

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20150464695-01

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

RE: RBC Capital Markets, LLC, Respondent
Broker-Dealer
CRD No. 31194

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, RBC Capital Markets, LLC (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 the firm 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

Respondent has been a FINRA member since March 19, 1993, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On December 12, 2012, FINRA accepted an AWC in which the firm was censured and fined a total of \$62,500. This total included a \$20,000 fine for Order Audit Trail System ("OATS") reporting violations stemming from two separate reviews for periods in 2009 and 2010; and a \$15,000 fine for Trade Reporting and Compliance Engine ("TRACE") reporting and supervision violations during the period October 1, 2009 through March 31, 2010.

On April 24, 2013, FINRA accepted an AWC in which the firm was censured and fined a total of \$97,500. This total included \$30,000 in fines for TRACE reporting violations during the periods July 1, 2009 through September 30, 2009 and April 1, 2011 through December 31, 2011; and a \$10,000 fine for OATS reporting violations for review date September 8, 2011.

On November 13, 2013, FINRA accepted an AWC in which the firm was censured and fined a total of \$50,000. The AWC included a fine of \$25,000 for TRACE reporting violations during the period January 1, 2012 through March 31, 2012.

On June 27, 2014, FINRA accepted an AWC in which the firm was censured and fined \$12,500 for OATS reporting violations on review date April 17, 2013.

SUMMARY

In connection with Review No. 20150464695, Department of Market Regulation staff (the “staff”) reviewed the firm’s compliance with FINRA Rule 7450 during the period March 1, 2008 through December 4, 2015 (the “OATS review period”).

In connection with Review No. 20160492672, the staff reviewed the firm’s compliance with FINRA Rule 6730 during the period August 1, 2013 through February 29, 2016 (the “TRACE review period”).

In connection with Review No. 20150465800, the staff reviewed the firm’s compliance with Municipal Securities Rulemaking Board (“MSRB”) Rules G-15(f), G-17 (for conduct prior to July 5, 2014), and G-47 (for conduct on or after July 5, 2014) during the period December 1, 2013 through December 31, 2015 (the “minimum denomination review period”).

In connection with Review Nos. 20160494357 and 20160502372, the staff reviewed the firm’s compliance with MSRB Rule G-14 during the period January 2, 2008 through March 25, 2016 (the “MSRB reporting period”).

Based on the foregoing reviews, the Department of Market Regulation found that the firm violated NASD Rule 6955(a) (for conduct prior to December 15, 2008); FINRA Rule 7450(a) (for conduct on or after December 15, 2008); NASD Rule 3010 (for conduct prior to December 1, 2014); FINRA Rule 3110 (for conduct on or after December 1, 2014); NASD Rule 2110 (for conduct prior to December 15, 2008); FINRA Rule 2010 (for conduct on or after December 15, 2008); FINRA Rule 6730(b); MSRB Rules G-14, G-15(f); G-17 (for conduct prior to July 5, 2014); and G-47 (for conduct on or after July 5, 2014).

FACTS AND VIOLATIVE CONDUCT

Matter No. 20150464695

1. During the OATS review period, the firm transmitted to OATS approximately 54,156,976 reports in which the Special Handling Code field was not populated to indicate whether the orders were “held” or “not held.” These reports represented less than one percent of all ROEs that the firm was required to transmit to OATS during this period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a) (for conduct prior to December 15, 2008) and FINRA Rule 7450(a) (for conduct on or after December 15, 2008).

2. During the OATS review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of FINRA, concerning transmitting accurate information to OATS. Specifically, the Firm's supervisory system did not include written supervisory procedures providing for a review of the firm's OATS reports that was representative of the types of business in which the firm engaged to ensure its submissions were accurate. The conduct described in this paragraph constitutes a violation of NASD Rule 3010 (for conduct prior to December 1, 2014), FINRA Rule 3110 (for conduct on or after December 1, 2014), NASD Rule 2110 (for conduct prior to December 15, 2008), and FINRA Rule 2010 (for conduct on or after December 15, 2008).

Matter No. 20160492672

3. During the TRACE review period, the firm failed to report to TRACE 21,181 transactions in TRACE-eligible corporate debt securities that it was required to report. In these instances, the firm reported block transactions that were to be allocated into separate managed accounts as a single block instead of reporting the allocations as individual transactions, as required. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(b).

Matter No. 20150465800

4. MSRB Rule G-15(f)(i) prohibits a broker, dealer, or municipal securities dealer from effecting a customer transaction in municipal securities issued after June 1, 2002 in an amount lower than the minimum denomination of the issue.
5. Issuers set minimum denominations for the purchase or sale of municipal securities and disclose those minimum denominations in Official Statements, which are documents prepared by or on behalf of the issuer of municipal securities in connection with a primary offering. Minimum denominations generally range from \$5,000 to \$100,000. An issuer may set a minimum denomination at \$100,000 or higher to qualify for one of several exemptions from Securities Exchange Act Rule 15c2-12, which is designed to ensure production of certain disclosure documents in the primary and secondary markets. In addition, an issuer may set high minimum denominations because of a concern that the offered securities may not be appropriate for retail investors who are likely to purchase securities in relatively small amounts.
6. There are two limited exceptions to executing transactions below the minimum denomination. First, under MSRB Rule G-15(f)(ii), a dealer may purchase municipal securities from a customer in an amount below the minimum denomination of the issue if the dealer determines that the customer's position in the issue is already below the minimum denomination and the customer's entire position in the issue would be liquidated by the transaction.

