

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020066079906**

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

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

Pursuant to FINRA Rule 9216, Respondent Canaccord Genuity 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

A FINRA member since 1946, Canaccord Genuity LLC has approximately 300 registered representatives operating out of about 50 branches.¹

OVERVIEW

Canaccord failed to supervise trillions of shares of equity transactions in low-priced, over-the-counter securities for compliance with an array of concerns crucial to the fair and efficient functioning of markets, in violation of FINRA Rules 3110 and 2010. For trade surveillance, Canaccord relied on an underqualified, inexperienced, and under-resourced trading compliance group that was not reasonably supervised. From October 2016 to May 2022, that group failed to review most of the firm's trade surveillance reports for extended periods, some for months or years at a time.

From October 2016 to November 2025, Canaccord also failed to develop and implement an anti-money laundering (AML) program reasonably designed to achieve and monitor the firm's compliance with the requirements of the Bank Secrecy Act, in violation of FINRA Rules 3310 and 2010. Canaccord did not: (1) establish and implement policies and procedures reasonably expected to detect and cause the reporting of suspicious transactions; (2) reasonably implement its due diligence program for foreign financial

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

institutions; (3) reasonably train its staff; (4) perform reasonable independent AML testing; or (5) create customer risk profiles for purposes of ongoing customer due diligence. Moreover, firm personnel, who had no experience with suspicious trading surveillance reports, unreasonably set the parameters of some of those reports to exclude nearly all the transactions they were intended to capture, to minimize the time and effort needed to review the reports.

In December 2020 and January 2021, Canaccord provided fabricated documents to FINRA to give FINRA the false impression that certain trade surveillance reviews had been performed when they had not, in violation of FINRA Rules 8210 and 2010.

From June 2018 to February 2024, Canaccord failed to conduct regular and rigorous reviews of execution quality of equity transactions, and from June 2018 to March 2022, it failed to obtain best execution for certain internalized orders in NMS securities, and it did not reasonably supervise for compliance with best execution rules, in violation of FINRA Rules 5310, 5310 Supplementary Material .09 (Rule 5310.09), 3110, and 2010.

Finally, Canaccord violated numerous other securities laws, regulations, and applicable FINRA rules at various times from 2012 to November 2025—Rules 606 and 611 of Regulation NMS, FINRA Rules 5260, 5320(a), 6460, and 2010, and acting in contravention of Section 5 of the Securities Act of 1933 which also is a violation of FINRA Rule 2010. The firm lacked supervisory systems reasonably designed to comply with several of those rules and regulations.

For these violations, Canaccord has consented to a censure, a \$20 million fine, and an undertaking to implement the recommendations of a third-party consultant.

FACTS AND VIOLATIVE CONDUCT

This matter arose from multiple investigations by FINRA’s Regulatory Operations, including an AML investigation conducted jointly by the Department of Enforcement and the Department of Member Supervision, and numerous trading reviews by the Department of Market Oversight.

Canaccord’s market-making and institutional-customer businesses presented significant risks.

Canaccord was a market-maker in over-the-counter (OTC) stocks from 2012 through November 2025, when it exited its market-making business. Canaccord’s market-making business facilitated order flow for retail broker-dealers and annually traded billions of dollars of low-priced OTC securities. In some years Canaccord traded the second largest OTC volume of any firm. More than 99 percent of the OTC shares it traded were priced below a dollar per share, and the stocks in which Canaccord made markets included some of the riskiest OTC securities, with more than half being designated as Pink or an even

riskier category.² Canaccord's trading amounted to at least half the total market volume for approximately 700 OTC securities per day on average.

Canaccord also operates a separate business that trades for institutional customers, some of which are foreign financial institutions. That business trades low-priced OTC securities, among others.

OTC securities tend to be illiquid and subject to fewer disclosure requirements than exchange-listed securities, and low-priced securities can be more susceptible to fraud and market manipulation. As noted in FINRA Regulatory Notice 21-03, low-priced securities tend to be volatile and trade in low volumes, and it may be difficult to find accurate information about them. There is a long history of bad actors exploiting these features to engage in fraudulent manipulations.

A firm's supervisory system must be tailored to its business, and members therefore must implement policies and procedures reasonably designed to monitor and identify improper trading and to report suspicious trading activity to regulators.

Canaccord failed to establish and maintain a supervisory system reasonably designed to supervise its securities transactions.

FINRA Rule 3110(a) requires member firms 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(b) requires member firms to establish, maintain, and enforce written procedures to supervise the types of business in which they engage and the activities of their associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations and FINRA rules. A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010, which requires firms in the conduct of their business to observe high standards of commercial honor and just and equitable principles of trade.

