

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020066079904**

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

RE: Diane Daly (Respondent)
Former General Securities Principal
CRD No. 2372551

Pursuant to FINRA Rule 9216, Respondent Diane Daly 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

Daly first registered with FINRA in September 1993. As relevant here, Daly registered with FINRA through an association with Canaccord Genuity LLC in September 2000 as a General Securities Principal and, over the years, in a variety of other principal capacities. Daly served as Canaccord's Chief Compliance Officer from 2013 through June 2023 and as its Anti-Money Laundering Compliance Officer (AMLCO) from 2007 through December 2022. Canaccord filed a Uniform Termination Notice for Securities Industry Registration (Form U5) in August 2023, stating that Daly had been permitted to resign. Although Daly is not currently registered or associated with a FINRA member firm, she remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.¹

OVERVIEW

From February 2017 to December 2022, Daly failed to reasonably supervise Canaccord's surveillance of its securities transactions in violation of FINRA Rules 3110 and 2010 and from at least October 2016 to December 2022 failed to develop and implement an anti-money laundering (AML) compliance program at Canaccord that was reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act and its implementing regulations, in violation of FINRA Rules 3310 and 2010. Daly

¹ For more information about the respondent, visit BrokerCheck® at www.finra.org/brokercheck.

is suspended in all principal capacities and as an AMLCO for 12 months, required to requalify by examination before registering in any principal capacity, and fined \$10,000.

FACTS AND VIOLATIVE CONDUCT

This matter arose from a FINRA examination.

Daly failed to reasonably supervise Canaccord's surveillance of its securities transactions in violation of FINRA Rule 3110.

FINRA Rule 3110(a) requires a member firm 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 FINRA rules. FINRA Rule 3110(a)(6) requires a member firm to use reasonable efforts to determine that all supervisory personnel are qualified, either by virtue of experience or training, to carry out their assigned responsibilities. FINRA Rule 3110(b) requires a member firm 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 FINRA rules. A violation of FINRA Rule 3110 is also a violation of FINRA Rule 2010, which requires members and associated persons to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

During the relevant period, Canaccord was a market maker in over-the-counter stocks that annually traded billions of dollars of low-priced securities, most below a dollar per share. In addition, Canaccord executed trades for institutional customers including foreign financial institutions. Canaccord's written supervisory procedures assigned Daly with responsibility for determining that supervisory personnel were qualified by virtue of experience or training and "review[ing Canaccord's] supervisory system, procedures, and inspections implemented by the firm as required under FINRA Rule 3110 and tak[ing] appropriate action reasonably designed to achieve [Canaccord's] compliance" with applicable securities laws, regulations, and FINRA rules.

Canaccord's trading compliance group was responsible for the review and investigation of over 150 surveillance reports, most of which were generated daily. That surveillance related to a wide array of regulatory concerns, including market manipulation, best execution, trading ahead, Regulation SHO, Regulation NMS, limit order display, trade reporting, and others. Until December 2022, the head of the trading compliance group reported directly to Daly, and she was responsible for reviewing his performance.

For nearly the entire relevant period, the trading compliance group consisted of the head of the group and three additional staff who devoted most of their time to functions other than the review and investigation of trade surveillance reports. The three most senior members of the trading compliance group, including the individual serving as the head of the group, left Canaccord in late 2016 and 2017. The fourth member of the group had functioned as an administrative assistant, was not registered with FINRA, and by late 2016 only recently had begun to take on any of the group's substantive work. On Daly's

recommendation, Canaccord hired junior staff to fill the vacant roles despite knowing of staff concerns about its workload and promoted one of those then-recent hires, who lacked management experience, to head the trading compliance group in early 2017.

From at least February 2017 to December 2022, Daly did not take reasonable steps to determine that the head of the trading compliance group or the other members of the group were qualified, by virtue of experience or training, to carry out the surveillance of Canaccord's trading activity. The firm designated Daly as the person to whom the trading compliance group should escalate findings of potentially violative activity from its market manipulation surveillance. The trading compliance group's review of market manipulation surveillance reports escalated only two instances of potentially violative activity to Daly in 2017, one in 2018, four in 2019, and thirteen in 2020. In light of Canaccord's high volume of trading in low-priced securities, the absence of escalations should have alerted Daly to the group's failures to perform surveillance of Canaccord's trading activities.

Therefore, Daly violated FINRA Rules 3110 and 2010.

Daly failed to implement a reasonably designed AML compliance program in violation of FINRA Rule 3310.

FINRA Rule 3310 requires each member firm to develop and implement a written AML compliance program reasonably designed to achieve and monitor the firm's compliance with the requirements of the Bank Secrecy Act and implementing regulations promulgated by the U.S. Department of the Treasury. FINRA Rule 3310(d) requires firms to designate an individual or individuals responsible for implementing and monitoring the day-to-day operations and internal controls of the firm's AML compliance program. A violation of FINRA Rule 3310 is also a violation of FINRA Rule 2010.

