

STATE OF NEW JERSEY
BUREAU OF SECURITIES
153 Halsey Street
P.O. Box 47029
Newark, New Jersey 07101

In the matter of)
RBC Capital Markets, LLC,)
Respondent.)

ADMINISTRATIVE CONSENT ORDER

WHEREAS, RBC Capital Markets, LLC (“RBC”) is a broker-dealer registered in the state Of New Jersey, 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 N.J.S.A. 52:14B-1 et seq. 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 Bureau Chief, as administrator of the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. (“Securities Law”), hereby enters this Order:

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2 **FINDINGS OF FACTS**

3 1. RBC admits the jurisdiction of the Bureau of Securities (“Bureau”) in this matter.

4 Background on Client Associates

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

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

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

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

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

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

1
2 Registration Required

3 7. Under the Securities Law, a person may not act as an agent in New Jersey unless
4 registered or exempt from registration. N.J.S.A. 49:3-56(a).

5 8. Pursuant to the general prohibition under N.J.S.A. 49:3-56(a), a person cannot accept
6 unsolicited orders in New Jersey without being registered in New Jersey.

7 9. Pursuant to N.J.S.A. 49:3-56(h), it shall be unlawful for any broker-dealer to employ an
8 agent in New Jersey unless the agent is registered in New Jersey.

9 RBC Requires Registration of Client Associates

10 10. 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 11. 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 12. During late 2009, RBC received regulatory inquiries regarding CA registrations.

17 13. 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 14. The multi-state investigation identified instances in which CAs supported RRs
4 registered in New Jersey when the CAs were not registered in New Jersey 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 15. The multi-state investigation determined that it was highly likely that certain RBC CAs
8 accepted orders which they did not solicit in New Jersey at times when the CAs were not
9 appropriately registered in New Jersey.

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

12 17. 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 18. 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 19. 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 20. 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 21. RBC provided timely responses and substantial cooperation in connection with the
24 regulatory investigations into this issue.

25 II.

26 CONCLUSIONS OF LAW

1. The Bureau has jurisdiction over this matter pursuant to the Securities Law.

1 1. This Order concludes the investigation by the Bureau and any other action that the
2 Bureau could commence against RBC under applicable New Jersey Securities Law on behalf of New
3 Jersey as it relates to unregistered activity in New Jersey by RBC's CAs and RBC's supervision of CA
4 registrations during the period from January 1, 2005 through the date of this Order.

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

9 3. RBC is hereby ordered to pay the sum of forty-eight thousand six hundred ninety
10 dollars and seventeen cents (\$48,690.17) to the Bureau within ten days of this Order as a civil
11 monetary penalty which shall be payable as follows: State of New Jersey, Bureau of Securities. All
12 funds shall be delivered to the Bureau of Securities, 153 Halsey Street, 6th Floor, Newark, New
13 Jersey 07102, and shall be deposited in the Securities Enforcement Fund pursuant to N.J.S.A. 49:3-
14 66.1.

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

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

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