Canaccord's supervision of its trading activity relied on over 150 trade surveillance reports, most of which were generated daily, and which often required follow-up investigations or other action to address exceptions. The firm assigned responsibility for that work to a four-person trading compliance group that devoted most of its time to other tasks, such as responding to inquiries from the firm's trading desks, its operations department, and regulators. After three of the four group members left the firm in 2016 and 2017, including the then-head of the trading compliance group, Canaccord replaced them with underqualified and inexperienced staff, despite knowing of staff concerns about its workload. In February 2017, the firm promoted a member of the trading compliance group, hired in October 2016, to head the trading compliance group, despite

² OTC Markets warns that "The Pink Limited Market is for broker-dealers to publicly quote securities with limited to no issuer involvement. Pink Limited companies do not certify their compliance with established reporting standards, have limited availability of disclosure or financial information and may not support their U.S. market. These securities are identified with [a] yield sign to warn investors to proceed with caution."

his lack of management experience and the fact that he did not overlap with his predecessor. The only member of the group who remained through the turnover was a junior compliance officer who was not registered with FINRA and by late 2016 had only recently begun to assist with the group's substantive work.

The trading compliance group failed to review most of the firm's surveillance reports for extended periods. From October 2016 through May 2022, more than three quarters of the firm's daily trade surveillance reports went unreviewed for at least a year, over a quarter for at least three years, and some for over five years. The unreviewed reports concerned subject matters such as market manipulation, best execution, trading ahead of customer orders, Regulation SHO, Regulation NMS, trade reporting, limit order display, market access, and others. Most of the reports were reviewed on electronic platforms that recorded details about whether and when the reports had been reviewed, but neither the AML Compliance Officer nor the head of the trading compliance group checked this readily accessible evidence of review for over four years and did not take reasonable steps to supervise the trading compliance staff.³

Canaccord therefore violated FINRA Rules 3110 and 2010.

Canaccord failed to develop and implement a reasonably designed AML compliance program.

FINRA Rule 3310 requires each firm to develop and implement a written AML program reasonably designed to achieve and monitor the firm's compliance with the requirements of the Bank Secrecy Act (BSA) and implementing regulations promulgated by the Department of the Treasury. Violations of FINRA Rule 3310 also are violations of FINRA Rule 2010.

FINRA cautioned Canaccord in 2014, 2017, and 2018 about certain aspects of its AML program, including its need to implement automated AML trade surveillance given the volume of low-priced market-making trading at the firm. FINRA told the firm to improve its review for suspicious trading activity, to timely review surveillance, and to review the activities of correspondent accounts for foreign financial institutions. Although Canaccord took some steps to address the items raised by FINRA, not all items were timely or adequately addressed. Canaccord's AML Compliance Officer assigned responsibility for addressing the items raised by FINRA to personnel in the trading compliance group but did not hold them accountable or reassign the work when they left the firm.⁴

³ The head of Canaccord's trading compliance group from February 2017 to December 2022 entered into an AWC in which FINRA found that he violated FINRA Rules 3110 and 2010 and in which he consented to a nine-month principal-capacity suspension, \$5,000 fine, and a requirement to requalify as a principal.

⁴ Canaccord's AML Compliance Officer from 2007 to December 2022 entered into an AWC in which FINRA found that she violated FINRA Rules 3310, 3110, and 2010, and in which she consented to a twelve-month suspension in all principal capacities and as an AMLCO, \$10,000 fine, and a requirement to requalify as a principal.

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

FINRA Rule 3310(a) requires each firm to 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 its implementing regulations. Under the applicable implementing regulation, 31 C.F.R. § 1023.320, broker-dealers are required, in specified circumstances, to file with the Financial Crimes Enforcement Network (FinCEN) a report of any suspicious transaction relevant to a possible violation of law or regulation. In addition, since May 11, 2018, FINRA Rule 3310(f)(ii) has required that firms' AML programs include appropriate risk-based procedures for conducting ongoing customer due diligence, to include ongoing monitoring to identify and report suspicious transactions. From at least October 2016 to November 2025, Canaccord did not establish and implement policies and procedures reasonably expected to detect and cause the reporting of suspicious transactions or to conduct ongoing monitoring to identify and report suspicious transactions.

Other than ad hoc reporting by staff, Canaccord incorporated into its AML compliance program one monthly and eleven daily trade surveillance reports to detect potentially suspicious trading activity. In some instances, the firm delegated the design and implementation of those reports to personnel in the trading compliance group who had no prior experience with the relevant surveillance. In certain instances, to reduce the number of alerts they would need to review, the trading compliance group adopted unreasonable parameters for surveillance reports including for the following reports.

