

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011025431701**

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

RE: Canaccord Genuity, 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" or the "Firm") 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 263 registered representatives operating out of 11 branch offices in the US and Canada.

RELEVANT DISCIPLINARY HISTORY

In November 2011, Canaccord entered into an AWC with FINRA in which it agreed, without admitting or denying the findings, to a censure and fine of \$22,500 for failing 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, in that the Firm failed to provide specific guidance to employees in its WSPs regarding the manner in which research reports could and could not be provided to covered

companies. 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.

OVERVIEW

From at least July 2009 through March 2011 (the "relevant period"), Canaccord's research analysts sent pre-publication excerpts of research reports containing facts interspersed with opinions, estimates, conclusions and other non-factual information to the companies covered by the reports. Canaccord also failed to adopt and implement WSPs reasonably designed to achieve compliance with rules relating to the issuance of research reports. This conduct violated NASD Conduct Rule 2711 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

RESTRICTIONS ON COMMUNICATIONS WITH THE SUBJECT COMPANY OF A RESEARCH REPORT

NASD Conduct Rule 2711(c) prohibits a member firm from submitting a research report to the subject company before its publication except that certain sections of the report can be sent to the subject company as necessary only to verify the factual accuracy of the information therein. Those sections, however, cannot contain the research summary, research rating or the price target. Moreover, a complete draft of the research report must be provided to legal or compliance personnel before sections of the report are submitted to the subject company, and, if after submitting the sections of the research report to the subject company the research department intends to change the proposed rating or price target, it must first provide written justification to, and receive written authorization from, legal or compliance personnel for the change. Notice to Members 04-18, which provided further guidance to member firms regarding NASD Conduct Rule 2711, specifically states that the submission to the subject company of facts interspersed with opinions, estimates, conclusions and other non-factually based information by the research analyst violates Rule 2711.

REVIEW OF RESEARCH REPORTS BY SUBJECT COMPANIES

During the relevant period, Canaccord's WSPs permitted the Research Department to send portions of a research report ("redacted report") to the subject company before publication, solely to verify the accuracy of information in those sections. Canaccord's WSPs required the Firm's research analysts to send both the redacted report and the entire draft report to the Compliance Department. The Compliance staff would then review the redacted report for non-factual information (such as estimates and analyst's opinions) and return it to the analyst

with instructions on what, if any, language needed to be removed prior to transmittal to the covered company.

When the research analyst transmitted the final redacted report to the subject company, the Firm's procedures required the Compliance Department to be copied on this communication. The WSP's, however, did not require the Compliance Department to follow up, even on a spot check basis, to determine if the research analyst removed the non-factual information identified by Compliance. Further, Canaccord's WSPs and supervisory system did not provide formal training procedures or specific guidance to assist the Firm's research analysts and Compliance staff in determining what language was permissible to send to subject companies in the redacted reports.

During the relevant period, Canaccord's research analysts sent 27 redacted reports to covered companies for verification of factual accuracy. In 26 of those instances, however, Canaccord sent redacted reports containing from 2 to 20 pieces of non-factual information to the subject companies. In seven of the redacted reports, the Firm's research analysts failed to remove or edit some of the non-factual statements that were identified by Canaccord's Compliance Department. Moreover, in all 26 of the redacted reports, the Firm's Compliance Department failed to identify every non-factual statement.

By providing redacted reports containing non-factual information to the subject companies, Canaccord violated NASD Conduct Rule 2711(c) and FINRA Rule 2010. By failing to adopt and implement reasonable 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 Rule 2711(i) and FINRA Rule 2010.

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

- a censure; and
- \$100,000 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):

Respondent 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, Respondent'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 Respondent 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 sanction 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:

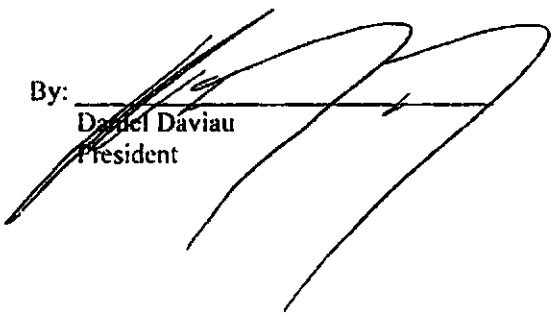
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will 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.

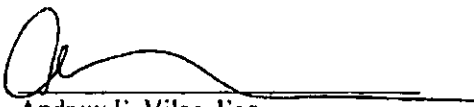
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to its provisions voluntarily; and that no offer,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

12/18/2012
Date (mm/dd/yyyy)

By: 
Daniel Daviau
President

Reviewed by:


Andrew F. Viles, Esq.
Counsel for Respondent
Managing Director, U.S. General Counsel
Canaccord Genuity, Inc.
99 High Street
Boston, MA 02110
(617) 371-3715

Accepted by FINRA:

12/31/12
Date

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

Paul D. Taberner

Paul D. Taberner
Senior Regional Counsel
FINRA Department of Enforcement
99 High Street
Suite 900
Boston, MA 02110
(617) 532-3425 (telephone)
(202) 721-8322 (facsimile)

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.

Upon receiving the examination staff's Final Report in September 2011, the Firm took a number of actions. The Firm conducted training with members of the Compliance Department to better assist them in identifying impermissible statements, including forecasts, opinions, estimates, conclusions, and other non-factually based information, in drafts to be sent to subject companies. The Firm revised its Written Supervisory Procedures ("WSP") to establish and implement procedures reasonably designed to achieve compliance with FINRA rules and regulations and has taken steps to address and correct the deficiencies cited in the AWC. Specifically, the Firm included additional guidance for Compliance and Research to identify impermissible statements and non-factually based information. In addition, the Firm has revised its policies to require Compliance approval of the final draft of an excerpt prior to submission to the subject company for review, in addition to heightened supervisory checks to ensure analyst compliance with this requirement.

December 17, 2012