

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100226193-01**

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

RE: RBC Capital Markets, LLC (f/k/a RBC Capital Markets Corporation), 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 January 6, 2010, an AWC became final wherein the firm was censured and fined \$150,000, including a \$10,000 fine for violations of Municipal Securities Rulemaking Board ("MSRB") Rules G-17 and G-30 during the period October 1, 2007 through December 31, 2007.

SUMMARY

In connection with matter 20100226193, the Fixed Income Investigations Team reviewed the firm's compliance with best execution requirements related to corporate bonds during the period July 1, 2009 through September 30, 2009 (the "3Q09 Corporate Review Period").

In connection with matter 20100240103, the Fixed Income Investigations Team reviewed the firm's compliance with fair pricing requirements related to municipal bonds during the period April 1, 2010 through June 30, 2010 (the "2Q10 Municipal Review Period").

In connection with matter 20110280546, the Fixed Income Investigations Team reviewed the firm's compliance with fair pricing requirements related to municipal bonds during the period January 1, 2011 through March 31, 2011 (the "1Q11 Municipal Review Period").

In connection with matter 20110261520, the staff of FINRA's Department of Market Regulation conducted the firm's Trading and Market-Making Surveillance ("TMMS") Examination for 2011, evaluating the firm's compliance with various SEC, Nasdaq, Nasdaq OMX BX, NASD and FINRA rules relating to its trading of equity orders and its market-making activities, and specifically reviewing the items listed in Exhibit D for trade date September 8, 2011 (the "2011 TMMS Exam Review Period"), unless otherwise noted.

In connection with matter 20110288740, the Municipal Bonds Team of FINRA's Department of Market Regulation reviewed the firm's compliance with rules related to the submission of orders to the MSRB's Short-Term Obligation Rate Transparency ("SHORT") System during the period April 1, 2011 through June 30, 2011 (the "MSRB SHORT Review Period").

In connection with matter 20110292526, the Trade Reporting and Compliance Engine ("TRACE") Corporate Bonds Team of FINRA's Department of Market Regulation reviewed the firm's reporting of its inter-dealer transactions in corporate bonds to TRACE during the period April 1, 2011 through June 30, 2011 (the "TRACE Review Period").

In connection with matter 20120312786, the TRACE Agency/SP Team of FINRA's Department of Market Regulation reviewed the firm's reporting of new issue offerings in TRACE-eligible securitized products during the period July 1, 2011 through December 31, 2011 (the "TRACE SP Review Period").

FACTS AND VIOLATIVE CONDUCT

20100226193

1. During the 3Q09 Corporate Review Period, in seven transactions in corporate bonds 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.

20100240103

2. During the 2Q10 Municipal Review Period, in seven 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).

20110280546

3. During the 1Q11 Municipal 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 C, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rules G-17 and G-30(a).

20110261520

4. During the 2011 TMMS Exam Review Period, the firm: (1) failed to transmit nine Reportable Order Events (“ROEs”) to the Order Audit Trail System (“OATS”) and (2) transmitted to OATS two reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the firm failed in two instances to submit Execution (“EX”) reports to OATS to reflect partial executions of an order. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
5. During the 2011 TMMS Exam Review Period, the firm: (1) failed on 40 occasions to provide written notification disclosing to its customer its correct capacity in the transaction; failed on 40 occasions to disclose “details available upon request” for the compensation, which is stated in a single amount on the customer confirmation; and (3) disclosed on seven occasions that a “commission” was charged for an order filled in a principal capacity on the customer confirmation. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
6. During the 2011 TMMS Exam Review Period, the firm, on six occasions, accepted a short sale order in an equity security from another person, or effected a short sale in an equity security for its own account, without: (1) borrowing the security, or entering into a bona-fide arrangement to borrow the security; or (2) having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due; and (3) documenting compliance with SEC Rule 203(b)(1) of Regulation SHO. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 203(b)(1) of Regulation SHO.

20110288740

7. During the MSRB SHORT Review Period, the firm failed to submit information regarding the result of an auction (Auction Rate Security, or “ARS”) and interest rate reset (Variable Rate Demand Obligation, or “VRDO”) in 94 instances to the MSRB’s SHORT System within the time requirements prescribed by MSRB Rule G-34. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-34.
8. During the MSRB SHORT Review Period, the firm failed to submit accurate information regarding the result of an interest rate (VRDO) reset in 462 instances to the MSRB’s SHORT System as prescribed by MSRB Rule G-34. Specifically, the firm failed to submit an accurate rate reset date to the SHORT System. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-34.

20110292526

9. During the TRACE Review Period, the firm failed to report to TRACE 51 P1 transactions in TRACE-eligible Corporate Debt Securities that it was required to report. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(b)(1).
10. During the TRACE Review Period, the firm failed to report to TRACE the correct contra-party's identifier for three P1 transactions in TRACE-eligible Corporate Debt Securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(6).
11. During the TRACE Review Period, the firm failed to accurately report to TRACE the market identifier for four P1 transactions in TRACE-eligible Corporate Debt Securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(d)(4)(D).
12. During the TRACE Review Period, the firm failed to submit a report to TRACE identifying the correct execution date for five P1 transactions in TRACE-eligible Corporate Debt Securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(5).

