

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013035269201**

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

RE: National Bank of Canada Financial Inc., Respondent
Broker-Dealer
BD No. 22698

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent National Bank of Canada Financial Inc. ("NBCFI" or 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 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

NBCFI has been a member of FINRA since November 1988. The Firm is an indirectly-owned subsidiary of National Bank Financial & Co. Inc., both of which are ultimately owned by National Bank of Canada. NBCFI operates out of one branch in New York and two branches located in Canada. The firm employs approximately 50 registered representatives.

RELEVANT DISCIPLINARY HISTORY

NBCFI does not have any relevant disciplinary history with the Securities and Exchange Commission, FINRA, or any other self-regulatory organization or any state securities regulator.

OVERVIEW

This matter concerns NBCFI's failure to implement a supervisory system that was reasonably designed to achieve compliance with NASD Conduct Rule 3010(d)(1), with regard to the review of incoming and outgoing email correspondence of its registered representatives. As a result, NBCFI violated NASD Conduct Rules 3010(a), 3010(b) and 3010(d), and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

NASD Conduct Rule 3010(a) requires member firms to establish, maintain and enforce a supervisory system that is reasonably designed to achieve compliance with applicable federal securities laws and FINRA rules. NASD Conduct Rule 3010(b)(1) requires each member to establish, maintain, and enforce written supervisory procedures that are reasonably designed to ensure such compliance. NASD Conduct Rule 3010(d)(2) requires firms to "develop written procedures . . . for the review of incoming and outgoing written (i.e., non-electronic) and electronic correspondence with the public relating to its investment banking or securities business[.]"

Between April 30, 2013 and July 23, 2013 (the "Relevant Period"), the Firm failed to include emails from three domains ("nbc.ca," "bnc.ca," and "Bloomberg.net") and all Blackberry Pin-to-Pin communications in the Firm's queue for electronic communications to be reviewed. As a result, the Firm failed to perform a supervisory review of approximately 500,000 electronic communications for the Firm's approximately 40 registered representatives during the Relevant Period.

Further, the Firm's written supervisory procedures were inadequate in that they failed to address how the Firm would implement its electronic correspondence review and how the Firm would review electronic communications in foreign languages. During the Relevant Period, the Firm did not use any French language lexicon terms in order to identify emails for supervisory review, even though certain of the Firm's business communications were conducted with French-speaking employees and customers.

Based on the foregoing, the Firm violated NASD Conduct Rules 3010(a) and (b), 3010(d), and FINRA Rule 2010.

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

- A censure and;
- A fine of \$20,000.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are 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 sanctions imposed in this matter.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waive 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 Chief Legal Officer, 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.

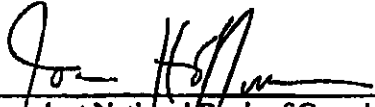
OTHER MATTERS

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; and**
- 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 it;**
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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: (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. 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 Respondent to submit it.

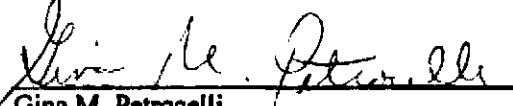
November 20, 2014
Date


Respondent National Bank of Canada Financial Inc.
By: [name] Joan Hoffman
[title] CCO + Managing Director

Accepted by FINRA:

January 5, 2015
Date

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


Gina M. Petrocelli
Director
FINRA Department of Enforcement
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