

FINRA

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**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100215875-01**

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

RE: Canaccord Genuity Inc., Respondent
Broker-Dealer
CRD No. 1020

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Canaccord Genuity Inc. (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 April 3, 1946. Its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On October 13, 2008, FINRA accepted the firm's AWC (Matter No. 20060055571) in which the firm was censured and fined \$2,000 (out of a \$7,000 total fine) for SEC Rule 10b-10 violations found during the firm's 2007 Trading and Market Making Surveillance ("TMMS") Exam (covering trade dates June 20 and 21, 2007).

On September 28, 2009, FINRA accepted the firm's AWC (Matter No. 20080132211) in which the firm was censured and fined \$5,000 (out of a \$12,500 total fine) for SEC Rule 10b-10 violations found during the firm's 2008 TMMS Exam (covering trade dates April 14 and 15, 2008).

SUMMARY

In connection with the firm's 2010 TMMS Exam, Matter No. 20100215875, FINRA's Department of Market Regulation reviewed the trading activity of the firm set forth in Exhibit 1 for trade dates September 29 and 30, 2010 (the "2010 Exam review period") for compliance with applicable SEC and FINRA rules.

In connection with the firm's 2011 TMMS Exam, Matter No. 20110261533, FINRA's Department of Market Regulation reviewed the trading activity of the firm set forth in Exhibit 2 for trade dates October 5 and 6, 2011 (the "2011 Exam review period") for compliance with applicable SEC and FINRA rules.

FACTS AND VIOLATIVE CONDUCT

Matter No. 20100215875

- 1) During the 2010 Exam review period, the firm on 37 occasions transmitted to the Order Audit Trail System ("OATS") reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports contained inaccurate destination codes, inaccurate order receipt times, inaccurate report types, and/or reports that should not have been submitted to OATS. In addition, on 17 occasions, the firm failed to transmit Reportable Order Events ("ROEs") to OATS for one of its Market Participant IDs ("MPID"). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
- 2) During the 2010 Exam review period, the firm executed 19 short sale orders and failed to properly mark the orders as short. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 200(g) of Regulation SHO.
- 3) On nine occasions, the firm accepted orders from customers for execution in the pre-market session or post-market session without disclosing to such customers that extended hours trading involves material trading risks, including the possibility of lower liquidity, high volatility, changing prices, unlinked markets, an exaggerated effect from news announcements, wider spreads and any other relevant risk. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2265.

Matter No. 20110261533

- 4) The firm, on 72 occasions, provided written notification to customers that failed to disclose information or disclosed inaccurate information. Specifically, the firm failed to:
1) disclose that the firm acted as a market maker; and/or 2) provided inaccurate information regarding its capacity in transactions. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
- B. The firm also consents to the imposition of the following sanctions:
- 1) Censure; and

- 2) A fine of \$27,500, consisting of \$20,000 for Matter 20100215875 (\$7,500 for violations of FINRA Rule 7450, \$5,000 for violations of SEC Rule 200(g) of Regulation SHO, and \$7,500 for violations of FINRA Rule 2265) and \$7,500 for SEC Rule 10b-10 violations in Matter 20110261533.

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

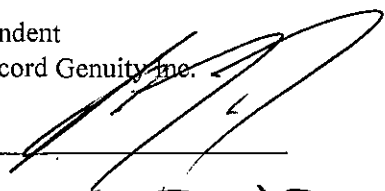
The firm understands that:

- 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: (i) testimonial obligations; or (ii) 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.

10/25/2013
Date

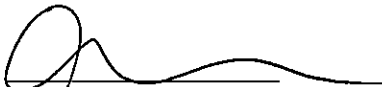
Respondent
Canaccord Genuity Inc.

By: 

Name: Duane Dusen

Title: President

Reviewed by:


Counsel for Respondent

Accepted by FINRA:

11/25/13
Date

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


James J. Nixon
Chief Litigation Counsel
Department of Market Regulation

2010 Market Regulation Examination Samples
 Canaccord Genuity Inc. ("ADAM")
 Exam No. 20100215875
 Sample Source/Period*: 9/29/10, 9/30/10

<u>Sample Size</u>	<u>Sample Description</u>
118	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
387	Short Sales reviewed for compliance with SEC Rule 203(b) security location requirements
403	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624
44	Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements
55	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
0	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
12	Orders for compliance with best execution requirements of NASD Rule 2320
	0 Held orders from the Held Order Protection Review
	2 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
66	Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450, and Nasdaq Rules 6954 and 6955 requirements
111	Customer confirmations prepared and maintained in connection with select samples for compliance with SEC Rule 10b-10
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

**2010 Market Regulation Examination Samples
Canaccord Genuity Inc. ("ADAM")
Exam No. 20100215875
Sample Source/Period*: 9/29/10, 9/30/10**

- | | |
|-----------------|--|
| 12 | 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 |
| 6959 | Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110 |
| 865 | 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 |

2011 Market Regulation Examination Samples
 Canaccord Genuity Inc. ("ADAM")
 Exam No. 20110261533
 Sample Source/Period*: October 5 and 6, 2011

