COMMENWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2014-AH-0021

ENTERED
APR 22 2014
COMMISSIONERS OFFICE

In the matter of	)	
	)	
RBC Capital Markets, LLC,	)	
	)	**ADMINISTRATIVE CONSENT ORDER**
Respondent.	)	
	)	
	)	
	)	

WHEREAS, RBC Capital Markets, LLC ("RBC") is a broker-dealer registered in the Commonwealth of Kentucky, 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 (the "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 Order; and

RBC elects to waive permanently any right to a hearing and appeal under KRS 292.470 and KRS 292.490 with respect to this Order; and

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

NOW, THEREFORE, the Commissioner of the Department of Financial Institutions ("DFI"), as administrator of the Securities Act of Kentucky (KRS Chapter 292), hereby enters this Order:

I.

FINDINGS OF FACTS

1. RBC admits the jurisdiction of the DFI 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 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.

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

Registration Required

7. Under KRS 292.330(3), it is unlawful for an individual to transact business in Kentucky as an agent unless the individual is registered under Chapter 292 as an agent. KRS 292.310(1) defines an agent as "any individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities.

8. Pursuant to the general prohibition under KRS 292.330(3), a person cannot accept unsolicited orders in Kentucky without being registered in Kentucky as a securities agent of the broker-dealer.

9. Pursuant to KRS 292.500(14), a broker-dealer may be assessed a civil fine for selling securities in Kentucky through any agent who is not registered in Kentucky.

RBC Requires Registration of Client Associates

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

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

Regulatory Investigations and Findings

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

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

a. After accepting an order from a client, CAs accessed the electronic order entry system to place the order;

b. The order entry system automatically recorded the identity of the person entering the order using the user's login information. If the order was received from the client by someone other than the person entering the order, the person entering the order was required to identify the person who accepted the order from the client by typing the name or initials in a text box;

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

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

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

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

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

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

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

a. In January 2010, RBC amended its registration policy to require that each CA register in the same states as the RRs whom they support. RBC alerted the field to this policy.

b. In November 2010, Supervisors in RBC's branches and complexes reviewed the current CA registrations to ensure the CAs were properly registered prior to the annual renewals.

c. RBC updated its training to include additional information on registration requirements and on the firm's policies on CA registration. RBC also, as

part of the annual registration renewal process, added to the annual renewal notice information regarding the CA registration policy.

d. RBC modified its procedures regarding the manner in which it grants electronic order entry access to client accounts. The required forms were revised to identify supporting CAs and the forms are provided to the Licensing and Registration department to verify that proper registrations are in place for RRs and CAs when access is granted.

e. RBC conducted Compliance Training sessions for CAs covering information on order entry procedures and registration requirements.

f. RBC revised its registration forms to identify assigned CAs on RRs' registration forms and assigned RRs on CAs' registration forms. This allows the registration and licensing group to submit registrations for the CAs that mirror those held by the RRs whom they support.

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

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

II.

CONCLUSIONS OF LAW

1. The DFI has jurisdiction over this matter pursuant to KRS 292.500(1).

2. RBC's failure to establish an adequate system to monitor the registration status of persons accepting client orders constitutes a failure to reasonably supervise its agents pursuant to KRS 292.337(k).

3. RBC's failure to ensure its CAs were registered in the appropriate jurisdictions constitutes a failure to enforce its established written procedures, and is a violation of 808 KAR 10:030, Section 4(1)(a)1 and is a basis for an Order imposing disciplinary action by assessing a civil fine against RBC under KRS 292.500(14).

4. RBC's acceptance of orders in Kentucky through CAs who were not properly registered constitutes a basis for an Order imposing disciplinary action by assessing a civil penalty against RBC under KRS 292.500(14).

5. Pursuant to KRS 292.500(14), the violations described above constitute bases for the assessment of an administrative fine against RBC.

6. The DFI finds the following relief appropriate and in the public interest.

III.

UNDERTAKINGS

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.

IV.

ORDER

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

IT IS HEREBY ORDERED:

1. This Order concludes the investigation by the DFI and any other action that the DFI could commence against RBC under applicable Kentucky law as it relates to unregistered activity in Kentucky by RBC's CAs and RBC's supervision of CA registrations during the period from January 1, 2005 through the date of this Order.

2. This 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 Order, this 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. In lieu of the payment of a civil fine, RBC hereby agrees to make a voluntary contribution in the amount of Thirty Eight Thousand, Twenty Dollars and Seventeen Cents ($38,020.17) to Kentucky's state account with the Investor Protection Trust. Payment shall be directed to IPT, Attn: Don M. Blandin, Suite 300, 919 Eighteenth Street NW, Washington, D.C. 2000, with evidence of the payment being simultaneously sent to the Department of Financial Institutions, Attn: Shonita Bossier, 1025 Capital Center Drive, Suite 200, Frankfort, KY 40601 within ten days of the date of this Order.

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

5. This order is not intended by the DFI 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 Order and the order of any other State in related proceedings against RBC (collectively, the "Orders") shall not disqualify any Covered Person from any business that they otherwise are qualified, licensed or permitted to perform under applicable securities laws of the Kentucky 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 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 21 day of April, 2014.

BY ORDER OF THE COMMISSIONER

S. Battle for Charles A. Vice

CHARLES A. VICE, COMMISSIONER

CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY RBC

RBC hereby acknowledges that it has been served with a copy of this Consent Order ("Order"), has read the foregoing 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 DFI, neither admits nor denies the Findings of Facts and Conclusions of Law contained in this Order, and consents to entry of this Order by the DFI as settlement of the issues contained in this 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 Order.

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

JOE FLEMING represents that s/he is SR. V.P., DIRECTOR OF COMPLIANCE of RBC and that, as such, has been authorized by RBC to enter into this Order for and on behalf of RBC.

Dated this 10th day of APRIL, 2014.

RBC Capital Markets, ~~LLC~~

By: [signature]

Title: SR. V.P., DIRECTOR of COMPLIANCE

SUBSCRIBED AND SWORN TO before me this 10th day of April, 2014.

[AFFIX SEAL]

Helen Ann Morrell
NOTARY PUBLIC
State of Minnesota
My Commission Expires 1-31-2018

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

My Commission expires:
1-31-2018

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Administrative Consent Order was sent by certified mail, return receipt requested, on this the 22 day of April, 2014, to the following:

Joe Fleming
Senior vice President & Compliance Director
RBC Capital Markets, LLC
One Liberty Plaza
165 Broadway
New York, NY 10006-1404

And

Neal E. Sullivan
Sidley Austin, LLP
1501 K. Street, N.W.
Washington, D.C. 20005

Christina Hayden
Department of Financial Institutions