- The report to surveil low-volume market-making activity unreasonably excluded securities with low trading volumes. From October 2017 through November 2021, it excluded all securities trading less than 50,000 shares per day.
- The low-priced securities report for the market-making business, in effect from May 2019 to November 2021, unreasonably filtered out all trades priced above 0.1 cents per share as well as all individual trades that did not account for at least half of the total daily market volume in a security, resulting in more than 99.99 percent of the firm's trading activity in stocks less than five dollars going unreviewed.
- The report to review Canaccord's institutional customers' low-priced securities transactions excluded from review all trades of fewer than one million shares from at least October 2016 to 2019 and all trades of fewer than 100,000 shares from 2019 to 2022, even if the customer's trading dominated the market for a particular security.

Until mid-2018, Canaccord did not implement 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 of certain OTC 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,

however, neither established nor implemented reasonable written procedures to identify potentially suspicious transactions for purposes of that surveillance nor used the data to surveil customer transactions. Until at least 2022, the firm did not establish and implement any other reports to evaluate and review suspicious trading patterns across trading sessions.

Furthermore, Canaccord did not reasonably implement the AML program it had designed. Most of the eleven daily trade-surveillance reports incorporated into Canaccord's AML compliance program went unreviewed for two years or longer during the relevant period. For example:

- The daily report for surveilling low-volume market-making activity went unreviewed for more than four years.
- The daily report for surveilling low-price market-making activity went unreviewed for more than two years.
- The daily report for surveilling low-price customer transactions went unreviewed for nearly four years.

Even when reports were reviewed, they often were reviewed late, and the reviews were sometimes cursory. For example, certain trading compliance staff resolved exceptions without having identified reliable non-suspicious information, such as news about an issuer, that explained the exception or without adequately documenting the basis for resolving the exception.

In addition, data errors affected the content of certain surveillance reports. Specifically, market-volume data did not properly populate in the firm's low-price and low-volume reports for the market-making business. Those reports included "null" values for thousands of transactions each day, instead of total market volume, and the firm categorically excluded those trades from review. Trading compliance staff learned about the data errors soon after they began, but the firm did not fix them for over a year.

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 trading activity in 2017, one in 2018, four in 2019, and thirteen in 2020. Even when Canaccord's trading compliance group detected some suspicious activity, it did not reasonably detect all suspicious trading activity occurring by, at, or through the firm. For example, in 2020, the trading compliance group detected suspicious activity in Canaccord's market-making business related to a pump-and-dump scheme concerning a low-priced stock. However, the trading compliance group unreasonably failed to detect that the manipulative trading occurred through a Canaccord customer account. The firm thus failed to report specific customer transactions, occurring through the firm, that were suspicious.

Therefore, Canaccord violated FINRA Rules 3310(a), 3310(f)(ii), and 2010.

Canaccord failed to implement a reasonably designed due diligence program for foreign financial institution correspondent accounts.

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

Canaccord's institutional customers included foreign financial institutions trading through correspondent accounts. The jurisdictions in which those foreign financial institutions were domiciled included jurisdictions on the Financial Actions Task Force's list of jurisdictions under increased monitoring due to heightened AML risks. Canaccord's diligence concerning foreign financial institutions relied on the review of a monthly report of activity in non-U.S. accounts. The firm did not reasonably monitor the generation and use 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 regular trading in the accounts of non-U.S. customers. Firm personnel, however, did not review the report or address the fact that it was inaccurate.

Therefore, Canaccord violated FINRA Rules 3310(b) and 2010.

Canaccord's AML testing was not reasonable.

FINRA Rule 3310(c) requires independent testing of the AML compliance program within every calendar year for firms that execute customer transactions, otherwise hold customer accounts, or act as an introducing broker with respect to customer accounts. Canaccord obtained annual tests for AML compliance from independent consultants each year, but the audit reports contained inaccuracies and omissions that should have prompted firm personnel to know that the testing was not reasonable. Specifically, the reports did not accurately describe Canaccord's business or its AML compliance program and did not address the absence of a low-price report for the firm's market-making business before 2019.

Canaccord therefore violated FINRA Rules 3310(c) and 2010.

Canaccord did not reasonably train its trading compliance group on AML.

FINRA Rule 3310(e) requires firms to provide ongoing AML training for appropriate personnel. FINRA Notice to Members 02-21 reminded firms "to scrutinize [their] operations to determine if there are certain employees who may need additional or

specialized training due to their duties and responsibilities” and that “employees in compliance ... may need more comprehensive training.”

The qualifications for designing and implementing AML trade surveillance at a firm with Canaccord’s trading profile required specialized experience or training, but Canaccord did not provide training to the trading compliance team that was appropriately tailored to their responsibilities and experience levels.

