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**STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT**

4 In the matter of )  
5 RBC Capital Markets, LLC, ) Case Number: 1300159  
6 Respondent. ) **ADMINISTRATIVE CONSENT ORDER**  
7 )

8 WHEREAS, RBC Capital Markets, LLC ("RBC") is a broker-dealer registered in the State  
9 of Illinois, with a Central Registration Depository ("CRD") number of 31194; and

10 State securities regulators have conducted coordinated investigations into the registration of  
11 RBC Client Associates ("CAs") and RBC's supervisory system with respect to the registration of  
12 CAs, and

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

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

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

20 RBC elects to waive permanently any right to a hearing and appeal under the Illinois  
21 Securities Law of 1953 [815 ILCS 5/1 et. seq.] (the "Act") with respect to this Order; and

22 Solely for the purpose of terminating the multi-state investigations, including the  
23 investigation by the staff of the Illinois Securities Department ("Staff"), and in settlement of the  
24 issues contained in this Order, RBC, without admitting or denying the findings of fact or  
25 conclusions of law contained in this Order, consents to the entry of this Order.

26 NOW, THEREFORE, Jesse White, Secretary of State, through his designated  
representative, the Securities Director, as administrator of the Act, hereby enters this Order:

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I.

**FINDINGS OF FACTS**

1. RBC admits the jurisdiction of the Illinois Securities Department (the "Department") 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.

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. Except as otherwise provided in Section 8 of the Act, every dealer, salesperson,  
5 investment adviser and investment adviser representative shall be registered as such with the  
6 Illinois Secretary of State.

7           8. Pursuant to the general prohibition under Section 8 of the Act, a person cannot accept  
8 unsolicited orders in Illinois without being registered.

9           9. Pursuant to Section 12.C of the Act, it is a violation for any person to act as a dealer,  
10 salesperson, investment adviser or investment adviser representative unless registered as such.

11 RBC Requires Registration of Client Associates

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

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

17 Regulatory Investigations and Findings

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

19           13. The multi-state investigation focused on systemic issues with RBC CA registrations and  
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 Illinois when the CAs were not registered in Illinois 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 Illinois at times when the CAs were not appropriately  
11 registered in Illinois.

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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- 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.

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**II.**

**CONCLUSIONS OF LAW**

1. The Department has jurisdiction over this matter pursuant to Section 11.A.(1) of the Act.
2. Pursuant to Section 8.E.(1)(e)(i) of the Act, RBC's failure to establish an adequate system to monitor the registration status of persons accepting client orders has permitted or facilitated a violation of Section 12 of the Act.
3. RBC's failure to ensure its CAs were registered in the appropriate jurisdictions constitutes a failure to enforce its established written procedures and cause to impose a sanction under Section 8.E.(1)(e)(iv).
4. RBC's acceptance of orders in Illinois through CAs who were not properly registered constitutes cause to impose a sanction under Section 8.E.(1)(e)(ii) of the Act.
5. Pursuant to Section 11.E.(4), the violations described herein constitute bases for the assessment of a fine against RBC.
6. The Illinois Securities Department 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

1 this Order,

2 IT IS HEREBY ORDERED:

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

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

11 3. RBC is hereby ordered to pay the sum of one hundred thirty-seven thousand, nine  
12 hundred seventy dollars and seventeen cents (\$ 137,970.17) to the Illinois Securities Department,  
13 Securities Audit and Enforcement Fund, within ten days of the date of this Order.

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

15 5. This order is not intended by the Department 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 Illinois, and any disqualifications from relying upon this state's registration exemptions or  
26 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 11 day of September 2013.

6 BY ORDER OF THE ILLINOIS SECURITIES  
7 DEPARTMENT

8   
9 JESSE WHITE  
10 Secretary of State  
11 State of Illinois

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