

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090189094**

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

RE: CIBC World Markets Corp.
CRD No. 630

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, CIBC World Markets Corp. (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 1950, and its registration remains in effect. The Firm carries and clears its own customer accounts as well as proprietary accounts, and provides its clients with a full range of services in connection with securities transactions.

OVERVIEW

During 2008 and 2009, the Firm inaccurately prepared customer reserve formula computations by improperly including certain amounts as debits in the formula, which when excluded, resulted in 46 hindsight deficiencies. On 11 occasions during this approximate period, the Firm made deposits to its Reserve Bank Account that were not bona fide deposits because they failed to satisfy the requirements of an applicable Rule interpretation. The exclusion of such non

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bona fide deposits resulted in other hindsight deficiencies or in the increase in the size of certain of the 46 hindsight deficiencies.

FACTS AND VIOLATIVE CONDUCT

Failure To Prepare Accurate Reserve Formula Computations and to Adequately Fund the Reserve Bank Account

Section 15(c) of the Securities Exchange Act of 1934 (the "Exchange Act") authorizes the U.S. Securities and Exchange Commission (the "SEC") to promulgate Rules relating to the financial responsibility of broker-dealers. In this regard, the SEC adopted Rule 15c3-3, known as the "customer protection rule."

The customer protection rule includes a requirement, as set forth in Rule 15c3-3(e), that every broker-dealer perform a weekly computation in accordance with the formula set forth in Rule 15c3-3a -- Exhibit A -- Formula for Determination of Reserve Requirement of Brokers and Dealers Under Rule 15c3-3 ("Exhibit A"). The reserve formula computation determines what amount, if any, the broker-dealer must deposit on behalf of customers in a bank account entitled *Special Reserve Bank Account for the Exclusive Benefit of Customers* (the "Reserve Bank Account").

In general, the reserve formula requires a broker-dealer to calculate any amounts it owes customers, called credits, and compare that amount to any amounts its customers owe it, called debits. If credits exceed debits, the broker-dealer must deposit that net difference amount in the Reserve Bank Account. A *hindsight deficiency* occurs where the broker-dealer discovers by hindsight that a Reserve Bank Account funding deficiency existed as a result of an error in the computation of a required deposit.

Item 13 of Exhibit A is a reserve formula entry that states as follows: "*Margin required and on deposit with the Options Clearing Corp. [OCC] for all option contracts written or purchased in customer accounts. (See Note F.)*" Related "Note F" to Item 13 states that the Item shall include the amount of margin required and on deposit with OCC to the extent such margin is represented by cash, *proprietary qualified securities*, and letters of credit collateralized by customers' securities. The term "*qualified security*" is defined in Rule 15c3-3 as a security issued by the United States or a security in respect of which the principal and interest are guaranteed by the United States.

Commencing in approximately April 2008, the Firm began posting with the OCC as collateral Canadian sovereign debt. These securities, in turn, were treated by the Firm as debit balances in the Firm's required reserve formula computations. Canadian sovereign debt is not a qualified security pursuant to Rule 15c3-3, and therefore, should not have been included in the reserve formula computation, in connection with Item 13 of Exhibit A and Note F thereto. After being advised by

FINRA of its computation error, the Firm at FINRA's request, recalculated various prior reserve formula computations and excluded from debits amounts related to the non qualified securities. As a result, the Firm identified that it had hindsight deficiencies relating to 46 different reserve formula computations, in that its review disclosed that the Reserve Bank Account had not been properly funded as of the respective deposit dates.

The 46 hindsight deficiencies occurred in connection with reserve formula computations prepared between April 2008 and February 2009. The hindsight deficiency amounts ranged in size between approximately \$8 million and approximately \$155 million. Pursuant to Rule 15c3-3(i) the Firm notified the SEC of these hindsight deficiencies by letter dated April 15, 2009.

To assist members in complying with Rule 15c3-3, FINRA makes available to the membership certain written interpretations to this Rule that have been provided by the staff of the SEC. One such interpretation is Rule 15c3-3(e)(1)/06, captioned *Reserve Deposit Made From Overdrawn Account* (the "Interpretation"). The Interpretation states in relevant part that:

Checks deposited or funds wired to a Reserve Bank Account that create overdrafts or increase existing overdrafts in other bank accounts do not qualify as bona fide deposits. Consequently, a broker-dealer cannot meet its deposit requirements by utilizing such overdrawn funds.