Therefore, Canaccord violated FINRA Rules 3310(e) and 2010.

Canaccord’s AML compliance program did not include appropriate risk-based procedures for conducting ongoing customer due diligence.

FINRA Rule 3310(f) requires that each firm’s AML compliance program include appropriate risk-based procedures for conducting ongoing customer due diligence, including understanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile and conducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information.

Canaccord’s AML program did not include appropriate risk-based procedures to develop customer risk profiles for its institutional customer business and maintain and update customer information. The firm’s AML program relied on account type to indicate customer risk without incorporating other information into a customer risk profile. 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, Canaccord violated FINRA Rules 3310(f) and 2010 from May 11, 2018, when FINRA Rule 3310(f) became effective, through August 2025.

Canaccord provided falsified information to FINRA in response to requests made pursuant to FINRA Rule 8210.

FINRA Rule 8210(a) requires firms to provide information to FINRA regarding any matter involved in an investigation. Providing false or misleading information in response to a FINRA Rule 8210 request violates the rule. Firms may be liable for FINRA Rule 8210 violations committed by their associated persons.

By August 2019, Canaccord had learned that a compliance officer had been placing the electronic signature of a designated principal on several of Canaccord’s regulatory filings and, in doing so, making certifications the compliance officer knew to be false. Canaccord, however, did not impose heightened supervision or change her job duties, which included responding to regulatory requests. Subsequently, the compliance officer

knowingly falsified evidence of her and other trading compliance staff's review of trade-surveillance reports and provided that falsified evidence to FINRA to give FINRA the false impression that certain trade surveillance reviews had been performed when they had not.⁵ Specifically, for a December 2020 response to a FINRA Rule 8210 request, she changed hundreds of data fields to show that surveillance reports had been reviewed when she knew they had not. In January 2021, in response to another FINRA Rule 8210 request, she fabricated evidence of the review of another surveillance report for dates she knew the report had not been reviewed. Those falsifications impeded FINRA's investigations and allowed Canaccord's violations to persist.

Canaccord therefore violated FINRA Rule 8210, which also is a violation of FINRA Rule 2010.

Canaccord did not comply with, or reasonably supervise for compliance with, FINRA's best execution rule.

Broker-dealers have a longstanding and fundamental obligation to seek "best execution" of their customers' orders—that is, to seek the most favorable terms for their customers' orders that are reasonably available under the circumstances. FINRA Rule 5310(a) provides that, "[i]n any transaction for or with a customer or a customer of another broker-dealer, a member ... shall use reasonable diligence to ascertain the best market for the subject security and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions."

A violation of FINRA Rule 5310 is also a violation of FINRA Rule 2010. Failing to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with FINRA Rule 5310 is a violation of FINRA Rules 3110 and 2010.

Canaccord did not conduct regular and rigorous reviews of execution quality or supervise for compliance with FINRA Rule 5310 and 5310.09.

Under FINRA Rule 5310.09(a), a firm at a minimum must conduct quarterly "regular and rigorous" reviews of the execution quality of customer orders on a security-by-security, type-of-order basis (e.g., limit order, market order, market on open order) if it does not conduct an order-by-order review and must consider whether, based on its business, more frequent reviews are needed. FINRA Rule 5310.09(b) provides that, "[i]n conducting its regular and rigorous review, a member must determine whether any material differences in execution quality exist among the markets trading the security and, if so, modify the member's routing arrangements or justify why it is not modifying its routing arrangements." Each firm must "compare, among other things, the quality of the executions the member is obtaining via current order routing and execution arrangements ... to the quality of the executions that the member could obtain from competing markets." Rule 5310.09(b) also identifies factors that should be considered in reviewing and comparing the execution quality of the member's current order routing and execution

⁵ The compliance officer entered into an AWC in which FINRA found that she violated FINRA Rules 8210 and 2010 and in which she consented to a permanent bar from the securities industry.

arrangements to those of competing markets, including: (1) price improvement opportunities (i.e., the difference between the execution price and the best quotes prevailing at the time the order is received by the market); (2) differences in price disimprovement (i.e., situations in which a customer receives a worse price at execution than the best quotes prevailing at the time the order is received by the market); (3) the likelihood of execution of limit orders; (4) the speed of execution; (5) the size of execution; (6) transaction costs; (7) customer needs and expectations; and (8) the existence of internalization or payment for order flow arrangements.

