

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130358262 - 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" or "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

The firm has been a member of FINRA since April 3, 1946. Its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On March 22, 2012, FINRA accepted the firm's AWC (Matter No. 20090170045) in which the firm was censured and fined \$40,000, of which \$7,500 was for late trade reporting to the FINRA/Nasdaq Trade Reporting Facility ("TRF") in violation of NASD Rule 4632 and FINRA Rule 6380A during the third trimester of 2008 and first trimester of 2010; and \$25,000 was for various Order Audit Trail System ("OATS") reporting violations of NASD Rule 6955 and FINRA Rule 7450 between January 1, 2008 and June 30, 2010.

SUMMARY

In connection with the firm's 2013 Trading and Market Making Surveillance ("TMMS") Exam, Matter No. 20130358262, FINRA's Department of Market Regulation reviewed the trading activity of the firm set forth in Exhibit 1 for trade dates June 17 and 18, 2013 (the "review period") for compliance with applicable SEC and FINRA rules. As a result of its review, the TMMS staff found that the firm violated FINRA and/or SEC rules relating to OATS reporting, trade reporting input, customer confirmations, books and records, and supervision.

FACTS AND VIOLATIVE CONDUCT

1. During the review period, the firm, in 16 instances, transmitted reports to the Order Audit Trail System ("OATS") that contained inaccurate, incomplete, or improperly formatted data. Specifically, the firm incorrectly submitted Desk ("DS") Reports; submitted incorrect MP Branch Sequence IDs, Member Type Codes, Destination Codes, or Special Handling Codes; failed to populate the Routing Firm MPID, Sent to MPID, Special Handling Codes, or Limit Price fields; and/or failed to submit a Customer Instruction flag. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
2. The firm executed 57 sale transactions and failed to report each of these transactions to the FINRA/Nasdaq TRF as short. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6182.
3. The firm, on 99 occasions, provided written notification to customers that failed to disclose information or disclosed inaccurate information. Specifically, the firm failed to disclose its correct capacity, failed to disclose that it was a market maker in a security, incorrectly disclosed compensation type, failed to disclose that a transaction was executed at an average price, and/or incorrectly disclosed that a transaction was executed at an average price. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
4. The firm failed to accurately describe 354 sale transactions as long or short on its trading ledger. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and FINRA Rule 4511.
5. 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 FINRA. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the 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 written supervisory procedures failed to provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures, in the following subject areas:

- Supervisory System, Procedures, & Qualifications: Procedures to help ensure personnel are properly registered [(b), (c), (d)];
- OATS: Accurate and timely reporting of OATS data [(b)]; and
- Other Rules: Accurate books and records [(b)].

The conduct described in this paragraph constitutes violations of FINRA Rule 2010 and NASD Rule 3010.

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

- 1) Censure;
- 2) A fine of \$57,500 (consisting of \$17,500 for OATS reporting violations, \$7,500 for equities trade reporting violations, \$10,000 for SEC Rule 10b-10 violations, \$7,500 for books and records violations, and \$15,000 for supervision violations); and
- 3) An undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.5 above. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Respondent 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.5; and, (3) the date the revised procedures were implemented.

Respondent 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.

Respondent 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

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 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 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 prejudice 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 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 accordance with FINRA Rule;**
- 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 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. Respondent 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.

8/12/15
Date

Respondent
Canaccord Genuity Inc.

By: Howard Green

Name: Howard Green

Title: SMD

Reviewed by:

[Signature]
Counsel for Respondent

Accepted by FINRA:

August 12, 2015
Date

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

[Signature]
James J. Nixon
Chief Litigation Counsel
FINRA Department of Market Regulation

2013 Market Regulation Examination Samples
Canaccord Genuity Inc. ("ADAM")
Exam No. 20130358262
Sample Source/Period*: July 17-18, 2013

Exhibit No. 1

<u>Sample Size</u>	<u>Sample Description</u>
64	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
219	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
344	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
25	Buy and 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 PSX Rule 3305 long/short reporting requirements
6	Sell orders entered into DirectEdge Exchange execution systems for compliance with EDGA/EDGX Rule 11.15 long/short reporting requirements
7	Buy and Sell orders entered into DirectEdge Exchange execution systems for compliance with EDGA/EDGX Rule 11.22 capacity reporting requirements
N/A	Sell orders entered into NYSE-Arca execution system for compliance with NYSE-Arca Equities Rule 7.16 long/short reporting requirements
N/A	Buy and Sell orders entered into NYSE-Arca execution system for compliance with NYSE Arca Equities Rule 7.33 capacity 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
46	Orders for compliance with best execution requirements of FINRA Rule 5310: 41 Orders from the Order Protection Review 5 Order executed with a .PRP (Prior Reference Price) trade modifier 0 Customer orders in OTC equity securities
0	Orders for compliance with order protection requirements of FINRA Rule 5320
0	Open Limit orders to buy and/or open Stop orders to sell securities that traded ex-dividend for compliance with FINRA Rule 5330
8	Non-tape reports to a TRF or OTCRF for compliance with the Related Market Center Indicator requirements of FINRA Rules 7230A and 7330
0	Order memoranda and Net Trading agreements for compliance with FINRA Rule 2124 requirements
78	Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450 requirements

2013 Market Regulation Examination Samples
 Canaccord Genuity Inc. ("ADAM")
 Exam No. 20130358262
 Sample Source/Period*: July 17-18, 2013

<u>Sample Size</u>	<u>Sample Description</u>
154	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 June 2013 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)
2	Quarterly Routing Report for compliance with SEC Rule 606 requirements
25	CRD registration records for persons conducting and/or supervising Firm's trading and/or market making activities for compliance with NASD Rule Series 1020-1040; Nasdaq Rule Series 1020-1040, Nasdaq OMX BX Rule Series 1020-1040; Nasdaq OMX PHLX Rule Series 600-604; EDGA/EDGX Rules 2.3, 2.5 and 11.4 and NYSE-Arca Rules 2.4, 6.18 and 7.21
0	Customer orders in OTC equity securities for compliance with FINRA Rule 5310, Supplementary Material .06: Securities with Limited Quotation or Pricing Information
10	Disclosures to customers relating to trading in the Extended Hours session for compliance with FINRA Rule 2265
2,324	Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4
607	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 FINRA Rule 5310 and NASD Rule 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, Nasdaq OMX BX Rule 3010, Nasdaq OMX PHLX Rule 748, EDGA Rule 5.1, EDGX Rule 5.1 or NYSE-Arca Rule 6.18 requirements
All Provided	Member's risk management and supervisory system/procedures and documentation evidencing execution of the policies and procedures for compliance with SEC Rule 15c3-5 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