

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019063914601**

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

RE: RBC Capital Markets, LLC (Respondent)
Member Firm
CRD No. 31194

Pursuant to FINRA Rule 9216, Respondent RBC Capital Markets, LLC 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 in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

RBC has been a FINRA member since 1993, and is headquartered in New York, New York. The firm conducts a general securities business and, as of March 2024, had approximately 6,000 registered representatives across 322 branches.¹

In April 2020, RBC, pursuant to an Offer of Settlement with the SEC, was censured and ordered to pay disgorgement of \$2,607,676, plus interest, and a civil penalty of \$650,000. RBC disadvantaged certain brokerage customers by recommending and selling the customers more expensive share classes in mutual funds when less expensive share classes were available. RBC failed to disclose that the more expensive share classes would result in greater compensation for RBC, while negatively impacting the overall return on the customers' investments. RBC thus violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933.

OVERVIEW

From January 2016 to at least December 2023, RBC's supervisory system did not provide certain customers with mutual fund sales charge waivers and fee rebates to which they were entitled through rights of reinstatement offered by mutual fund companies.

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

Consequently, eligible customers across more than 1,450 accounts paid approximately \$265,000 in excess sales charges and fees during that period.

Therefore, RBC violated FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

Eligible mutual fund customers are entitled to rights of reinstatement.

Mutual fund issuers generally offer various privileges to their shareholders, which are identified in a fund's prospectus or statement of additional information. These privileges may include a right of reinstatement, which allows investors to purchase shares of a fund after previously selling shares of that fund or another fund in the same fund family, without incurring a front-end sales charge (typically, but not always, involving Class A shares), or to recoup all or part of a contingent deferred sales charge (CDSC). The right of reinstatement benefit is available only if the reinvestment occurs within a designated period between the sale and the repurchase, which varies depending on the fund. Typically, the period ranges from 30 days to 120 days but, in some cases, can be up to two years.

RBC failed to reasonably supervise the application of rights of reinstatement.

FINRA Rule 3110(a) requires FINRA members to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with the applicable securities laws and regulations, and with applicable FINRA rules. A violation of Rule 3110 also constitutes a violation of FINRA Rule 2010, which requires that a member, in the conduct of its business, observe high standards of commercial honor and just and equitable principles of trade.

From January 2016 to at least December 2023, RBC's system that provided customers with rights of reinstatement benefits on eligible transactions was not reasonably designed in several respects. The firm's oversight of discounts available through rights of reinstatement relied on an automated alert that was set to identify transactions in which a customer liquidates a position in a fund family and then purchases back into the same family at a later date. Through at least December 2021, the alert parameters were set so that the alert would only trigger when the principal of the transaction was more than \$1,000. The parameters were also set so the alert would trigger only when a right of reinstatement window was for 100 days or less. Thus, the alert was not designed to, and did not, capture all transactions eligible for reinstatement privileges. For example, approximately 80% of trades missing a right of reinstatement benefit between January 2016 and December 2021 were trades where the alert did not trigger because the transaction was for less than \$1,000 in principal, or involved a right of reinstatement entitlement window greater than 100 days. The firm also, at times, failed to reasonably review alerts that did trigger to ensure that eligible customers were credited with reinstatement privileges.

As a result of its supervisory deficiencies, RBC did not provide over 1,450 accounts with rights of reinstatement benefits to which they were entitled, and customers paid \$264,939.44 in excess sales charges and fees.²

Therefore, RBC violated FINRA Rules 3110 and 2010.

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

- a censure;
- a \$75,000 fine; and
- an undertaking that, within 90 days of the date of the notice of acceptance of this AWC, a member of Respondent's senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has remediated the issues identified in this AWC and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with FINRA Rule 3110 regarding the issues identified in this AWC. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Shefali Singh, Counsel, FINRA, 200 Liberty Street, New York, NY 10281, shefali.singh@finra.org, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

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 after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

² Before the effective date of this AWC, RBC paid full restitution, plus statutorily calculated interest, to the affected customers and provided FINRA staff with proof of payment and documentation of the methodology used to determine restitution.

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 its acceptance or rejection.

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:

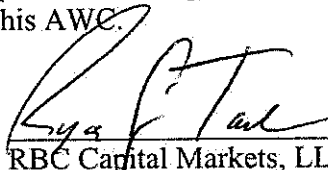
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not 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 its subject matter 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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 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 Respondent to submit this AWC.

6/25/2025
Date

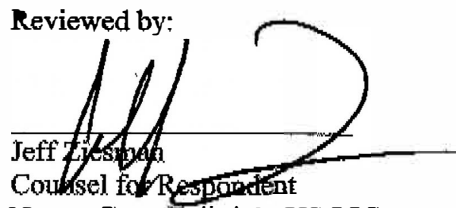


RBC Capital Markets, LLC
Respondent

Print Name: RYAN TAYLOR

Title: VP - Compliance

Reviewed by:



Jeff Ziesman
Counsel for Respondent
Norton Rose Fulbright US LLP
7676 Forsyth Blvd, Suite 2230
St. Louis, Missouri 63105

Accepted by FINRA:

7/02/2024

Date

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



Shefali Singh
Counsel
FINRA
Department of Enforcement
200 Liberty Street
New York, NY 10281