In June 2018, Canaccord began handling order flow in National Market System (NMS) securities on an automated basis using a proprietary electronic market-making system that determined whether to internalize an order or route it away for execution to one of three (later more) routing destinations. From then to February 2024, Canaccord's reviews of customer execution quality failed to satisfy the reasonable diligence standard of FINRA Rule 5310 or the regular and rigorous review requirements of FINRA Rule 5310.09. Canaccord failed to conduct quarterly regular and rigorous reviews of the execution quality it obtained by internalizing orders or by routing orders to external venues, failed to compare the quality of executions it obtained from its order routing arrangements to the quality of executions it could have obtained from competing markets or consider the other execution quality factors specified in FINRA Rule 5310.09(b).

For similar reasons, Canaccord's supervisory system from June 2018 to February 2024 was not reasonably designed to achieve compliance with FINRA Rules 5310 or 5310.09. While the firm's written supervisory procedures stated that a best execution committee would conduct quarterly regular and rigorous reviews, the firm had no best execution committee until December 2024 and did not perform reasonable regular and rigorous reviews consistently until at least February 2024. Until November 2025,⁶ the firm's written supervisory procedures did not describe how the firm should conduct regular and rigorous reviews of execution quality.

Canaccord therefore violated FINRA Rules 5310, 5310.09, 3110, and 2010.

Canaccord had an unreasonably designed surveillance report for, and failed to achieve, best execution for internalized orders in NMS securities.

From June 2018 to March 2022, Canaccord's supervisory system included a daily exception report that identified internalized transactions that were executed outside the National Best Bid or Offer (NBBO), but that report used a different data source than what Canaccord's systems used to execute transactions. The data sources were not synchronized, resulting in the exception reports containing inaccurate information. As a result, Canaccord's supervisory system was not reasonably designed and Canaccord did not identify instances in which it executed internalized orders in NMS securities at prices not as favorable as possible under prevailing market conditions.

Canaccord therefore violated FINRA Rules 5310(a), 3110, and 2010.

⁶ In November 2025, Canaccord exited its market-making business.

Canaccord published inaccurate Rule 606 reports.

Rule 606 disclosures are designed to help customers: better understand how their firm routes and handles their orders; assess the quality of order handling services provided by their firm; and ascertain whether the firm is effectively managing potential conflicts of interest that may impact their firm's routing decisions. Rule 606(a)(1) requires every broker-dealer to make publicly available each quarter a report containing information on its routing of non-directed held orders in NMS securities and non-directed customer orders in NMS securities that are option contracts. The reports must include a discussion of the material aspects of the firm's relationship with the venues to which it routes orders, including a description of any arrangement for payment for order flow and any profit-sharing relationship. Rule 606(b)(2) requires broker-dealers to notify customers in writing at least annually that individual routing information is available upon request.

From January 2021 to December 2022, Canaccord published inaccurate quarterly Rule 606 reports that included the same material aspects disclosures for all routing venues, without appropriately describing the specific relationships between the firm and each venue. For 2021, Canaccord failed to provide written notice that written copies of the firm's quarterly report, as well as customers' individual order routing information, were available upon request. Canaccord therefore violated Rule 606 of Regulation NMS, which also is a violation of FINRA Rule 2010.

Canaccord did not comply with Rule 611 of Regulation NMS and traded through protected quotations.

Rule 611 of Regulation NMS promotes intermarket price protection for NMS securities by restricting trade-throughs, defined in Rule 600(b)(105) of Regulation NMS as "the purchase or sale of an NMS stock during regular trading hours" at a price "lower than a protected bid or higher than a protected offer." The protection prevents unfairness to investors and facilitates best execution of customer orders by ensuring that customers receive prices at least as favorable as intermarket best bids or offers available across the NMS. Rule 611(a)(1) requires trading centers, including market-makers, to establish, maintain, and enforce written policies and procedures reasonably designed to prevent trade-throughs of protected quotations that do not fall within an exception.

From June 2018 to March 2022, Canaccord failed to establish, maintain, and enforce written policies and procedures reasonably designed to prevent trade-throughs. Canaccord had a daily trade-through exception report, but it used a different data source than what Canaccord's systems used to execute transactions. The data sources were not synchronized, resulting in the exception reports containing inaccurate information. As a result, the reports were not reasonably designed to prevent trade-throughs of protected quotations, leading Canaccord not to detect when it traded through thousands of protected quotations without a valid exception. Canaccord thus violated Rule 611(a) of Regulation NMS, which also is a violation of FINRA Rule 2010.

Canaccord traded through halts and market-wide circuit breakers.

