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

In the matter of)
RBC Capital Markets, LLC,) Case Number: 1300159
Respondent.) **NOTICE OF HEARING**

TO THE RESPONDENT: RBC Capital Markets, LLC
3 World Financial Center
200 Vesey St.
New York, NY 10281

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois, 60602, on the 6th day of November, 2013 at the hour of 10:00 a.m. or as soon thereafter as counsel may be heard, before James L. Kopecky or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order should be entered against RBC Capital Markets, LLC (the "Respondent") in the State of Illinois and/or whether to grant such other relief as may be authorized under the Act, including, but not limited to, imposition of a monetary fine in the maximum amount, pursuant to Section 11.E.(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1 I.

2 FINDINGS OF FACTS

3 Background on Client Associates

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

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

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

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

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

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

1 Registration Required

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

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

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

9 RBC Requires Registration of Client Associates

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

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

15 Regulatory Investigations and Findings

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

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

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

1 different from the RR, (the "who accepted field") to ensure that the person was
2 registered in the appropriate jurisdiction.

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

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

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

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

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

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

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

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

- 1 c. RBC updated its training to include additional information on registration
2 requirements and on the firm's policies on CA registration. RBC also, as part of the
3 annual registration renewal process, added to the annual renewal notice information
4 regarding the CA registration policy.
- 5 d. RBC modified its procedures regarding the manner in which it grants electronic
6 order entry access to client accounts. The required forms were revised to identify
7 supporting CAs and the forms are provided to the Licensing and Registration
8 department to verify that proper registrations are in place for RRs and CAs when
9 access is granted
- 10 e. RBC conducted Compliance Training sessions for CAs covering information on
11 order entry procedures and registration requirements.
- 12 f. RBC revised its registration forms to identify assigned CAs on RRs' registration
13 forms and assigned RRs on CAs' registration forms. This allows the registration
14 and licensing group to submit registrations for the CAs that mirror those held by the
15 RRs whom they support.

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

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

25 II.

26 ALLEGATIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Section 11.A.(1) of the

1 Act.

2 2. Pursuant to Section 8.E.(1)(e)(i) of the Act, RBC's failure to establish an adequate
3 system to monitor the registration status of persons accepting client orders has permitted or
4 facilitated a violation of Section 12 of the Act.

5 3. RBC's failure to ensure its CAs were registered in the appropriate jurisdictions
6 constitutes a failure to enforce its established written procedures and cause to impose a sanction
7 under Section 8.E.(1)(e)(iv).

8 4. RBC's acceptance of orders in Illinois through CAs who were not properly
9 registered constitutes cause to impose a sanction under Section 8.E (1)(e)(ii) of the Act.

10 5. Pursuant to Section 11.E.(4), the violations described herein constitute bases for the
11 assessment of a fine against RBC

12 6. The Illinois Securities Department finds the requested relief appropriate and in the
13 public interest

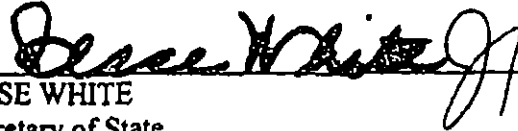
14 You are further notified that you are required pursuant to Section 130.1104 of the Rules and
15 Regulations (14 Ill. Adm. Code 130.100 et seq.) (the "Rules") to file an answer to the allegations
16 outlined above or a Special Appearance pursuant to Section 130.1107 of the Rules, or other
17 responsive pleading within thirty (30) days of the receipt of this Notice. A failure to do so within
18 the prescribed time shall be deemed an admission of the allegations contained in the Notice of
19 Hearing and waives your right to a hearing.
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1 You may be represented by legal counsel, present evidence, cross-examine witnesses and otherwise
2 participate. However, a failure to appear shall constitute default.

3 Delivery of Notice to the designated representative of the Respondent constitutes service
4 upon such Respondent.

5 Dated this 11th 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

12 Attorney for the Secretary of State.

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