

1 **BEFORE THE DIRECTOR OF THE IDAHO DEPARTMENT OF FINANCE**

2 In the matter of )  
3 RBC Capital Markets, LLC, ) Docket No. 2013-7-10  
4 Respondent. ) **ADMINISTRATIVE CONSENT ORDER**  
5 )  
6 )

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

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

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

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

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

19 RBC elects to waive permanently any right to a hearing and appeal under Idaho Code 30-  
20 14-604 with respect to this Order; and

21 Solely for the purpose of terminating the multi-state investigations and in settlement of the  
22 issues contained in this Order, RBC, without admitting or denying the findings of fact or  
23 conclusions of law contained in this Order, consents to the entry of this Order.

24 NOW, THEREFORE, the Director (“Director”) of the Idaho Department of Finance  
25 (“Department”), as administrator of the Idaho Uniform Securities Act (“Act”), hereby enters this  
26 Order:

I.

FINDINGS OF FACTS

- 1  
2  
3 1. RBC admits the jurisdiction of the Department 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  
9 degrees, 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  
13 management 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  
17 this Order, some CAs are permitted to accept unsolicited orders from clients; others are permitted,  
18 with 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  
22 CA team" and a "secondary CA team". As suggested by the designation, the customary practice is  
23 that the primary CA or team would handle the RR's administrative matters and client orders.  
24 However, if the primary CA or team was unavailable, the secondary CA or team would step in to  
25 handle the 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. Idaho Code 30-14-402(a) provides that it is unlawful for a person to transact  
4 business in Idaho as an agent unless the person is registered under the Act. Pursuant to the general  
5 prohibition under Idaho Code 30-14-402(a), a person cannot accept unsolicited orders in Idaho  
6 without being registered in Idaho as an agent of the relevant broker-dealer.

7 8. Pursuant to Idaho Code 30-14-412(c), a broker-dealer may be fined if the broker-  
8 dealer has failed to reasonably supervise its agent(s).

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  
11 the 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  
13 each CA maintain registrations in the same jurisdictions as his or her FA, or broadly required that  
14 each 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  
18 registrations and 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  
22 entering the order using the user's login information. If the order was received  
23 from the client by someone other than the person entering the order, the person  
24 entering the order was required to identify the person who accepted the order  
25 from the client by 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

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

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

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

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  
17 RRs. RBC’s review identified incidences where CAs who were not properly state registered  
18 accepted orders they had not solicited.

19 18. Beginning in 2010, RBC took steps to enhance its policies and procedures  
20 regarding 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  
23 field to this policy.

24 b. In November 2010, Supervisors in RBC’s branches and complexes reviewed  
25 the current CA registrations to ensure the CAs were properly registered prior to  
26 the 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  
3 of the annual registration renewal process, added to the annual renewal notice  
4 information 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  
7 identify supporting CAs and the forms are provided to the Licensing and  
8 Registration department to verify that proper registrations are in place for RRs  
9 and CAs when access is granted.
- 10 e. RBC conducted Compliance Training sessions for CAs covering information  
11 on order entry procedures and registration requirements.
- 12 f. RBC revised its registration forms to identify assigned CAs on RRs'  
13 registration forms and assigned RRs on CAs' registration forms. This allows  
14 the registration and licensing group to submit registrations for the CAs that  
15 mirror those held by the RRs whom they support.

16 19. RBC has also undertaken to implement enhancements to its order entry systems  
17 and to its supervision of the order entry procedures. The order entry systems will require the  
18 individual entering an order either to attest that he or she also accepted the order or to identify the  
19 person who accepted the order by entering that person's system ID. RBC policies and procedures  
20 prohibit RBC personnel from using any credentials but their own to log on to the order entry  
21 systems. RBC is developing an exception report to identify any trades entered in an account for  
22 which the person 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 CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Idaho Code 30-14-101,

1 et seq.