FINRA Rule 5260 prohibits direct or indirect trading of any security as to which a trading halt is in effect, except as permitted under the Regulation NMS plan to address extraordinary market volatility. Due to the nightly sequence in which Canaccord restarted its trading systems, information about halts expired within minutes of being loaded into the system overnight. From January 2020 to July 2023, Canaccord effected 1,224 trades in OTC securities as the executing firm during 84 halts and three market-wide circuit breakers and 561 trades in NMS securities as the executing firm during three halts, four pauses, and one market-wide circuit breaker. Canaccord also effected 526 trades as the contra firm involving OTC and NMS securities during one trading pause and two market-wide circuit breakers. The firm thus violated FINRA Rule 5260, which also is a violation of FINRA Rule 2010.

Canaccord traded ahead of customer orders and its supervisory system was not reasonably designed to prevent trading ahead.

FINRA Rule 5320(a) states that a firm that accepts and holds an order in an equity security from a customer without immediately executing the order is prohibited from trading that security on the same side of the market for its own account at a price that would satisfy the customer order, unless it immediately thereafter executes the customer order up to the size and at the same or better price at which it traded for its own account. FINRA guidance states that the term “immediately” requires execution as quickly as possible, generally within one minute under normal market conditions.⁷ Failing to establish and maintain a supervisory system reasonably designed to achieve compliance with FINRA Rule 5320 is a violation of FINRA Rule 3110 (on and after December 1, 2014) and its predecessor, NASD Rule 3010 (prior to December 1, 2014).

Canaccord’s supervision for compliance with FINRA Rule 5320(a) was not reasonably designed in two respects. First, from October 2016 to November 2018, Canaccord had no supervisory reviews to determine whether it traded ahead of customer orders in grey market securities, which are OTC equity securities for which no quoted prices are published or submitted in a quotation medium for buyers and sellers to access.

Second, since 2012, Canaccord’s supervisory system did not include a reasonable process to determine whether it traded ahead of modified orders in OTC securities. Canaccord built a custom feature into its trading systems that automatically accepted customer order modification requests if a trader did not manually act on the request within a specified period of time—initially set to 20 seconds. Although the firm could see the modified orders during the 20-second period, the system provided protection against trading ahead of orders based only on the original order terms. As a result, Canaccord could, and in many instances did, trade ahead of modified orders from 2012 to November 2025. During

⁷ The relevant guidance is set forth in NASD Notices to Members 06-03 and 98-78 concerning NASD Rule 2111, a predecessor of FINRA Rule 5320. In Regulatory Notice 11-24, FINRA stated, “Consistent with existing policy, where a provision of new FINRA Rule 5320 is not substantively different from NASD IM-2110-2 or NASD Rule 2111, previously issued interpretations generally will continue to apply (unless rescinded or updated by FINRA).”

the same period, the firm's supervisory surveillance report for trading ahead in OTC securities was not reasonably designed to identify instances where firm traders traded ahead of modified OTC orders.

As a result, Canaccord failed to identify instances in which it traded ahead of customer orders in grey market securities and traded ahead of modified customer orders in other OTC securities.

Canaccord thus violated FINRA Rule 5320(a), FINRA Rule 3110 (from December 1, 2014, to November 2025), and NASD Rule 3010 (from 2012 to November 30, 2014), which also are violations of FINRA Rule 2010.

Canaccord did not comply with limit order display obligations.

FINRA Rule 6460 requires OTC market makers displaying a priced quotation in any OTC equity security in an inter-dealer quotation system to publish immediately a bid or offer that reflects, among other things, the price and full size of each customer limit order held by the market maker that would improve the bid or offer of such market maker in such security. FINRA Regulatory Notice 10-42 states that "immediately" in this context means no later than thirty seconds after receipt.

From January 2013 to November 2025, Canaccord used automatic limit order display functionality in its order management system. If, however, a marketable limit order would have locked or crossed the market when displayed, under certain circumstances the system executed a pre-set quantity of shares and sent the remaining, unexecuted portion to Canaccord's traders who could manually execute the order. If a trader did not manually execute the order within a set time, the system again executed a pre-set quantity and re-sent the remaining, unexecuted portion of the order to Canaccord's traders. This created a loop, in which orders would bounce between the automated function and traders, even after becoming marketable. The loop resulted in undue delays in execution and display of orders. Canaccord thus violated FINRA Rule 6460, which also is a violation of FINRA Rule 2010.

Canaccord lacked a supervisory system reasonably designed to comply with Section 5 of the Securities Act and contravened Section 5.

Section 5 of the Securities Act of 1933 prohibits the offer or sale of any security unless there is a registration statement in effect or there is an exemption or safe harbor available. Section 4(a)(4) of the Securities Act exempts unsolicited brokers' transactions. A broker-dealer may claim the Section 4(a)(4) exemption if, after a reasonable inquiry, the broker-dealer is not aware of circumstances indicating that the offer or sale of securities would violate Section 5. Failure to implement a supervisory system reasonably designed to achieve compliance with Section 5 is a violation of FINRA Rules 3110 and 2010. Facilitating unregistered distributions of securities in contravention of Section 5 is an independent violation of FINRA Rule 2010.