7. Second, under MSRB Rule G-15(f)(iii), a dealer may sell municipal securities to a customer in an amount below the minimum denomination of the issue if the dealer determines that the position being sold resulted from the liquidation of another customer's entire position in the issue which was below the minimum denomination of the issue. Additionally, a dealer selling under MSRB Rule G-15(f)(iii) must, at or before the completion of the transaction, notify the customer that the amount of the transaction is below the minimum denomination of the issue and that this may adversely affect the liquidity of the customer's position.
8. Under MSRB Rule G-15(f), brokers, dealers, and municipal securities dealers may not sell (or buy) municipal securities in amounts below the minimum denomination of an issue to a customer regardless of whether the customer holds or would hold a position in the issue which is equal to or exceeds the minimum denomination of the issue.
9. During the minimum denomination review period, the firm effected 10 customer transactions in a municipal security in an amount lower than the minimum denomination of the issue which were not subject to an exception under the rule. These transactions are detailed in Exhibit A, attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-15(f).
10. The firm also failed to disclose all material facts concerning 10 municipal securities transactions at or prior to the time of trade. Specifically, the firm failed to inform its customer that the municipal securities transaction was in an amount below the minimum denomination of the issue. In Notice 2002-05, the MSRB stated that a dealer should consider a transaction below an issue's minimum denomination to be a material fact that generally requires disclosure to the customer. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-17 (for transactions executed prior to July 5, 2014) and MSRB Rule G-47 (for transactions on or after July 5, 2014).

Matter Nos. 20160494357 and 20160502372

11. During the MSRB reporting review period, the firm failed to report information regarding 18,634 purchase and sale transactions effected in municipal securities to the Real-time Transaction Reporting System ("RTRS"). For approximately 1,500 of these instances, the firm reported block transactions that were to be allocated into separate managed accounts as a single block instead of reporting the allocations as individual transactions, as required. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

B. The firm also consents to the imposition of the following sanctions¹:

- A censure;
- A fine of \$225,000 (consisting of \$125,000 for the OATS reporting violations and \$25,000 for the supervision violations identified in matter 20150464695; \$25,000 for the TRACE reporting violations identified in matter 20160492672; \$22,500 for the municipal securities minimum denomination violations identified in matter 20150465800; \$7,500 for the municipal securities disclosure violations identified in matter 20150465800; and \$20,000 for the municipal securities trade reporting violations identified in matters 20160494357 and 20160502372);
- An undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.2 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.2; and (3) the date the revised procedures were implemented; and
- Rescission must be offered to the customers who executed the transactions listed on Exhibit A hereto at either the original purchase price or the current fair market value, whichever is higher. The offer of rescission shall remain open with the affected customer for a period of 60 days. A registered principal on behalf of the firm shall submit satisfactory proof of offer of the rescission, or of reasonable and documented efforts undertaken to effect rescission, including the offered price and a description of how the offered price was determined. Such proof shall be submitted to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, either by letter that identifies the Respondent and case number, or by email from a work-related account of the registered principal of the firm to MarketRegulationComp@finra.org. This proof shall be provided to FINRA no later than 90 days after acceptance of this AWC.

¹ In determining to resolve this matter in the manner set forth herein, and in determining the appropriate monetary sanction, the staff took into consideration the firm's self-reporting of the TRACE and MSRB violations described in paragraphs 3 and 11 above.

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 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.

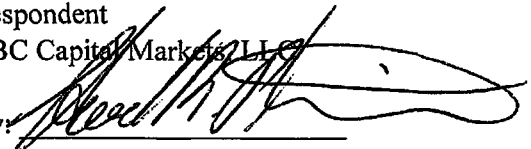
OTHER MATTERS

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 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 8313;
 - 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. 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. 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.

May 1, 2017
Date

Respondent
RBC Capital Markets LLC
By: 

Name: Howard R. Plotkin

Title: Managing Director

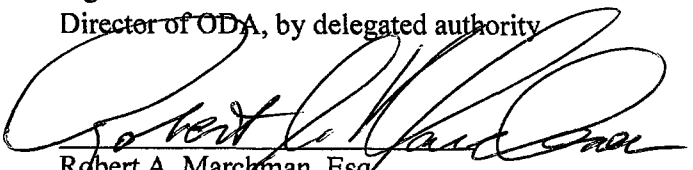
Reviewed by:

Attorney Name
Counsel for Respondent

Accepted by FINRA:

5/3/17
Date

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


Robert A. Marchman, Esq.
Executive Vice President, Legal Section
Department of Market Regulation

Count	Trade Execution Date	Trade Execution Time	CUSIP	Seller	Volume	Price	Buyer
1	12/31/2013	10:32:53	64971PED3	RBCM	\$20,000.00	83.25	CUST
2	12/31/2013	10:34:23	64971PED3	RBCM	\$20,000.00	83.25	CUST
3	3/18/2014	15:46:06	64971PED3	RBCM	\$25,000.00	84.00	CUST
4	7/9/2014	11:11:01	57583UL48	RBCM	\$85,000.00	103.048	CUST
5	7/17/2014	9:04:49	57583UL48	RBCM	\$20,000.00	102.542	CUST
6	7/24/2014	10:32:08	57583UL48	RBCM	\$25,000.00	102.537	CUST
7	7/29/2014	16:03:12	57583UL48	RBCM	\$20,000.00	101.536	CUST
8	9/8/2014	9:58:46	927676RP3	RBCM	\$25,000.00	108.25	CUST
9	9/8/2014	13:46:32	927676RP3	RBCM	\$40,000.00	108.25	CUST
10	9/8/2014	13:55:34	927676RP3	RBCM	\$10,000.00	108.25	CUST