

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100214963-01**

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 ("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 became a member of FINRA on March 19, 1993, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On April 14, 2009, an AWC became final wherein the firm was censured and fined \$5,000 for violations of NASD Rule 6130 during the period February 1, 2004 through February 28, 2005.

On January 6, 2010, an AWC became final wherein the firm was censured and fined \$150,000. The fine included \$32,500 for violations of NASD Rule 6955(a) during the periods July 1 through September 30, 2006, June 4 and 5, 2007 and July 15 and 16, 2008; \$7,500 for violations of NASD Rule 6130 during the period May 1 through August 31, 2007; \$5,000 for violations of NASD Rule 6230(a) during the period January 1, 2008

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through March 31, 2008; and \$10,000 for violations of MSRB Rules G-17 and G-30 during the period October 1 through December 31, 2007.

SUMMARY

In connection with matter 20100214963, the Order Audit Trail System ("OATS") Compliance Team reviewed the firm's compliance with OATS reporting requirements during the period July 1 through September 30, 2009 (the "OATS review period").

In connection with matter 20100215978, the staff of FINRA's Trading and Market-Making Surveillance ("TMMS") Group conducted an examination for 2010, evaluating the firm's compliance with various NASD and FINRA rules relating to its trading of equity orders and its market-making activities, and specifically reviewing the items listed in Exhibit A, which is attached, for trade dates July 28 and 29, 2010 (the "2010 TMMS Exam review period"), unless otherwise noted.

In connection with matter 20100226220, the Fixed Income Investigations Team reviewed the firm's compliance with best execution requirements during the period July 1 through September 30, 2009 (the "Best Execution review period").

In connection with matter 20100241060, the Trade Reporting and Compliance Engine ("TRACE") Corporate Bonds Team reviewed the firm's compliance with the reporting of new issues by managing underwriters during the period October 1, 2009 through March 31, 2010 (the "2009-2010 TRACE review period").

In connection with matter 20100244054, the TRACE Corporate Bonds Team reviewed the firm's compliance with requirements to timely report block transactions in corporate securities to TRACE during the period January 1 through March 31, 2010 (the "2010 TRACE review period").

In connection with matter 20110285096, the Fixed Income Investigations Team reviewed the firm's compliance with fair pricing requirements during the period January 1 through March 31, 2011 (the "Fair Pricing review period").

FACTS AND VIOLATIVE CONDUCT

20100214963

1. During the OATS review period, the firm transmitted to OATS 16,335 Reportable Order Events ("ROEs") that were rejected by OATS for context or syntax errors and were repairable. As a result of the firm's failure to repair these ROEs, the firm failed to transmit 9,886 ROEs to OATS during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.

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20100215978

2. In 20 instances during the 2010 TMMS Exam review period, the firm reported an erroneous routing destination code. In three instances, the firm reported an incorrect routing firm MPID. In one instance, the firm submitted inaccurate information to OATS for an order, in addition the firm failed to report both CR and CL events for the same order. In one instance, the firm reported an incorrect capacity to OATS. In one instance, the firm submitted inaccurate information to OATS for an order; the firm reported a principal capacity to OATS when the order was filled in a riskless principal capacity. In addition the firm failed to report a next day settlement special handling code to OATS. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
3. In four instances during the 2010 TMMS Exam review period, the firm matched a trade reported to the FINRA/Nasdaq TRF with an inaccurate capacity. In 120 instances, the firm reported a non media reported trade with an inaccurate Related Market Center code. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7230A.

20100226220

4. During the Best Execution review period, in eight transactions, the firm purchased municipal securities for its own account from a customer and/or sold municipal securities for its own account to a customer at an aggregate price (including any markdown or markup) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the broker, dealer, or municipal securities dealer is entitled to a profit, and the total dollar amount of the transaction. The transactions are identified on Exhibit B which is attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rules G-17 and G-30(a).

20100241060

5. During the 2009-2010 TRACE review period, the firm as managing underwriter, failed to timely report 46 new issues in TRACE eligible securities to FINRA according to the time frames set forth in FINRA Rule 6760 during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6760(b).
6. During the 2009-2010 TRACE review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of NASD. Specifically, the firm's written supervisory procedures ("WSPs") addressing quality of markets topics should describe the

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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. The firm's WSPs regarding registration of TRACE eligible securities failed to provide for these four minimum requirements. The conduct described in this paragraph constitutes a violation of FINRA Rule 2010 and NASD Rule 3010.

20100244054

7. During the 2010 TRACE review period, the firm failed to report to TRACE 375 S1 "block size" transactions in TRACE-eligible securities within 15 minutes of the time of execution. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Rule 2110.