Canaccord designated Daly as the responsible individual, its AMLCO, from February 2007 to December 2022. In that role, the firm's written AML compliance program stated that she was responsible for, among other things, "implementation and evaluation of all [Canaccord's] AML policies and procedures" and "coordinating and monitoring of Canaccord's compliance with all applicable AML laws and regulations," "gathering relevant information to evaluate and review suspicious activity," "reviewing developments in AML laws and regulations and revising [Canaccord's AML] policies and procedures as necessary," "conducting AML training programs for Firm employees and registered persons," "receiving reports of suspicious activity from firm employees and registered persons, and when appropriate, filing Suspicious Activity Reports," and "overseeing audits regarding the efficacy of Canaccord's AML policies and procedures." From at least October 2016 to December 2022, Daly failed to implement a reasonably designed AML compliance program at Canaccord and reasonably monitor the day-to-day operations and internal controls of the program.

Daly was aware that FINRA cautioned Canaccord in 2014, 2017, and 2018 about the need to implement automated AML trade surveillance, given the volume of trading activity at the firm; improve its review for suspicious trading activity; timely review and

document surveillance and investigations; and review the activities of correspondent accounts for foreign financial institutions.

Daly did not implement policies and procedures reasonably expected to detect and cause the reporting of suspicious transactions.

FINRA Rule 3310(a) requires that each member firm's AML compliance program establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. § 5318(g) and implementing regulations thereunder. The implementing regulations issued by the Department of the Treasury include 31 C.F.R. § 1023.320, which requires broker-dealers to file with the Financial Crimes Enforcement Network reports of certain suspicious transactions relevant to a possible violation of law or regulation. Daly recognized that Canaccord's transactions in low-priced securities presented higher risk, but she did not implement policies and procedures reasonably expected to detect and cause the reporting of suspicious transactions.

Daly was responsible for gathering relevant information to evaluate and review suspicious activity, as well as coordinating and monitoring Canaccord's compliance with applicable laws and regulations, but she delegated the design of the firm's AML surveillance reports to personnel in the trading compliance group who had no prior experience performing AML trade surveillance. The resulting exception report criteria were not reasonable. The report to surveil low volume market-making activity unreasonably excluded securities with low trading volumes to reduce the number of alerts that the trading compliance group would need to review. A report to review low price market-making activity, implemented for the first time in May 2019 unreasonably excluded more than 99 percent of the firm's low-priced securities transactions—excluding, for example, all trades priced above \$0.001 and all individual trades that did not account for at least 50 percent of total daily market volume—to reduce the number of alerts that the trading compliance group would be required to review. Similarly, the report to review Canaccord's institutional customers' low-priced securities transactions excluded from review all trades of fewer than one million shares from the beginning of the relevant period to 2019 and all trades of fewer than 100,000 shares thereafter, even if the customer's trading dominated the market.

Until mid-2018, Canaccord did not implement any reports to evaluate and review suspicious trading patterns across trading sessions. In mid-2018, the firm began obtaining data from a vendor, including the vendor's risk rankings about certain over-the-counter securities that Canaccord traded and historical trends such as information about those securities' price and volume changes, historical promotions, caveat emptor flags, and shell status. The firm obtained that data monthly and used it to surveil for potential pump-and-dump schemes. Canaccord did not implement reasonable written procedures containing information about how to identify relevant transactions for purposes of the surveillance. Until 2022, the firm did not implement any other reports to evaluate and review suspicious trading patterns across trading sessions.

Daly also did not reasonably implement the firm's system to identify suspicious trade activity. She delegated the responsibility for the review of the firm's market manipulation trade surveillance reports to the trading compliance group in order to identify and escalate suspicious activity, without reasonable oversight. That staff failed to reasonably review the market manipulation reports that purported to identify suspicious activity. Most of the firm's eleven types of daily AML reports assigned to the trading compliance group went unreviewed for two years or longer during the relevant period. The firm's daily reports for surveilling low-volume and low-price market-making activity went unreviewed for more than four and more than two years, respectively, during the relevant period. The daily report for surveilling low-price customer transactions went unreviewed for nearly four years during the relevant period. Daly knew or should have known about those failures. Despite Canaccord's high volume of low-priced trading presenting high risk, the trading compliance group's review of surveillance reports escalated only two instances of potentially suspicious activity to Daly in 2017, one in 2018, four in 2019, and thirteen in 2020.

Daly did not implement policies and procedures reasonably designed to detect and report activity of correspondent accounts for foreign financial institutions.

