

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20150466008-01

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 August 12, 2015, FINRA accepted the Firm's AWC (Matter No. 20130358262), in which it was censured and fined a total of \$57,500, of which \$17,500 was for Order Audit Trail System ("OATS") reporting violations as well as \$15,000 for various supervisory deficiencies including deficiencies in the firm's OATS-related written supervisory procedures found in connection with the firm's 2013 Trading and Market Making Surveillance ("TMMS") Exam (covering trade dates June 17 and 18, 2013).

On January 6, 2015, FINRA accepted the firm's AWC (Matter No. 20120334774) in which it was censured and fined \$25,000, consisting of \$20,000 for violations of FINRA Rule 6460 during 1Q12 and 4Q12 and \$5,000 for related supervisory deficiencies during 4Q12.

On November 25, 2013, FINRA accepted the Firm's AWC (Matter No. 20100215875), in which it was censured and fined \$7,500 for OATS reporting violations in connection with its 2010 TMMS Exam (covering trade dates September 29 and 30, 2010).

SUMMARY

In connection with Matter No. 20150466008, FINRA's Department of Market Regulation ("Market Regulation") reviewed the firm's compliance with FINRA rules applicable to OATS reporting during the period October 1, 2014 through March 31, 2016 (the "OATS review period"). During the OATS review period, the firm violated FINRA Rules 7450, 3110 and 2010, as well as NASD Rule 3010, as described further below.

In connection with Matter No. 20150475938, Market Regulation reviewed the firm's compliance with FINRA Rule 6460 during the period of July 1, 2015 through March 31, 2016 (the "Rule 6460 review period"). During the Rule 6460 review period, the firm violated FINRA Rules 6460, 3110, and 2010, as discussed further below.

FACTS AND VIOLATIVE CONDUCT

Matter No. 20150466008

1. During the OATS review period, the firm failed to transmit 3,931,235 Reportable Order Events ("ROEs") to OATS. These 3,931,235 ROEs represented 12.98 percent of all ROEs that the firm was required to transmit to OATS during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450(a).
2. During the OATS review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with FINRA Rule 7450. 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 for OATS reporting [(a), (b)]. Specifically, the firm's written supervisory procedures: 1) did not adequately identify which trading desks' supervisory principals were responsible for OATS reviews; 2) did not provide for steps to review for Out of Sequence

events or Exchange Route Matching; and 3) did not provide for steps to review each and every entity reporting ROEs on the firm's behalf. The conduct described in this paragraph constitutes violations of FINRA Rules 3110 (for conduct on or after December 1, 2014) and 2010, as well as NASD Rule 3010 (for conduct prior to December 1, 2014).

Matter No. 20150475938

3. During the Rule 6460 review period, the firm failed to publish immediately a bid or offer that reflected the price and the full size of 28 customer limit orders for OTC Equity Securities held by the firm that were at a price that would have improved the bid or offer of the firm in such securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6460.
 4. During the Rule 6460 review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with FINRA Rule 6460. The firm's written supervisory procedures failed to provide for one of the four above-cited minimum requirements for adequate written supervisory procedures relating to compliance with FINRA Rule 6460 [(b)]. Specifically, the firm's procedures did not set forth supervisory steps reasonably designed to detect, review, and address instances in which the firm failed to take timely action and/or follow-up action with respect to customer limit orders. The conduct described in this paragraph constitutes violations of FINRA Rules 2010 and 3110.
- B. Respondent also consents to the imposition of the following sanctions:
- 1) Censure;
 - 2) A fine of \$75,000 (\$22,500 for OATS reporting violations, \$7,500 for supervision related to OATS, \$37,500 for Rule 6460 violations, and \$7,500 for supervision related to Rule 6460); and
 - 3) An undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraphs I.A.2 and I.A.4 above. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Respondent who is a senior executive officer 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 I.A.4; 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 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

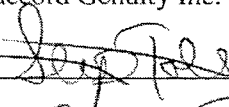
Respondent understands that:

- 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. 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.

May 17, 2017
Date:

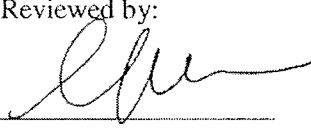
Respondent
Canaccord Genuity Inc.

By: 

Name: Stephen T-tz

Title: COO

Reviewed by:



Counsel for Respondent

Accepted by FINRA:

May 25, 2017
Date

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


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