From October 2016 to October 2018, Canaccord had no supervisory system designed to comply with Section 5. During that time, it did not conduct inquiries into the facts

surrounding unregistered sales of securities from customer accounts to form reasonable grounds to believe that transactions were exempt. The firm began collecting some relevant information in October 2018, but from then to July 2025, its written supervisory procedures were not reasonably designed, as they did not include procedures specifying when or how to conduct such inquiries, how to document them, track their progress, or determine whether they had been completed. As a result, the firm facilitated the sale of unregistered securities not subject to an exemption from registration of at least two issuers in that time.

Canaccord thus violated FINRA Rules 3110 and 2010. Canaccord independently violated FINRA Rule 2010 by acting in contravention of Section 5 of the Securities Act.

SANCTIONS CONSIDERATIONS

In determining the appropriate sanctions, FINRA considered, among other factors, that for over approximately a decade, Canaccord failed to establish and maintain a reasonably designed supervisory system or a reasonably designed AML compliance program and, as a result, experienced systemic supervisory and AML failures. FINRA also considered that, during the same period, Canaccord failed to heed exam findings that it was not in compliance with certain FINRA rules and applicable securities laws and regulations, and it failed to adequately address certain deficiencies.

From 2023 to 2025, Canaccord hired multiple outside consultants to assess its AML compliance program and supervision and revise the policies, procedures, and controls of its AML program and supervisory systems. In November 2025, Canaccord exited its market-making business.

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

- a censure;
- a \$20 million fine; and
- undertakings to retain one or more third-party consultants to revise the firm's AML compliance program, as described below.

Respondent agrees to pay the monetary sanctions 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 sanctions imposed in this matter.

1. Respondent has undertaken to do the following:

- a. Continue to retain, at its own expense, one or more third-party consultants that are not unacceptable to FINRA to conclude a review of Canaccord's policies, procedures, and internal controls related to its AML compliance program following the exit of its market-making business.
- b. Cooperate with the third-party consultant(s) in all respects, including providing the third-party consultant(s) with access to Respondent's files, books, records, and personnel, as reasonably requested for the above-mentioned reviews. Respondent shall require the third-party consultant(s) to report to FINRA on its activities as FINRA may request and shall place no restrictions on the third-party consultant(s)' communications with FINRA. Further, upon request, Respondent shall make available to FINRA any and all communications between the third-party consultant(s) and the Respondent and documents examined by the third-party consultant(s) in connection with this review.
- c. Refrain from terminating the relationship with the third-party consultant(s) without FINRA's written approval. Respondent shall not be in and shall not have an attorney-client relationship with the third-party consultant(s) and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the third-party consultant(s) from transmitting any information, reports, or documents to FINRA;
- d. Require the third-party consultant(s) to submit an initial written report to Respondent and FINRA at the conclusion of the third-party consultant(s)' review, which shall be no more than 90 days after the date of the notice of acceptance of this AWC. The initial report shall, at a minimum,
 - (i) evaluate and address the adequacy of Respondent's AML compliance program; (ii) provide a description of the review performed and the conclusions reached; (iii) make recommendations as may be needed regarding how Respondent should modify or supplement its processes, controls, policies, systems, procedures, and training to manage its regulatory and other risks in relation to its compliance with FINRA Rule 3310; and
 - (i) Within 60 days after delivery of the initial report, Respondent shall adopt and implement the recommendations of the third-party consultant(s) or, if Respondent considers a recommendation to be, in whole or in part, unduly burdensome or impractical, propose an alternative procedure to the third-party consultant(s) designed to achieve the same objective. Respondent shall submit such proposed alternative procedures in writing simultaneously to the third-party consultant(s) and FINRA.
 - (ii) Respondent shall require the third-party consultant(s) to (A) reasonably evaluate the alternative procedures and determine whether it will achieve the same objective as the independent

consultant(s)' original recommendation and (B) provide Respondent and FINRA with a written report reflecting its evaluation and determination within 30 days of submission of any Respondent's proposed alternative procedures. In the event the third-party consultant(s) and Respondent are unable to agree, Respondent must abide by the third-party consultant(s)' ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the third-party consultant(s).