FINRA Rule 3310(b) requires that each member firm's AML compliance program establish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and its implementing regulations. One such regulation, 31 C.F.R. § 1010.610(a), requires that broker-dealers' AML compliance programs include a due diligence program for foreign financial institutions' correspondent accounts. These programs must include risk-based controls that are reasonably designed to detect and report known or suspected money laundering activity conducted through or involving correspondent accounts for foreign financial institutions. Such controls should include periodic review of the correspondent account activity sufficient to determine consistency with information obtained about the type, purpose, and anticipated activity of the account.

During the relevant period, Canaccord's institutional customer business served foreign financial institutions trading through correspondent accounts. The jurisdictions in which those customers were domiciled included jurisdictions appearing on the Financial Actions Task Force's list of jurisdictions under increased monitoring due to heightened AML risks. During the relevant period, Canaccord's written AML procedures required review of a report of activity in non-U.S. accounts on a weekly basis before October 2019 and then on a monthly basis starting in October 2019. Daly did not reasonably monitor the firm's generation and usage of that report. Starting in October 2019, the monthly report inaccurately reported that no trading occurred in any non-U.S. customers' accounts every month for over two years, despite extensive trading in the accounts of non-U.S. customers. However, the report routinely was not reviewed and no one addressed the fact that it was inaccurate.

Daly did not implement reasonable AML testing.

FINRA Rule 3110(c) requires each member firm's AML compliance program to provide for independent testing each calendar year if the firm executes transactions for customers, and Daly was responsible for overseeing Canaccord's AML audits. Daly obtained AML testing from an independent consultant each calendar year. However, Daly knew or should have known that the audits were not reliable, including audit reports containing inaccurate descriptions of Canaccord's business and trade surveillance system. For example, the audit reports described the firm's AML compliance program as including trade surveillance that had no bearing on AML and did not address the absence of a low price report for the firm's market making business before 2019 or the parameters of that report once established.

Daly did not implement reasonable ongoing training for appropriate personnel.

FINRA Rule 3310(e) requires each member firm's AML compliance program to provide ongoing training for appropriate personnel. Notice to Members 02-21 states that a member firm should scrutinize its operations to determine if certain employees may need additional or specialized AML training and notes that employees in compliance may need more comprehensive training. Daly was responsible for conducting AML training programs for appropriate personnel, including those in the trading compliance group, about "how to identify red flags and signs of money laundering that arise during the course of the employees' duties; what to do once the risk is identified; [and] what employees' roles are in the Firm's compliance efforts and how to perform them." Daly did not implement reasonable training programs appropriate for the trading compliance group's market manipulation reviews despite knowing that three members of the four-person group (including the head of the group) had limited or no prior AML trade surveillance experience.

Daly did not develop and implement an AML compliance program that included appropriate risk-based procedures for ongoing customer due diligence.

FINRA Rule 3310(f) requires each member firm's AML compliance program to include appropriate risk-based procedures for conducting ongoing customer due diligence. Firms must understand the nature and purpose of customer relationships to develop customer risk profiles and conduct ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information. The effective date of FINRA Rule 3310(f) was May 11, 2018. Daly was responsible for reviewing developments in AML laws and regulations and revising Canaccord's policies and procedures as necessary, but she did not implement revised policies and procedures reasonably designed to develop customer risk profiles and maintain and update customer information for Canaccord's institutional customer business. The AML policies and procedures relied on account type as the sole indicator of customer risk without incorporating other information. Specifically, the firm divided its institutional customers into limited categories of account types based on assets under management and whether registered as an investment adviser. The procedures did not capture information about the purpose of customer relationships or, for existing customers, information about the

customer's activity history. That practice was not reasonable because it did not allow Canaccord to use that customer information to determine whether flagged transactions were suspicious or to update customer information upon detecting information relevant to the customer's risk profile.

Therefore, Daly violated FINRA Rules 3310 and 2010.

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

- a 12-month suspension from associating with any FINRA member in any principal capacity and as an AMLCO;
- a \$10,000 fine; and
- a requirement to requalify as a principal by passing the requisite examinations prior to acting in any principal capacities with any FINRA member.

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

Respondent understands that if she is barred or suspended from associating with any FINRA member in a principal capacity, she becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Respondent may not be associated with any FINRA member in any principal capacity, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311. Furthermore, because Respondent is subject to a statutory disqualification during the suspension, if she remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

The fine shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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.

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 her;
- 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

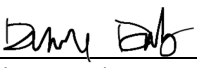
4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding 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 she 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.

Respondent certifies that she has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and 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 her to submit this AWC.

May 29, 2025

Date



Diane Daly
Respondent

Reviewed by:



Pete Michaels
Counsel for Respondent
Mintz, Levin, Cohn, Ferris, Glovsky, and Popeo PC
One Financial Center
Boston, MA 02111

Accepted by FINRA:

June 16, 2025

Date

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

Jonathan E. Pahl

Jonathan E. Pahl
Senior Counsel
FINRA
Department of Enforcement
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Washington, DC 20006