A deposit made from an overdrawn account can only be considered an unsecured loan if the bank acknowledges in writing that the overdrawn amount is an unsecured loan and the bank agrees to only look toward the overdrawn account for payment (no cross liens).

During relevant times, the Firm maintained its Reserve Bank Account at "Bank A." On seven occasions between approximately June 2008 and January 2009, the Firm used cash withdrawals from an account at "Bank B" to meet its Rule 15c3-3 Reserve Bank Account deposit requirement. The withdrawals created an overdraft in the account at Bank B. Such cash deposits made to the Reserve Bank Account were not bona fide and were in violation of the Interpretation, because the Firm did not have the required written acknowledgement from Bank B. The exclusion of these non bona fide deposits increased the dollar amount of certain of the above referenced 46 hindsight deficiencies, and in one instance, created a new hindsight deficiency.

In July 2009, the Firm entered into a written agreement with "Bank C" that was captioned: *Master Promissory Note [Day Loan - 15c3-3]* (the "Note"). The purpose of the Note was to finance deposits by the Firm to the Reserve Bank Account. On four occasions the Firm withdrew funds from Bank C that it used to settle reverse repurchase transactions from which the Firm obtained U.S. Treasury

securities that it then deposited into the Reserve Bank Account at Bank A to satisfy the respective deposit requirement. The funds withdrawn by the Firm from Bank C were obtained under the terms of the Note.

The Note contained language that allowed Bank C to charge any deposit account of the Firm for principal payments and interest payments. Such language was in contravention of the "no cross liens" prohibition of the Interpretation. Because the Note did not satisfy the requirements of the Interpretation, the Firm's withdrawals of funds on four occasions from Bank C are considered as having created overdrafts in the Firm's operating account at that bank, and the respective deposits of securities to the Reserve Bank Account funded from such overdrafts are not considered to be bona fide deposits.

Thus, as of the respective deposit dates, the Reserve Bank Account was underfunded, which resulted in four additional hindsight deficiencies. The hindsight deficiencies occurred between approximately October 2009 and January 2010, and ranged in size from approximately \$8 million to approximately \$14 million. Pursuant to Rule 15c3-3(i) the Firm notified the SEC of these hindsight deficiencies by letter dated April 8, 2010.

Submission of Inaccurate FOCUS Reports

Pursuant to Section 17(a) of the Exchange Act and Rule 17a-5 promulgated thereunder, the Firm is required to file periodic reports of financial information known as FOCUS Reports. Such reports include reserve formula computations prepared as of the month-end reporting date. Seven of the above referenced 46 hindsight deficiencies occurred in connection with a month-end reserve formula computation reported in a Firm FOCUS Report filing. Thus, the Firm submitted seven inaccurate FOCUS Reports in that they contained inaccurate reserve formula computations.

Violative Conduct by the Firm

As a result of the conduct described above, the Firm violated:

1. Section 15(c) of the Exchange Act and Rule 15c3-3 thereunder (including the Interpretation) and NASD Rule 2110 or FINRA Rule 2010¹, in that the Firm (i) prepared inaccurate reserve formula computations; (ii) failed to fund its Reserve Bank Account in the amount required to be on deposit; and (iii) made non bona fide deposits to its Reserve Bank Account.

¹ Due to a Rule conversion change, conduct by the Firm after December 15, 2008, instead of being a violation of NASD Rule 2110, was a violation of FINRA Rule 2010.

2. Section 17(a) of the Exchange Act and Rule 17a-5 thereunder, and NASD Rule 2110 or FINRA Rule 2010, in that the Firm submitted inaccurate FOCUS Reports.

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

- a. Censure;
- b. Fine in the amount of \$80,000.

The Firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. The Firm 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 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 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.

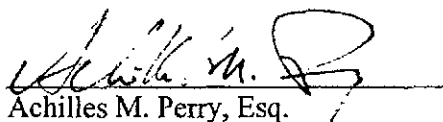
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat,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

12-13-10
Date

CIBC World Markets Corp.

By: Jeffrey Thibeault
Jeffrey Thibeault
Chief Compliance Officer

Reviewed by:



Achilles M. Perry, Esq.
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Accepted by FINRA:

12-17-10

Date

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



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