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ARKANSAS SECURITIES DEPT.

**BEFORE THE ARKANSAS SECURITIES COMMISSIONER**  
**CASE NO. S-13-0113**  
**ORDER NO. S-13-0113-13-OR01**

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**IN THE MATTER OF**

**RBC CAPITAL MARKETS, LLC**

**RESPONDENT**

**CONSENT ORDER**

WHEREAS, RBC Capital Markets, LLC (“RBC”) is a broker-dealer registered in Arkansas, with a Central Registration Depository (“CRD”) number of 31194; and

State securities regulators have conducted coordinated investigations into the registration of RBC Client Associates (“CAs”) and RBC’s supervisory system with respect to the registration of CAs; and

RBC has cooperated with regulators conducting the investigations by responding to inquiries, providing documentary evidence and other materials, and providing regulators with access to facts relating to the investigations; and

RBC has advised regulators of its agreement to resolve the investigations pursuant to the terms specified in this Consent Order; and

RBC agrees to make certain changes in its supervisory system with respect to the registration of CAs, and to make certain payments in accordance with the terms of this Consent Order; and

RBC elects to waive permanently any right to a hearing and appeal under the Arkansas Securities Act, Ark. Code Ann. §§ 23-42-101 through 23-42-509 (“Act”), with respect to this Consent Order; and

Solely for the purpose of terminating the multi-state investigations, and in settlement of the issues contained in this Consent Order, RBC, without admitting or denying the findings of fact or conclusions of law contained in this Consent Order, consents to the entry of this Consent Order.

NOW, THEREFORE, the Arkansas Securities Commissioner (“Commissioner”), as administrator of the Act, hereby enters this Consent Order:

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I.

**FINDINGS OF FACTS**

1. RBC admits the jurisdiction of the Act and the Commissioner in this matter.

Background on Client Associates

2. The CAs function as sales assistants and typically provide administrative and sales support to one or more of RBC's registered representatives ("RRs"). There are different CA positions, including Registered Client Associate and Registered Senior Client Associate.

3. The primary job duties vary depending on the specific CA position. In varying degrees, the "Major Job Accountabilities" of a CA include:

- a. Handling client requests;
- b. Resolving client inquiries;
- c. Determining if client issues require escalation to the RR or the branch management team; and
- d. Processing of operational documents such as letters of authorization and client check requests.

4. In addition to the responsibilities described above, and of particular significance to this Consent Order, some CAs are permitted to accept unsolicited orders from clients; others are permitted, with the assistance of a RR, to prospect for new clients, open new accounts, gather assets and select investments to recommend to clients. As discussed below, RBC's written policies and procedures require that any CAs accepting client orders first obtain the necessary licenses and registrations.

5. Notably, RRs might have a "primary CA" and a "secondary CA", or a "primary CA team" and a "secondary CA team". As suggested by the designation, the customary practice is that the primary CA or team would handle the RR's administrative matters and client orders. However, if the primary CA or team was unavailable, the secondary CA or team would step in to handle the RR's administrative matters and client orders.

1           6. During the period from 2005 to 2009, RBC employed an average of approximately 672  
2 CAs per year.

3 Registration Required

4           7. It is unlawful for a person to transact business in Arkansas as a broker-dealer or agent  
5 unless they are registered under the Act. Ark. Code Ann. § 23-42-301(a).

6           8. Pursuant to the general prohibition under Ark. Code Ann. § 23-42-301(a), a person  
7 cannot accept unsolicited orders in Arkansas without being registered under the Act.

8           9. It is unlawful for a registered broker-dealer to employ an agent in Arkansas unless the  
9 agent is registered in Arkansas. Ark. Code Ann. 23-42-301(b)(1).

10 RBC Requires Registration of Client Associates

11           10. In order for a CA to accept client orders, RBC generally required each CA to pass the  
12 series 7 and 63 qualification exams and to register in the appropriate jurisdictions.

13           11. At all times relevant to this Consent Order, RBC's policies and procedures specified  
14 that each CA maintain registrations in the same jurisdictions as his or her FA, or broadly required  
15 that each CA maintain registrations in all necessary jurisdictions.

16 Regulatory Investigations and Findings

17           12. During late 2009, RBC received regulatory inquiries regarding CA registrations.

