

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016048607401**

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

RE: Canaccord Genuity LLC, Respondent
Member Firm
CRD No. 1020

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Canaccord Genuity LLC (Canaccord or the 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 LLC has been a FINRA member since April 3, 1946. Its principal place of business is in New York City, and it has approximately 300 registered individuals operating out of 15 branch offices. Respondent is an indirect wholly-owned subsidiary of Canaccord Genuity Group Inc., a publicly-traded Canadian company whose primary business is providing research, trading and sales services to U.S. institutional and corporate clients and investment banking services to U.S. corporate clients.

RELEVANT DISCIPLINARY HISTORY

On August 12, 2015, Canaccord consented to a censure, a \$57,500 fine, and an undertaking in connection with its failure in June 2013 to accurately disclose complete information in 99 customer confirmations; submission of 16 inaccurate, incomplete, or improperly formatted Order Audit Trail System (OATS) reports; and related supervisory failures.

OVERVIEW

Between August 1, 2015 and June 29, 2017, Canaccord violated FINRA Rules 7450 and 2010 by failing to submit, and submitting inaccurate, OATS reports, and Exchange Act Rule 10b-10 and FINRA Rule 2010 by providing customers with confirmations that included misleading or inaccurate information. Respondent also violated FINRA Rules 6622 and 2010 by misusing the prior reference price modifier in trade reports, and Exchange Act Rule 17a-3 and FINRA Rules 4511 and 2010 by using inaccurate execution times on customer order tickets. Additionally, the firm violated FINRA Rule 3110 and 2010 by failing to maintain a reasonable supervisory system relating to OATS reporting.

FACTS AND VIOLATIVE CONDUCT

The firm failed to submit accurate and complete OATS Reports to FINRA.

FINRA Rule 7450 requires members to transmit to FINRA OATS reports containing applicable order information whenever an order is originated, received, transmitted to another department within the member or to another member, or if an order is modified, canceled, or executed. FINRA uses OATS data as an integral part of its automated market surveillance program to detect potentially manipulative activity and other significant violations of FINRA rules and the federal securities laws. Therefore, the failure to submit accurate and complete reports to FINRA's OATS can impede FINRA's ability to detect potentially violative conduct and/or create false positive alerts.

A violation of FINRA Rule 7450 is also a violation of FINRA Rule 2010, which requires member firms, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.

From April 1, 2016 through May 31, 2017, the firm failed to transmit to FINRA's OATS 1,277,327 reportable order events (ROEs), including Route Reports, New Order Reports, and Execution Reports, representing 5.33% of the firm's total reporting obligation for this time period. From August 1, 2015 through May 31, 2017, the firm transmitted to FINRA's OATS 5,704,190 ROEs that contained inaccurate, incomplete, or improperly formatted data, including ROEs with an inaccurate Receiving Department ID, Execution Reports that were not required to be reported, and Route Reports with an inaccurate Routed Method Code. Additionally, between January 3, 2017 and June 29, 2017, the firm submitted inaccurate order information to FINRA's OATS on 27 out of 52 orders selected for further review by FINRA's Trading and Financial Compliance Examinations (TFCE) staff, representing a failure rate of 52% of the orders reviewed. These inaccuracies included errors in identifying Destination Codes, inaccurate Receiving Department IDs, incorrect time in force for a Good-Till-Date order, and incorrect cancel/replace time and failure to submit the expiration time to FINRA's OATS with milliseconds. By virtue of the foregoing, Canaccord violated FINRA Rules 7450 and 2010.

The firm sent trade confirmations to customers containing inaccurate and misleading information.

Exchange Act Rule 10b-10 requires broker-dealers that effect securities transactions for customers to provide a confirmation, at or before the completion of each transaction, disclosing certain basic terms of the transaction including the date, price, number of shares, the capacity of the broker-dealer, and, under specified circumstances, the amount of compensation paid to the broker-dealer. A violation of Exchange Act Rule 10b-10 is also a violation of FINRA Rule 2010.

For trades executed on August 16 and 17, 2016, the firm included inaccurate or misleading information on 64 customer confirmations out of 71 reviewed by TFCE staff, representing an error rate of 90.14%. Additionally, on trade dates between January 3 and June 29, 2017, the firm included inaccurate or misleading information on 66 out of 73 customer confirmations reviewed by TFCE staff, representing an error rate of 90.41%. Specifically, the confirmations reviewed by the TFCE staff included one or more of the following errors: the firm failed to disclose the type of remuneration it received; indicated that a trade was an average price transaction when records show the order was filled with one execution; failed to specify the capacity in which the trade was executed; failed to disclose that it executed the transaction in an agency and riskless capacity; failed to disclose the correct average price; failed to disclose that it was a market maker in the securities; failed to match a trade confirmation execution price and the execution price on the firm's records; failed to disclose a markup/markdown; and/or incorrectly disclosed itself as a market maker in a security. By virtue of the foregoing, Canaccord violated Exchange Act Rule 10b-10 and FINRA Rule 2010.

