

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020067000501**

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 (RBC) 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. Its principal place of business is New York, New York. The firm conducts a general securities business, self-clearing securities transactions for its own customers and clearing securities transactions for customers of its introducing broker-dealers. It has over 6,000 registered persons and 301 branches.¹

OVERVIEW

Between June 2018 and February 2021, RBC failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to monitor employees' outside brokerage accounts. As a result, the firm failed to timely or reasonably monitor thousands of employee outside brokerage account statements for compliance with the firm's trading restrictions, including pre-clearance, holding period, and watch and restricted list policies. By virtue of the foregoing, RBC violated FINRA Rules 3110 and 2010.

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

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's 2019 cycle examination of the firm.

FINRA Rule 3110(a) requires members to "establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA Rules."

FINRA Rule 3110(b)(1) provides that "each member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules."

FINRA Rule 3110(d)(1) requires that a firm's supervisory procedures include "a process for review of securities transactions that are reasonably designed to identify trades that may violate the provisions of the Exchange Act, the rules thereunder, or FINRA rules prohibiting insider trading and manipulative and deceptive devices that are effected for the:...(C) accounts of a person associated with the member that are disclosed to the member pursuant to FINRA Rule 3210." FINRA Rule 3110(d)(2) further requires that firms "conduct promptly an internal investigation into any such trade to determine whether a violation of those laws or rules has occurred."

FINRA Rule 2010 provides that "[a] member in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

RBC's written supervisory procedures required employees to disclose their personal brokerage accounts to the firm. The majority of employee accounts were held at RBC or with certain outside broker-dealers for which the firm received electronic feeds of account statements that were then subject to an automated review process. In other instances, however, the firm received paper statements, which were manually reviewed for compliance with the firm's pre-clearance, holding period, and watch and restricted list policies. For paper statements, the firm's process included four steps: (1) tracking receipt of paper statements; (2) reconciling accounts for missing statements; (3) reviewing the paper statements; and (4) escalating issues for review.

During the period June 2018 through February 2020, the firm failed to have in place a supervisory system, including written supervisory procedures, reasonably designed to timely review paper statements from employees' outside accounts. For example, the firm had no prescribed timeframe to track, reconcile, and review statements. As a result, and due to the manual nature of the paper statement review process, personnel turnover, and outdated technology systems, as of February 2020, the firm had a backlog of approximately 8,950 unreviewed account statements, with some dating as far back as June 2018.² The firm's review of that backlog was not completed until February 2021.

² FINRA did not identify any transactions that violated the federal securities laws.

In addition, the firm manually tracked receipt of paper statements, had no system in place to notify the firm or employees that statements were missing, and had no procedure for following up on missing statements. As a result, in some instances, the firm did not receive paper statements for review. For example, after the firm identified the backlog of unreviewed statements described above, it discovered that approximately 2,600 additional statements had not been mailed to the firm.

The firm's process to review paper statements was also not reasonably designed in two respects.

First, the manual review process did not include a review for trading ahead of material changes in research. The firm's written policies and procedures prohibited trading based on advance knowledge of material changes in the firm's research, including a rating change or initiation or discontinuation of coverage. The firm's procedures required review of certain employee trading in a security within three days prior to the issuance of a report on the issuer containing a material change. Although the firm conducted such a review for electronic statements, it failed to conduct the same or a similar review for paper statements subject to manual review.

Second, the firm's written policies and procedures required that certain employees who purchased a security hold that security for at least 30 days before the security could be sold. The firm's procedures required review for violations of this holding period policy. Although the firm's review of electronic statements checked for compliance over adjacent months, the paper statement review consisted only of looking at purchases and sales that occurred within the same month. Accordingly, the manual review process would not identify a violation of the holding period when there was a purchase in one month and a corresponding sale within the 30-day holding period in the following month.

Therefore, RBC violated FINRA Rules 3110 and 2010.

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

- ☐ a censure and
- ☐ a \$360,000 fine.

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.

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

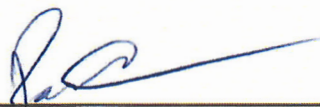
C. If accepted:

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.

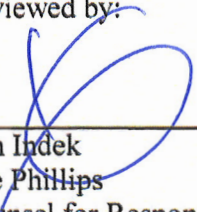
10/5/22
Date


RBC Capital Markets, LLC
Respondent

Print Name: Paul Carlesimo

Title: Chief Compliance Officer

Reviewed by:


Ben Indek
Zoe Phillips
Counsel for Respondent
Morgan, Lewis & Bockius LLP
101 Park Avenue
New York, NY 10178-0060

Accepted by FINRA:

October 31, 2022
Date

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


Edwin Aradi
Senior Counsel
FINRA
Department of Enforcement
15200 Omega Drive, 3rd Floor
Rockville, MD 20850