18           13. The multi-state investigation focused on systemic issues with RBC CA registrations and  
19 related supervisory structure. Specifically:

- 20           a. After accepting an order from a client, CAs accessed the electronic order entry  
21 system to place the order;
- 22           b. The order entry system automatically recorded the identity of the person entering  
23 the order using the user's login information. If the order was received from the  
24 client by someone other than the person entering the order, the person entering the  
25 order was required to identify the person who accepted the order from the client by  
26 typing the name or initials in a text box;

1 c. RBC's trading system checked the registration of the RR assigned to the account,  
2 but did not check the registration status of the person accepting the order, if  
3 different from the RR, (the "who accepted field") to ensure that the person was  
4 registered in the appropriate jurisdiction.

5 14. The multi-state investigation identified instances in which CAs supported RRs  
6 registered in Arkansas when the CAs were not registered in Arkansas as agents of RBC. This  
7 difference in registration status increased the possibility that CAs would accept orders which they  
8 did not solicit from customers without proper registration.

9 15. The multi-state investigation determined that it was highly likely that certain RBC CAs  
10 accepted orders which they did not solicit in Arkansas at times when the CAs were not  
11 appropriately registered in Arkansas.

12 16. As a result of the inquiries by state regulators, RBC conducted a review of its CA  
13 registration practices.

14 17. RBC's review found that as of November 2008, the firm had 692 registered CAs.  
15 While CAs were registered in approximately 7 states, at that time RRs were registered, on average,  
16 in 17 states. Approximately 454, almost 66%, of those registered CAs were only registered in their  
17 home state or their home state and one additional state.

18 18. Many RBC CAs were not registered in the same jurisdictions as their respective RRs.  
19 RBC's review identified incidences where CAs who were not properly state registered accepted  
20 orders they had not solicited.

21 19. Beginning in 2010, RBC took steps to enhance its policies and procedures regarding  
22 CAs' state registrations, and added a substantial number of CA state registrations.

23 a. In January 2010, RBC amended its registration policy to require that each CA  
24 register in the same states as the RRs whom they support. RBC alerted the field to  
25 this policy.  
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- 1           b. In November 2010, Supervisors in RBC's branches and complexes reviewed the  
2           current CA registrations to ensure the CAs were properly registered prior to the  
3           annual renewals.
- 4           c. RBC updated its training to include additional information on registration  
5           requirements and on the firm's policies on CA registration. RBC also, as part of the  
6           annual registration renewal process, added to the annual renewal notice information  
7           regarding the CA registration policy.
- 8           d. RBC modified its procedures regarding the manner in which it grants electronic  
9           order entry access to client accounts. The required forms were revised to identify  
10          supporting CAs and the forms are provided to the Licensing and Registration  
11          department to verify that proper registrations are in place for RRs and CAs when  
12          access is granted.
- 13          e. RBC conducted Compliance Training sessions for CAs covering information on  
14          order entry procedures and registration requirements.
- 15          f. RBC revised its registration forms to identify assigned CAs on RRs' registration  
16          forms and assigned RRs on CAs' registration forms. This allows the registration  
17          and licensing group to submit registrations for the CAs that mirror those held by the  
18          RRs whom they support.

19           20. RBC has also undertaken to implement enhancements to its order entry systems and to  
20          its supervision of the order entry procedures. The order entry systems will require the individual  
21          entering an order either to attest that he or she also accepted the order or to identify the person who  
22          accepted the order by entering that person's system ID. RBC policies and procedures prohibit  
23          RBC personnel from using any credentials but their own to log on to the order entry systems. RBC  
24          is developing an exception report to identify any trades entered in an account for which the person  
25          who accepted the order did not hold the necessary state registration.

26           21. RBC provided timely responses and substantial cooperation in connection with the  
regulatory investigations into this issue.

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**II.**

**CONCLUSIONS OF LAW**

1. The Commissioner has jurisdiction over this matter pursuant to Ark. Code Ann. § 23-42-201(a).

2. The Commissioner may by order deny, suspend, make conditional or probationary, or revoke any registration if he finds that the order is in the public interest and the registrant has failed reasonably to supervise the agents or employees of the broker-dealer. Ark. Code Ann. § 23-42-308(a)(1) and (a)(2)(J).

3. RBC's failure to establish an adequate system to monitor the registration status of persons accepting client orders constitutes grounds for discipline pursuant to Ark. Code Ann. § 23-42-308(a)(2)(J).

4. RBC's failure to ensure its CAs were registered in the appropriate jurisdictions constitutes a failure to enforce its established written procedures, and is grounds for discipline pursuant to Ark. Code Ann. § 23-42-308(a)(2)(J).

5. RBC's acceptance of orders in Arkansas through CAs who were not properly registered constitutes a violation of Ark. Code Ann. § 23-42-301(b)(1).

