"), Canaccord failed to establish and maintain a supervisory system and establish, maintain, and enforce written supervisory procedures ("WSPs") reasonably designed to achieve compliance with NASD Conduct Rule 2711. The firm also failed in certain instances to maintain records of public appearances by analysts evidencing that required disclosures were made. Further, in certain instances, Canaccord's research analysts failed to deliver draft research reports to the firm's Compliance Department before sending excerpts from those reports to subject companies. This conduct violated NASD Conduct Rules 2711, 3010 and 2110 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

SUPERVISORY DEFICIENCIES

During the relevant period, Canaccord's Research Department wrote research reports on approximately 250 different companies and covering several different industries or market sectors. The firm's research analysts also made frequent public appearances, speaking about the covered companies and/or more general market topics. *The firm failed to adopt and implement WSPs reasonably designed to supervise its research analysts and ensure that its research reports complied with NASD Conduct Rule 2711.*

Specifically, although Canaccord maintained some relevant WSPs during the relevant period, those procedures did not provide any real guidance to its employees about the specific steps that they needed to take to achieve compliance with NASD Conduct Rule 2711. For example, the WSPs required that all public appearances by firm analysts be approved by the Director of Research, that the appropriate disclosures be made to the media outlet, that a record documenting the disclosures provided to the media be maintained and that the firm's Marketing Department receive a copy of such disclosure. The WSPs made the research analyst responsible for meeting these obligations, but provided little or no guidance on how these tasks could be successfully carried out or supervised.

The WSPs also contained provisions broadly describing what portions of draft research reports could and could not be provided to covered companies. They

failed, however, to provide specific guidance to Canaccord employees regarding the manner in which these requirements were to be fulfilled.

By failing to adopt and implement WSPs, and otherwise failing to establish and maintain a supervisory system and establish, maintain, and enforce WSPs, that were reasonably designed to achieve compliance with applicable rules and regulations regarding its research reports and the supervision of its research analysts, Canaccord violated NASD Conduct Rules 2711(i), 3010 and 2110 (for conduct before December 15, 2008) and FINRA Rule 2010 (for conduct after December 14, 2008).

OTHER RULE 2711 VIOLATIONS

Review of Research Reports by Subject Companies

During the relevant period, Canaccord's WSPs permitted the Research Department to send sections of a research report to the subject company before publication to verify the accuracy of information in those sections provided that a complete draft of the research report was first provided to the Compliance Department. In seven instances during this period, however, Canaccord sent research report excerpts to a subject company before the firm's Compliance Department had received a complete draft of the report. Further, in one of those instances, the complete draft was not sent to the Compliance Department.

By providing those research report excerpts to the subject companies before furnishing complete copies of the draft research reports to the Compliance Department, Canaccord violated NASD Conduct Rules 2711(c) and 2110 (for conduct before December 15, 2008) and FINRA Rule 2010 (for conduct after December 14, 2008).

Canaccord's Failure to Retain Records of Public Appearances

In connection with 29 public appearances by its research analysts during the relevant period, Canaccord failed to retain records sufficient to demonstrate compliance by those analysts with the disclosure requirements of NASD Conduct Rule 2711(h). By failing to maintain such records, Canaccord violated NASD Conduct Rules 2711(h)(12) and 2110 (for conduct before December 15, 2008) and FINRA Rule 2010 (for conduct after December 14, 2008).

B. Respondent also consents to the imposition of the following sanctions:

- A censure; and
- \$22,500 fine.

In addition, Respondent shall comply with the following undertakings within the time periods specified (unless otherwise extended by FINRA staff following a written request by Respondent):

Canaccord shall undertake to review its supervisory system and procedures concerning research reports and the supervision of research analysts for compliance with FINRA rules and the federal securities laws and regulations. Within 90 calendar days of the issuance of this AWC, Canaccord's Chief Compliance Officer will certify to FINRA in writing that the firm has completed its review and that it currently has in place systems and procedures reasonably designed to achieve compliance with those rules, laws and regulations. The certification, along with the current procedures, must be submitted to Department of Enforcement staff at FINRA's Boston District Office. Although FINRA staff may review the revised procedures, said review shall in no way constitute an approval of the revised procedures. The failure of FINRA staff to alert Canaccord to any deficiencies in the revised procedures shall not preclude FINRA from instituting a subsequent disciplinary action as a result of deficiencies in the revised procedures.

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- 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, Respondent 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.

Respondent 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

Respondent 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 Respondent;

C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent'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. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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.

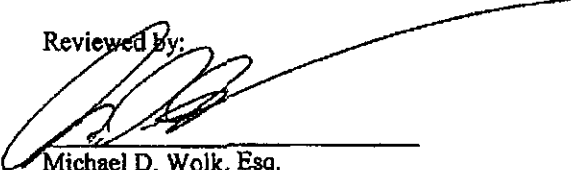
The undersigned, on behalf of the Respondent, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to its provisions voluntarily; and that no 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.

Canaccord Genuity, Inc.

04/06/2011
Date (mm/dd/yyyy)

By: J. Eric Anderson
J. Eric Anderson
Chief Compliance Officer

Reviewed by:

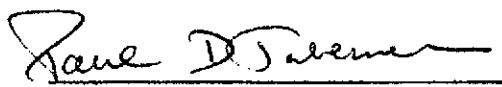


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Accepted by FINRA:

4/18/2011
Date

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



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