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STATE OF ALASKA  
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT  
DIVISION OF BANKING AND SECURITIES

In the matter of: )  
RBC Capital Markets, LLC, )  
Respondent. )  
ORDER NO: 13-1399-S  
ADMINISTRATIVE CONSENT ORDER

WHEREAS, RBC Capital Markets, LLC (“RBC”) is a broker-dealer registered in the State of Alaska, with a Central Registration Depository 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 Alaska Statute (AS) 45.55.920(d) with respect to this Order; and

Solely for the purpose of terminating the multi-state investigations and in settlement

1 of the issues contained in this Order, RBC, without admitting or denying the findings of fact  
2 or conclusions of law contained in this Order, consents to the entry of this Order.

3 NOW, THEREFORE, the Department of Commerce, Community, and Economic  
4 Development, Division of Banking and Securities (the Division), through its Director,  
5 Administrator of the Alaska Securities Act, AS 45.55 et seq., hereby enters this order:

6 **I. FINDINGS OF FACT**

7 1. RBC admits the jurisdiction of the Division in this matter.

8 Background on Client Associates

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

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

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

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

1 necessary licenses and registrations.

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

7 6. During the period from 2005 to 2009, RBC employed an average of approximately  
8 672 CAs per year.

#### 9 Registration Required

10 7. Pursuant to AS 45.55.030(a), a person may not transact business in Alaska as a  
11 broker-dealer or agent unless the person is registered under the Alaska Securities Act.

12 8. Pursuant to the general prohibition under AS 45.55.030(a), a person cannot accept  
13 unsolicited orders in Alaska without being registered.

14 9. Pursuant to AS 45.55.920, a civil penalty may be assessed against a broker-dealer for  
15 selling securities in Alaska through agents other than registered agents.

#### 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 RR, or broadly required that  
21 each CA 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

1 and related supervisory structure. Specifically:

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

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

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

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

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

1 registered in their home state or their home state and one additional state.

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

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

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

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

13 c. RBC updated its training to include additional information on registration  
14 requirements and on the firm's policies on CA registration. RBC also, as part  
15 of the annual registration renewal process, added to the annual renewal notice  
16 information regarding the CA registration policy.

17 d. RBC modified its procedures regarding the manner in which it grants  
18 electronic order entry access to client accounts. The required forms were  
19 revised to identify supporting CAs and the forms are provided to the  
20 Licensing and Registration department to verify that proper registrations are  
21 in place for RRs and CAs when access is granted.

22 e. RBC conducted Compliance Training sessions for CAs covering information  
23 on order entry procedures and registration requirements.

24 f. RBC revised its registration forms to identify assigned CAs on RRs'

1 registration forms and assigned RRs on CAs' registration forms. This allows  
2 the registration and licensing group to submit registrations for the CAs that  
3 mirror those held by the RRs whom they support.

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

12 21. RBC provided timely responses and substantial cooperation in connection with the  
13 regulatory investigations into this issue.

## 14 II. CONCLUSIONS OF LAW

15 1. The Division has jurisdiction over this matter pursuant to the Alaska Securities Act.

16 2. RBC's failure to establish an adequate system to monitor the registration status of  
17 persons accepting client orders constitutes failure to reasonably supervise agents, as  
18 described in AS 45.55.060.

19 3. RBC's acceptance of orders in Alaska through CAs who were not properly registered  
20 constitutes a violation of AS 45.55.030(a).

21 4. Pursuant to AS 45.55.920(c), the violations described above constitute bases for the  
22 assessment of a civil penalty against RBC.

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

24 //



1 Puerto Rico, or the U.S. Virgin Islands including, without limitation, any disqualification  
2 from relying upon the state or federal registration exemptions or safe harbor provisions.

3 “Covered Person,” means RBC or any of its affiliates and their current or former officers or  
4 former officers, directors, employees, or other persons that would otherwise be disqualified  
5 as a result of the Orders (as defined below).

6 6. This Order and the order of any other State in related proceedings against RBC  
7 (collectively, the “Orders”) shall not disqualify any Covered Person from any business that  
8 they otherwise are qualified, licensed or permitted to perform under applicable securities  
9 laws of the State of Alaska and any disqualifications from relying upon this state’s  
10 registration exemptions or safe harbor provisions that arise from the Orders are hereby  
11 waived.

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

16 SUSAN BELL, Commissioner  
17 Department of Commerce, Community and Economic Development

18 October 31, 2013  
19 Date

/s/ Lorie L Hovanec  
Lorie L. Hovanec, Director  
Division of Banking and Securities

20 **CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY RBC**

21 RBC hereby acknowledges that it has been served with a copy of this Consent Order  
22 (“Order”), has read the foregoing Order, is aware of its right to a hearing and appeal in this  
23 matter, and has waived the same.

24 RBC admits the jurisdiction of the Division, neither admits nor denies the Findings of



1 Facts and Conclusions of Law contained in this Order, and consents to entry of this Order by  
2 the Division as settlement of the issues contained in this Order.

3 RBC agrees that it shall not claim, assert, or apply for a tax deduction or tax credit  
4 with regard to any state, federal or local tax for any administrative monetary penalty that  
5 RBC shall pay pursuant to this Order.

6 RBC states that no promise of any kind or nature whatsoever was made to it to induce  
7 it to enter into this Order and that it has entered into this Order voluntarily.

8 Joe Fleming represents that s/he is Sr. VP Compliance Director of RBC and that, as  
9 such, has been authorized by RBC to enter into this Order for and on behalf of RBC.

10 Dated this 22<sup>nd</sup> day of October, 2013

11 RBC Capital Markets, LLC

12 By: /s/ Joe Fleming

13 Title: SR. VP Compliance Director

14 SUBSCRIBED AND SWORN TO before me this 22<sup>nd</sup> day of October, 2013.

15  
16 /s/ Helen Ann Morrell

17 Notary Public in and for Minnesota

18 My Commission expires: 01/31/2018

19  
20 Contact Person:  
21 Kristy Naylor  
22 Securities Examiner  
23 (907) 269-7675  
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