6. Pursuant to Ark. Code Ann. § 23-42-308(g), the Commissioner may for each violation of the Act fine any broker-dealer or agent not to exceed \$10,000.00 or an amount equal to the total amount of money received in connection with each separate violation.

7. Pursuant to Ark. Code Ann. § 23-42-308(g), the violations described above constitute bases for the assessment of an administrative fine against RBC.

8. The Commissioner finds the following relief appropriate and in the public interest.

**III.**

**UNDERTAKINGS**

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RBC hereby undertakes and agrees to establish and maintain policies, procedures and systems that reasonably supervise the trade process so that a person can only accept client orders that originate from jurisdictions where the person accepting the order is appropriately registered.

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**IV.**  
**ORDER**

On the basis of the Findings of Facts, Conclusions of Law, and RBC's consent to the entry of this Consent Order,

IT IS HEREBY ORDERED:

1. This Consent Order concludes the investigation by the Staff of the Arkansas Securities Department and any other action that the Commissioner could commence against RBC under the Act as it relates to unregistered activity in Arkansas by RBC's CAs and RBC's supervision of CA registrations during the period from January 1, 2005 through the date of this Consent Order.

2. This Consent Order is entered into solely for the purpose of resolving the referenced multi-state investigation, and is not intended to be used for any other purpose. For any person or entity not a party to the Consent Order, this Consent Order does not limit or create any private rights or remedies against RBC, limit or create liability of RBC, or limit or create defenses of RBC, to any claims.

3. RBC is hereby ordered to pay the sum of \$44,745.17 to the Arkansas Securities Department within ten days of the date of this Consent Order.

4. RBC is hereby ordered to comply with the Undertakings contained herein.

5. This Consent Order is not intended by the Commissioner to subject any Covered Person to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands including, without limitation, any disqualification from relying upon the state or federal registration exemptions or safe harbor provisions. "Covered Person," means RBC or any of its affiliates and their current or former officers or former officers, directors, employees, or other persons that would otherwise be disqualified as a result of the Orders (as defined below).

6. This Consent Order and the order of any other state in proceedings against RBC related to the referenced multi-state investigation (collectively, the "Orders") shall not disqualify any Covered Person from any business that they otherwise are qualified, licensed or permitted to

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perform under applicable securities laws of Arkansas and any disqualifications from relying upon this state's registration exemptions or safe harbor provisions that arise from the Orders are hereby waived.

7. This Consent Order shall be binding upon RBC and its successors and assigns as well as to successors and assigns of relevant affiliates with respect to all conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

Dated this 31<sup>st</sup> day of October, 2013.

BY ORDER OF THE COMMISSIONER



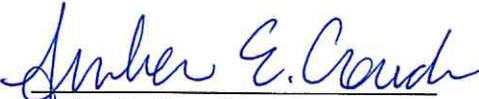
A. Heath Abshire  
Arkansas Securities Commissioner

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APPROVED AS TO FORM:



Neal E. Sullivan  
Attorney for RBC Capital Markets, LLC  
Sidley Austin, LLP



Amber E. Crouch  
Staff Attorney  
Arkansas Securities Department

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**CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY RBC**

RBC hereby acknowledges that it has been served with a copy of this Consent Order, has read the foregoing Consent Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

RBC admits the jurisdiction of the Act and the Commissioner, neither admits nor denies the Findings of Facts and Conclusions of Law contained in this Consent Order, and consents to entry of this Consent Order by the Commissioner as settlement of the issues contained in this Consent Order.

RBC agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any administrative monetary penalty that RBC shall pay pursuant to this Consent Order.

RBC states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Consent Order and that it has entered into this Consent Order voluntarily.

Joe Fleming represents that s/he is Sr. V.P. Compliance Director of RBC and that, as such, has been authorized by RBC to enter into this Consent Order for and on behalf of RBC.

Dated this 22 day of October, 2013.

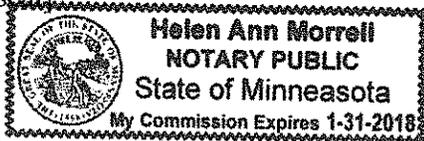
RBC Capital Markets, LLC

By: [Signature]

Title: Sr. V.P. Compliance Director

SUBSCRIBED AND SWORN TO before me this 22<sup>nd</sup> day of October, 2013.

[Affix seal]



Helen Ann Morrell  
Notary Public in and for the  
State of Minnesota

My Commission expires:  
1-31-2018