20120312786

13. During the TRACE SP Review Period, the firm, as managing underwriter/secritizer, failed to report 59 new issue offerings in TRACE-eligible securitized products to FINRA in accordance with the requirements of FINRA Rule 6760(c). These 59 new issue offerings constituted 79 percent of the 75 new issue offerings in TRACE-eligible securitized products that the firm had an obligation to provide to FINRA pursuant to FINRA Rule 6760 during the TRACE SP Review Period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6760(c).

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

- A censure.
- A fine of \$97,500 (comprised of \$12,500 for violations of FINRA Rule 2010 and NASD Rule 2320 in matter 20100226193; \$17,500 for violations of MSRB rules G-17 and G-30(a) in matter 20100240103; \$20,000 for violations of MSRB rules G-17 and G-30(a) in matter 20110280546; \$10,000 for violations of FINRA Rule 7450 in matter 20110261520; \$7,500 for violations of SEC Rule 10b-10 in matter 20110261520; \$7,500 for violations of SEC Rule 203(b)(1) in matter 20110261520; \$5,000 for violations of MSRB Rule G-34 in matter 20110288740;

\$10,000 for violations of FINRA Rule 6730 in matter 20110292526; and \$7,500 for violations of FINRA Rule 6760(c) in matter 20120312786).

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 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.

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.

04/05/13
Date

RBC Capital Markets, LLC
Respondent

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

Reviewed by:

[Signature]
Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number

Accepted by BX:

4/24/13
Date

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

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

Exhibit A

Item No.	Date	CUSIP	Issue	Quantity	Firm	Contra	Trade Time	Trade Price	Restitution
1	8/12/2009	02687QBE7	AIG.GPT	20	RBCD	C (B)	16:27:09	93.567	\$914.40
5	7/31/2009	079876AM9	BLS.GW	20	RBCD	C (B)	15:50:26	110.172	\$716.40
10	7/31/2009	12557WTA9	CIT.GAR	10	RBCD	C (S)	16:38:26	59.750	\$1,078.60
11	7/31/2009	12557WTA9	CIT.GAR	10	RBCD	C (S)	16:39:08	59.750	\$1,078.60
14	7/16/2009	125581CX4	CIT.XQ	10	RBCD	C (S)	13:05:10	40	\$704.00
17	8/17/2009	844741AY4	LUV.GU	15	RBCD	C (B)	15:11:09	104.642	\$1,008.30
18	9/3/2009	74367CBR5	PL.IG	20	RBCD	C (B)	10:45:55	87.000	\$672.00
Total Restitution:									\$6,172.30

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 B

Item No.	Date	CUSIP	Issue	Quantity	Firm	Contra	Trade Time	Trade Price	Restitution
1	4/6/2010	59259RWY6	Metropolitan Transit Auth	100	RBCD	C (B)	14:59:45	104.958	\$3,570.00
5	4/20/2010	88256CEX3	Texas Mun Gas Acquisition	15	RBCD	C (S)	15:54:20	99.742	\$414.90
7	5/6/2010	13063A5G5	State of California Various Purpose G/O Bonds	20	RBCD	C (S)	15:35:23	102.600	\$765.60
9	5/25/2010	73358TWK3	Port Auth NY & NJ	50	RBCD	C (S)	15:02:25	97.000	\$1,146.80
10	5/26/2010	73358TWK3	Port Auth NY & NJ	25	RBCD	C (S)	15:39:53	96.525	\$692.15
12	6/8/2010	745190DH8	Puerto Rico Comwlth Hwy & Transn	25	RBCD	C (B)	16:00:42	100.199	\$342.80
13	6/16/2010	517705AN9	Las Vegas Nev CTFS Partn Cops	35	RBCD	C (S)	11:24:02	104.250	\$1,367.10
Total Restitution:									\$8,299.35

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

[illegible]

2011 Market Regulation Examination Samples
RBC Capital Markets, LLC ("RBCM")
Exam No. 20110261520
Sample Source/Period*: September 8, 2011

<u>Sample</u>	<u>Size</u>	<u>Sample Description</u>
	202	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
	31	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
	723	Sell executions reviewed for accurate memorialization of long or short on the trading ledger for compliance with SEC Rules 17a-3 and 17a-4
	239	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624
	68	Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements
	72	Buy and Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements
	24	Sell orders entered into Nasdaq OMX BX execution system for compliance with Nasdaq OMX BX Rule 4755 long/short reporting requirements
	0	Sell orders entered into Nasdaq OMX PHLX execution system for compliance with Nasdaq OMX PSX Rule 3305 long/short reporting requirements
	41	Sell orders entered into DirectEdge Exchange execution system for compliance with EDGA/EDGX Rule 11.15 long/short reporting requirements
	71	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
	29	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
	4	Order executed with a .PRP (Prior Reference Price) trade modifier
	25	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
	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
	73	Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450, and Nasdaq Rules 6954 and 6955 requirements

*unless otherwise noted

2011 Market Regulation Examination Samples
RBC Capital Markets, LLC ("RBCM")
Exam No. 20110261520
Sample Source/Period*: September 8, 2011

<u>Sample Size</u>	<u>Sample Description</u>
204	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
5	Data sets published for July 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
14	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
25	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
393	Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110
377	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