<u>Sample</u>	<u>Sample Description</u>
46	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
7	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
894	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624
20	Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements
20	0 Buy and 20 Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements
N/A	Sell orders entered into Nasdaq OMX BX execution system for compliance with Nasdaq OMX BX Rule 4755 long/short reporting requirements
N/A	Sell orders entered into Nasdaq OMX PHLX execution system for compliance with Nasdaq OMX PHLX Rule 3305 long/short reporting requirements
0	Sell orders entered into DirectEdge Exchange execution system for compliance with EDGA/EDGX Rule 11.15 long/short reporting requirements
N/A	Sell orders entered into NYSE-Arca execution system for compliance with NYSE-Arca Equity Rule 7.16 long/short reporting requirements
0	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
14	Orders for compliance with best execution requirements of NASD Rule 2320
	0 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
14	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
0	Orders for compliance with order protection requirements of NASD Rules 2110, IM-2110-2, 2111, and Nasdaq Rules 2110, IM-2110-2, and 2111
0	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
51	Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450, and Nasdaq Rules 6954 and 6955 requirements

2011 Market Regulation Examination Samples
 Canaccord Genuity Inc. ("ADAM")
 Exam No. 20110261533
 Sample Source/Period*: October 5 and 6, 2011

<u>Sample Size</u>	<u>Sample Description</u>
87	Customer confirmations prepared and maintained in connection with select samples for compliance with SEC Rule 10b-10
24	Orders for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements
6	Data sets published for August 2011 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
21	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 and Nasdaq Rule Series 1020, 1030, 1040
14	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
2	Disclosures to customers relating to trading in the Extended Hours session for compliance with FINRA Rule 2265 and Nasdaq Rule 4631
1958	Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110
958	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 or Nasdaq Rule 3010 requirements
N/A	Trading Halts declared during the on-site portion of the examination for which FINRA Staff observed the operation of the ATS.
N/A	Trades reported to the ADF/TRACS for compliance with FINRA Rule 6282
N/A	ADF orders and quotes accessed by other market participants for compliance with FINRA Rule 6250 requirements to submit Order and Order Response reports

STATEMENT OF CORRECTIVE ACTION

Canaccord Genuity Inc. ("Respondent" or the "Firm") respectfully submits this Statement of Corrective Action to the Letter of Acceptance, Waiver and Consent ("AWC"). It does not constitute factual or legal findings by FINRA, nor does it reflect the view of FINRA, or its staff. Highlighted below are enhancements to the Firm's procedures and policies and other corrective steps taken to address FINRA's concerns.

Matter No. 20100215875

1) FINRA Rule 7450 (Order Data Transmission Requirements)

The Firm worked closely with its affiliates in Canada, Credit Suisse, and its Order Management System ("OMS") provider, Fidessa, to take corrective action with respect to the Order Audit Trail System ("OATS") related instances cited by FINRA. The Firm has enhanced its systems significantly to include a separate Canadian MPID for Canadian Direct Market Access ("DMA") clients, enhanced recordkeeping for DMA order flow, and added a prohibition on CGI clients entering OATS reportable trades into the DMA system. The Firm has also conducted additional training of the Firm's trading personnel (both dually registered and Canadian only) as to the proper usage of the Firm's MPIDs.

These incremental enhancements culminated in a comprehensive OMS upgrade for the Firm's Canadian affiliates trading desk, allowing the capture of the required data and subsequent required OATS reporting, as applicable. The Firm has instituted reviews to monitor the system to confirm that it continues to operate as contemplated.

Finally, the Firm has worked with Fidessa to identify the issues causing the inaccurate reporting of data to OATS and ensured that the appropriate configurations were made to the OMS to correct these inaccuracies.

2) SEC Rule 200(g) (Order Marking Requirements)

The conduct cited by FINRA as violative of SEC Rule 200(g) has been resolved by the Firm's OMS provider, Fidessa, implementing a system update through the release of USTP 5.16 on October 21, 2010. Fidessa now provides functionality that alerts firms if they enter a house order for a quantity greater than their position. In this case, the Firm may now send two orders if necessary, one long and one short and includes a configurable setting that takes into account pending sell orders when determining when a sell order is entered whether it is long or short.

3) FINRA Rule 2265 (Extended Hours Trading Risk Disclosure)

With respect to the instances where FINRA cited the Firm for failure to provide clients with an extended hours disclosure prior to executing an order for clients in the extended hours, the Firm provided an extended hours trading risk disclosure with the September 2011 statements to clients and has implemented additional procedures to ensure that these risk disclosures are provided on a continual basis. Specifically, the disclosures are included in the new account opening package and with account statements sent on either a monthly or quarterly basis depending on the customer, and are sent out in an annual mailing to customers with other trading related disclosures.

Matter No. 20110261533

1) SEC Rule 10b-10 (Customer Confirmations)

Since FINRA staff cited the Firm for failing to disclose its market maker status and the correct capacity on customer confirmations, the Firm has taken several steps to address these issues. In regard to the instances in which the FINRA staff cited the firm for failing to record a market maker disclosure on its customer confirmations, the Firm worked with its clearing agent at the time, Pershing LLC, and with its OMS provider, Fidessa, to implement system changes to include the market maker disclosure on confirmations. Further, the Firm has recently changed clearing agents and as part of the process has reviewed its new confirmations to ensure compliance with SEC Rule 10b-10. Further, the Firm has instituted a periodic review of its confirmations to ensure compliance going forward.

October 9, 2013