

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING)
5 whether there has been a violation of the)
6 Securities Act of Washington by:)
7) Order Number S-13-1276-13-CO01
8)
9 RBC Capital Markets, LLC,)
10)
11) CONSENT ORDER
12 Respondent.)

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

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

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

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

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

25 RBC elects to waive permanently any right to a hearing and appeal under RCW 21.20.440
26 and RCW 34.05 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 Securities Administrator, as administrator of the Securities Act of
Washington, RCW 21.20, hereby enters this Order:

1 I.

2 FINDINGS OF FACTS

3 1. RBC admits the jurisdiction of the Securities Division of the Washington State
4 Department of Financial Institutions 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
10 degrees, 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 check
16 requests.

17 4. In addition to the responsibilities described above, and of particular significance to
18 this Order, some CAs are permitted to accept unsolicited orders from clients; others are permitted,
19 with 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, if
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1 the primary CA or team was unavailable, the secondary CA or team would step in to handle the RR's
2 administrative matters and client orders.

3 6. During the period from 2005 to 2009, RBC employed an average of approximately
4 672 CAs per year.

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6 **Registration Required**

7 7. Pursuant to RCW 21.20.040(1), it is unlawful for any person to transact business in
8 Washington State as a securities salesperson unless the person is registered in the state or exempt
9 from registration.

10 8. RCW 21.20.005(15) defines a salesperson as any individual other than a
11 broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect sales of
12 securities.

13 9. Pursuant to RCW 21.20.040(2), it is unlawful for a broker-dealer to employ a
14 salesperson who transacts business in Washington State unless the salesperson is registered in the
15 state or exempt from registration.

16 **RBC Requires Registration of Client Associates**

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

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

22 **Regulatory Investigations and Findings**

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

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

- 1 a. After accepting an order from a client, CAs accessed the electronic order entry system
2 to place the order;
- 3 b. The order entry system automatically recorded the identity of the person entering the
4 order using the user's login information. If the order was received from the client by
5 someone other than the person entering the order, the person entering the order was
6 required to identify the person who accepted the order from the client by typing the
7 name or initials in a text box;
- 8 c. RBC's trading system checked the registration of the RR assigned to the account, but
9 did not check the registration status of the person accepting the order, if different from
10 the RR, (the "who accepted field") to ensure that the person was registered in the
11 appropriate jurisdiction.

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

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

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

21 17. RBC's review found that as of November 2008, the firm had 692 registered CAs.
22 While CAs were registered in approximately 7 states, at that time RRs were registered, on average, in
23 17 states. Approximately 454, almost 66%, of those registered CAs were only registered in their
24 home state or their home state and one additional state.

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

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

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

1 21.20.040(2). This violation is grounds for the imposition of a fine pursuant to RCW
2 21.20.110(1)(b).

3 5. Pursuant to RCW 21.20.110(1)(b) and (j), the violations described above constitute
4 bases for the assessment of an administrative fine against RBC.

5 6. The Securities Division finds the following relief appropriate and in the public
6 interest.

7
8 **III.**

9 **UNDERTAKINGS**

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

13
14 **IV.**

15 **ORDER**

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

18 **IT IS HEREBY ORDERED:**

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

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

3 3. RBC is hereby ordered to pay the sum of \$45,140.17 to the Securities Division of the
4 Washington State Department of Financial Institutions within ten days of the date of this Order.

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

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

12 6. This Order and the order of any other state in related proceedings against RBC
13 (collectively, "the Orders") shall not disqualify any Covered Person from any business that they
14 otherwise are qualified, licensed or permitted to perform under applicable securities laws of the state of
15 Washington and any disqualifications from relying upon this state's registration exemptions or safe
16 harbor provisions that arise from the Orders are hereby waived.

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

21 Dated this 1st day of November, 2013.

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24 _____
25 William M. Beatty
26 Securities Administrator

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Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Holly Mack-Kretzler
Financial Legal Examiner

Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor

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 Securities Division of the Washington State Department of Financial Institutions, 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 Securities Division 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. 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 22 day of October, 2013.

RBC Capital Markets, LLC

By: /s/

Title: Sr. V.P. Compliance Director

SUBSCRIBED AND SWORN TO before me this 22nd day of October, 2013.

[Seal of Notary Public Helen Ann Morrell Affixed]

/s/

Notary Public in and for the State of Minnesota

My Commission expires: 1-31-2018