The firm misused the prior reference price modifier on trade reports.

FINRA Rule 6622 requires member firms to use the ".PRP" modifier on trade reports to signify when a transaction's price at execution is based on a prior reference point in time. Appropriate use of the modifier enables market participants to more accurately report late executions and distinguish them from late trade reports. A violation of Rule 6622 is also a violation of FINRA Rule 2010.

During the review period June 13, 2016 and July 18, 2016, TFCE staff found that in all 25 instances reviewed of the firm's use of the .PRP modifier, the firm used the modifier when it did not have a valid reason to do so due to a programming error in its order management system. By virtue of the foregoing, Respondent violated FINRA Rules 6622 and 2010.

The firm created and maintained inaccurate books and records.

Exchange Act Rule 17a-3 requires every registered broker or dealer to make and keep current books and records, including a memorandum of each brokerage order, showing the time of execution or cancellation of the order. Inherent in this requirement is the obligation that the records the firm makes and keeps are accurate.

FINRA Rule 4511 requires member firms to make and preserve records as required by FINRA and Exchange Act rules. A violation of Exchange Act Rule 17a-3 and FINRA Rule 4511 is also a violation of FINRA Rule 2010.

During the review period of June 13, 2016 and July 18, 2016, TFCE staff reviewed 25 .PRP trades and found that in 13 out of the 25, the firm failed to denote an accurate execution time on customers' order tickets. By virtue of the foregoing, Canaccord violated Exchange Act Rule 17a-3 and FINRA Rules 4511 and 2010.

The firm failed to reasonably supervise for compliance with its OATS reporting requirements.

FINRA Rule 3110(a) requires members to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA Rules. FINRA Rule 3110(b) requires member firms to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. A violation of FINRA Rule 3110 is also a violation of FINRA Rule 2010.

Between August 1, 2015 and May 31, 2017, the firm's supervisory system was not reasonably designed to achieve compliance with its OATS reporting obligations, nor did the firm reasonably enforce its written supervisory procedures. While the firm's WSPs set forth a monthly process of sampling reportable order events and comparing the sampled trades to the firm's audit trail report for accuracy, completeness, and timeliness, the firm did not conduct this sampling process. This failure contributed to the firm's use of an inaccurate Receiving Department ID, and therefore inaccurate submissions, in over 5.7 million OATS submissions.

Additionally, the firm's supervisory system did not include a requirement that its personnel reasonably monitor issues of non-reporting of required OATS submissions. For example, the firm did not inform personnel of the availability of reverse linkage statistics on the OATS Web Interface, which provides firms with access to daily reporting statistics, rejections, and feedback about reporting, including data on unlinked reports, such as the unlinked Route Reports that the firm failed to report. Identification of unlinked orders helps firms detect instances where they are failing to submit required Route Reports or Execution Reports. Nor did the firm review unlinked order statistics that were readily available on the OATS website. Given the firm's history of failing to transmit OATS reports, the firm was on notice of its issues with respect to unlinked orders. It was therefore unreasonable for the firm not to monitor whether the OATS Web Interface or other tools were indicating that the firm was not properly reporting, particularly when the purpose of the unlinked statistics on the OATS Web Interface is to provide a tool for FINRA members to identify non-reporting issues. By virtue of the foregoing, respondent Canaccord Genuity LLC violated FINRA Rules 3110 and 2010.

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

1. A censure; and
2. A fine of \$150,000.

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 an inability to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC 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 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 action brought by FINRA or any other regulator against Respondent;
 - 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 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 Respondent 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 in this AWC and the prospect of avoiding the issuance of a Complaint, has been made to induce it to submit it.

July 21, 2020

Date

Canaccord Genuity LLC
Respondent

By: Jeff Barlow

Jeff Barlow
President

Reviewed by:

Larissa Teipner

Counsel for Respondent

Accepted by FINRA:

July 23, 2020

Date

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

Carolyn Isaac

Carolyn Isaac
Principal Counsel
FINRA
Department of Enforcement
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