20110285096

8. During the Fair Pricing review period, in seven pairs of transactions and one transaction, the firm purchased municipal securities for its own account from a customer and/or sold municipal securities for its own account to a customer at an aggregate price (including any markdown or markup) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the broker, dealer, or municipal securities dealer is entitled to a profit, and the total dollar amount of the transaction. The transactions are identified on Exhibit C which is attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rules G-17 and G-30(a).

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

- A censure.
- A fine of \$62,500 (comprised of \$10,000 for the OATS reporting violations in matter 20100214963; \$5,000 for the TRACE reporting violations in matter 20100241060; \$5,000 for the supervision of TRACE reporting violations in matter 20100241060; \$10,000 for the OATS reporting violations in matter 20100215978; \$7,500 for the TRF reporting violations in matter 20100215978; \$12,500 for the violations of MSRB rules G-17 and G-30(a) in matter 20100226220; \$5,000 for the TRACE reporting violations in matter 20100244054; and \$7,500 for the violations of MSRB rules G-17 and G-30(a) in matter 20110285096).
- An undertaking to revise the firm's WSPs with respect to the area described in paragraph I.A.6 above. Within 90 business days of acceptance of this AWC by

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the national Adjudicatory Council ("NAC"), a registered principal of the firm 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.6; and (3) the date the revised procedures were implemented.

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.

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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.

Date 11/13/12

Respondent
RBC Capital Markets, LLC

By: Richard T. Chase

Name: Richard T. Chase
Managing Director &
General Counsel

Title: _____

Reviewed by:

Leslie S. Sobel
Attorney Name Leslie S. Sobel
Counsel for Respondent
Firm Name RBC Capital Markets LLC
Address 3 World Financial Center, 200 Vesey St
City/State/Zip NY, NY 10281
Phone Number 212-425-6216

Accepted by FINRA:

Date 12/12/12

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

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

2010 Market Regulation Examination Samples
RBC Capital Markets Corporation ("RBCM")
Exam No. 20100215978
Sample Source/Period*: July 28-29, 2010

<u>Sample Size</u>	<u>Sample Description</u>
171	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
66	Short Sales reviewed for compliance with SEC Rule 203(b) security location requirements
0	Sales reviewed for compliance with SEC Rule 204 fail-to-deliver requirements
110	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624
90	Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements
106	Buy and Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements
50	Sell orders entered into BATS Exchange execution system for compliance with BATS Rule 11.19 long/short reporting requirements
52	Limit orders for NMS securities in which the member acts as an exchange market maker for compliance with the display requirements of SEC Rules 602 and 604, and Nasdaq Rule 3390
62	Orders for compliance with best execution requirements of NASD Rule 2320
52	Held orders from the Held Order Protection Review
0	Not Held orders from the Not Held Order Review
0	Order executed with a .PRP (Prior Reference Price) trade modifier
10	Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
52	Orders for compliance with order protection requirements of NASD Rules 2110, IM-2110-2, 2111, and Nasdaq Rules 2110, IM-2110-2, and 2111
10	Open Limit orders to buy and/or open Stop orders to sell securities that traded ex-dividend for compliance with NASD Rule 3220 and Nasdaq Rule 4761
0	Order memoranda and Net Trading agreements for compliance with NASD Rule 2441 requirements
75	Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450, and Nasdaq Rules 6954 and 6955 requirements
43	Customer confirmations prepared and maintained in connection with select samples for compliance with SEC Rule 10b-10

2010 Market Regulation Examination Samples
RBC Capital Markets Corporation ("RBCM")
Exam No. 20100215978
Sample Source/Period*: July 28-29, 2010

<u>Sample Size</u>	<u>Sample Description</u>
25	Orders for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements
4	Data sets published for Month Year monthly order execution report for compliance with SEC Rule 605 requirement to publish accurate data (a 'data set' encompasses all required statistical data for single security and order type/size category as described in SEC Rule 605)
1	Quarterly Routing Report for compliance with SEC Rule 606 requirements
15	CRD registration records for persons conducting and/or supervising Firm's trading and/or market making activities for compliance with NASD Rule Series 1020, 1030, 1040; Nasdaq Rule Series 1020, 1030, 1040; and BATS Rule 11.4
10	Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
1	Disclosures to customers relating to trading in the Extended Hours session for compliance with FINRA Rule 2265 and Nasdaq Rule 4631
984	Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110
1141	Trades reported to a TRF or OTCRF for compliance with FINRA Rules 6380A and 7230A or 6622 and 7330
All Provided	Member's "Regular & Rigorous" review procedures regarding order execution quality for compliance with NASD Rules 2320 and 3010
All Provided	Member's supervisory and operational policies and procedures and documentation evidencing execution of the policies and procedures for compliance with SEC Regulation NMS Rule 611
All Provided	Member's supervisory system, written supervisory procedures ("WSPs") and documentation evidencing execution of the WSPs for compliance with NASD Rule 3010, Nasdaq Rule 3010, or BATS Rule 5.1 requirements

Exhibit B

* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.

Exhibit C

* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.