(iii) Within 30 days after the issuance of the later of the third-party consultant(s)' initial report or any written report regarding proposed alternative procedures, Respondent shall provide the third-party consultant(s) and FINRA with a written implementation report, certified by an officer of Respondent, attesting to, containing documentation of, and setting forth the details of Respondent's implementation of the third-party consultant(s)' recommendations. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. FINRA may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence.

e. Within 30 days of receipt of the third-party consultant(s)' final report, 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 AML-related issues identified in this AWC, as they are applicable to the business of Respondent at the time of the certification, and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with FINRA Rule 3310 regarding the issues identified in this AWC, as they are applicable to the business of Respondent at the time of the certification. 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 Jonathan E. Pahl, Senior Counsel, at FINRA's Department of Enforcement, 1700 K Street NW, Washington, DC 20006 and Jonathan.Pahl@finra.org, with a copy to EnforcementNotice@finra.org.

2. Upon written request showing good cause, FINRA may extend any of the procedural dates set forth above.

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

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 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:

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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.

February 20, 2026

Date

Jeffrey Barlow

Canaccord Genuity LLC

Respondent

Print Name: Jeffrey Barlow

Title: President and CEO

Reviewed by:

Paul Tyrrell

Paul Tyrrell

Counsel for Respondent

Sidley Austin LLP

60 State Street, 36th Floor

Boston, MA 02109

Accepted by FINRA:

Signed on behalf of the

Director of ODA, by delegated authority

March 6, 2026

Date

Jonathan E. Pahl

Jonathan E. Pahl

Senior Counsel

FINRA

Department of Enforcement

1700 K Street NW

Washington, DC 20006

Statement of Corrective Action by Canaccord Genuity LLC

This corrective action statement is submitted by the Respondent, Canaccord Genuity LLC (“Canaccord” or the “Firm”). This statement does not constitute factual or legal findings by FINRA, nor does it reflect the view of FINRA or its staff.

Canaccord submits this statement of corrective action in connection with the foregoing Letter of Acceptance, Waiver, and Consent (“AWC”) describing the steps it has already taken to correct and substantially reduce the risk of reoccurrence of the issues addressed by the AWC. As set forth below in detail, Canaccord has invested significant resources to enhance its anti-money laundering (“AML”) and trading compliance programs, and those efforts continue to this day.

I. Staffing Enhancements

In October 2021, Canaccord created a new Regulatory Affairs position to separate regulatory responses, including responses to FINRA Rule 8210 requests, from line compliance personnel. That position was filled effective January 2022. Canaccord has also hired an experienced compliance team, including a new Chief Compliance Officer, a new AML Compliance Officer, and a new Head of Trading Compliance. Additionally, the Firm has significantly increased its overall Compliance staffing.

II. Changes to Relevant Lines of Business

As described in the AWC, Canaccord exited its over-the-counter (“OTC”) security market-making business in November 2025. The Firm also reduced its customer risk profile by closing the majority of its foreign customer accounts in 2025.

III. Independent Consultants

Canaccord retained several consultants to conduct a comprehensive review of the Firm’s AML program and assist with identifying and implementing enhancements, including with respect to its governance, customer onboarding and due diligence, and suspicious activity surveillance and reporting, consistent with the program requirements set forth in the Bank Secrecy Act (“BSA”). These consultants performed tasks including, among others:

- Project management of the consultants’ recommendations, which Canaccord adopted and implemented;
- Providing assistance in completing a lookback review to identify potentially suspicious transactions that had not previously been reviewed or, where applicable, reported; and
- Enhancing and improving Canaccord’s customer onboarding and due diligence processes.

Canaccord accepted the consultants’ recommendations and has implemented appropriate enhancements to its AML program.

IV. Enhancements to Customer Risk Profiles and Enhanced Due Diligence Processes

As described above, Canaccord engaged a consultant to conduct a comprehensive review of its Know Your Customer (“KYC”) and customer due diligence (“CDD”) processes and to assist with implementation of enhancements. Canaccord accepted the consultant’s recommendations and enhanced its customer risk profile and due diligence processes to align with its remaining institutional trading business. Among other enhancements, Canaccord’s processes capture a risk score for new clients through its New Account Portal; require a completed Wolfsberg Questionnaire for all remaining foreign customer accounts and, where applicable, additional forms of enhanced due diligence (“EDD”); and provide for a periodic refresh of customer CDD files.

V. Enhancements to Trading Compliance Processes

During FINRA’s investigation, Canaccord created processes to enhance its review of customer execution quality, both for routed and internalized orders. Canaccord has also established a Best Execution Committee to enhance and formalize the Firm’s governance surrounding best execution. Additionally, as described above, Canaccord exited its OTC market-making business in November 2025; thus, Canaccord has aligned its execution quality monitoring processes with its remaining institutional trading, which consists primarily of “not-held” orders.