

**RECEIVED**  
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NEW HAMPSHIRE BUREAU  
OF SECURITIES REGULATION

**The State of New Hampshire  
Secretary of State  
Bureau of Securities Regulation**

1 In the matter of )  
2 )  
3 RBC Capital Markets, LLC, ) INV-2013-0026  
4 )  
5 Respondent. ) **ADMINISTRATIVE CONSENT ORDER**  
6 )  
7 )

8 WHEREAS, RBC Capital Markets, LLC (“RBC”) is a broker-dealer registered in the state  
9 of New Hampshire, with a Central Registration Depository (“CRD”) number of 31194; and  
10 State securities regulators, including New Hampshire regulators, have conducted  
11 coordinated investigations into the registration of sales associates; and

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

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

18 RBC has advised regulators of its agreement to resolve the investigations pursuant to the  
19 terms specified in this Consent Order (the “Order”); and

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

22 RBC elects to waive permanently any right to a hearing and appeal under RSA 421-B with  
23 respect to this Order; and

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

NOW, THEREFORE, the Director of the Bureau of Securities Regulation (“Bureau”), as

1 administrator of the Securities Act, hereby enters this Order:

2 **I.**

3 **FINDINGS OF FACTS**

4 1. RBC admits the jurisdiction of the Bureau in this matter.

5 Background on Client Associates

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

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

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

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

22 5. Notably, RRs might have a "primary CA" and a "secondary CA", or a "primary CA  
23 team" and a "secondary CA team". As suggested by the designation, the customary practice is that  
24 the primary CA or team would handle the RR's administrative matters and client orders. However,  
25 if the primary CA or team was unavailable, the secondary CA or team would step in to handle the  
26 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  
4 Registration Required

5           7. Pursuant to RSA 421-B:6(I), it is unlawful for a CA to transact business in New  
6 Hampshire without being licensed as a securities agent in New Hampshire.

7           8. Pursuant to the general prohibition under RSA 421-B:6(I), a person cannot accept  
8 unsolicited orders from New Hampshire clients without being registered in New Hampshire.

9           9. Pursuant to 421-B:26(III-a) and RSA 421-B:10(VI), each transaction that violates 421-  
10 B:6(I) or RSA 421-B:10(a) and (b)(10), is punishable by the imposition of an administrative fine of  
11 up to \$2,500.

12 RBC Requires Registration of Client Associates

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

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

18 Regulatory Investigations and Findings

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

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

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

24           b. The order entry system automatically recorded the identity of the person entering  
25 the order using the user's login information. If the order was received from the  
26 client by someone other than the person entering the order, the person entering the

1 order was required to identify the person who accepted the order from the client by  
2 typing the name or initials in a text box;

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

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

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

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

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

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

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

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

- 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.

1 **II.**

2 **CONCLUSIONS OF LAW**

3 1. The Bureau has jurisdiction over this matter pursuant to RSA 421-B et seq.

4 2. RBC's failure to establish an adequate system to monitor the registration status of  
5 persons accepting client orders constitutes a failure to supervise under RSA 421-B:10(a) and  
6 (b)(10) and is the basis to impose an administrative fine against RBC.

7 3. RBC's failure to ensure its CAs were registered in the appropriate jurisdictions  
8 constitutes a failure to enforce its established written procedures, and is a violation of RSA 421-  
9 B:10(a) and (b)(10) and a basis to impose an administrative fine against RBC.

10 4. Pursuant to RSA 421-B:6(I), RBC's acceptance of orders from New Hampshire  
11 clients through CAs who were not properly registered in New Hampshire constitutes a violation of  
12 that section and the basis to impose an administrative fine against RBC.

13 5. Pursuant to 421-B:26(III-a), the violations described above constitute the basis for  
14 the assessment of an administrative fine against RBC.

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

16 **III.**

17 **UNDERTAKINGS**

18 RBC hereby undertakes and agrees to establish and maintain policies, procedures and  
19 systems that reasonably supervise the trade process so that a person can only accept client orders  
20 that originate from jurisdictions where the person accepting the order is appropriately registered.  
21

22 **IV.**

23 **ORDER**

24 On the basis of the Findings of Facts, Conclusions of Law, and RBC's consent to the entry of  
25 this Order.  
26

1 IT IS HEREBY ORDERED:

2 1. This Order concludes the investigation by the Bureau and any other action that the  
3 Bureau could commence against RBC under RSA 421-B as it relates to unregistered activity in New  
4 Hampshire by RBC's CAs and RBC's supervision of CA registrations during the period from January  
5 1, 2005 through the date of this Order.

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

10 3. RBC is hereby ordered to pay the sum of Fifty-Three Thousand, Six Hundred Thirty  
11 Dollars and Seventeen cents \$53,630.17 to the State of New Hampshire within ten days of the date  
12 of the execution of this Order. Payment shall be made by certified check or money order made  
13 payable to the State of New Hampshire.

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

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

22 6. This Order and the order of any other State in related proceedings against RBC  
23 (collectively, the "Orders") shall not disqualify any Covered Person from any business that they  
24 otherwise are qualified, licensed or permitted to perform under applicable securities laws of the  
25 State of New Hampshire and any disqualifications from relying upon this state's registration  
26 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

1 successors and assigns of relevant affiliates with respect to all conduct subject to the provisions  
2 above and all future obligations, responsibilities, undertakings, commitments, limitations,  
3 restrictions, events, and conditions.

4 Dated this 14<sup>th</sup> day of November, 2013.

6 By Order of the Bureau

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Barry Glennoff, Director

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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 (“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 Bureau, 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 Bureau 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. VP. Compliance Director of RBC and that, as such, has been authorized by RBC to enter into this Order for and on behalf of RBC.

Dated this 30 day of October, 2013.

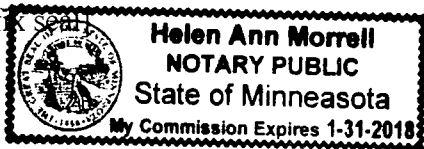
RBC Capital Markets LLC

By: 

Title: Sr. VP. Compliance Director

SUBSCRIBED AND SWORN TO before me this 30 day of October, 2013.

[Affirmation Seal]



Helen Ann Morrell

Notary Public in and for the State of Minnesota

My Commission expires:

1-31-2018