2 2. RBC's failure to establish an adequate system to monitor the registration status of  
3 persons accepting client orders constitutes a failure to establish, maintain and enforce written  
4 supervisory procedures as required by the Rules Pursuant to the Uniform Securities Act (2004),  
5 specifically IDAPA 12.01.08.105.01.

6 3. RBC's failure to ensure its CAs were registered in the appropriate jurisdictions  
7 constitutes a failure to enforce its established written procedures, and is a violation of IDAPA  
8 12.01.08.105.03.

9 4. Pursuant to Idaho Code 30-14-412(c), RBC's acceptance of orders in Idaho through  
10 CAs who were not properly registered constitutes bases for the issuance of an Order assessing a  
11 fine against RBC for failing to supervise its agents pursuant to Idaho Code 30-14-412(d).  
12

13 5. Pursuant to Idaho Code 30-14-412(c) and (d), the violations described above  
14 constitute bases for the assessment of an administrative fine against RBC.

15 6. The Department finds the following relief appropriate and in the public interest.

16  
17 III.

18 UNDERTAKINGS

19 RBC hereby undertakes and agrees to establish and maintain policies, procedures and  
20 systems that reasonably supervise the trade process so that a person can only accept client orders  
21 that originate from jurisdictions where the person accepting the order is appropriately registered.  
22

23 IV.

24 ORDER

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

IT IS HEREBY ORDERED:

1           1.       This Order concludes the investigation by the Department and any other action that the  
2 Department could commence against RBC under applicable Idaho law as it relates to unregistered  
3 activity in Idaho by RBC's CAs and RBC's supervision of CA registrations during the period from  
4 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-FIVE THOUSAND SEVEN  
10 HUNDRED AND SEVENTY DOLLARS AND SEVENTEEN CENTS (\$45,770.17) to the  
11 Department within ten days of the date of this Order. The monies received by the Department  
12 pursuant to this paragraph may be used, in accordance with Idaho law, for securities and investor  
13 education at the sole discretion of the Administrator.

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 Idaho and any disqualifications from relying upon this state's registration exemptions or safe  
26 harbor provisions that arise from the Orders are hereby waived.

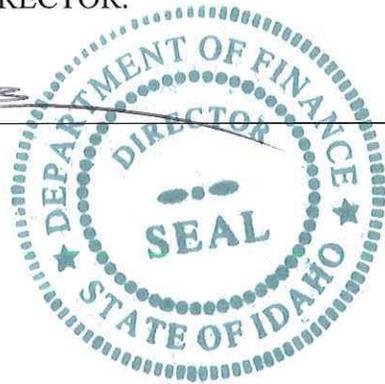
          7.       This Order shall be binding upon RBC and its successors and assigns as well as to

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 17<sup>TH</sup> day of JANUARY, 2014.

6 BY ORDER OF THE DIRECTOR.

7  
8 GAVIN GEE  
9 Director of Finance



1 CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY RBC

2 RBC hereby acknowledges that it has been served with a copy of this Consent Order  
3 ("Order"), has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and  
4 has waived the same.

5 RBC admits the jurisdiction of the Idaho Department of Finance, neither admits nor denies the  
6 Findings of Facts and Conclusions of Law contained in this Order, and consents to entry of this Order  
7 by the Idaho Department of Finance as settlement of the issues contained in this Order.

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

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

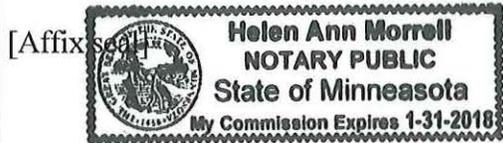
13 Joe Fleming represents that s/he is Sr. V.P., Compliance Director of RBC  
14 and that, as such, has been authorized by RBC to enter into this Order for and on behalf of RBC.

15 Dated this 8<sup>th</sup> day of January, 2014.

16 RBC Capital Markets, LLC

17 By: [Signature]  
18 Title: Sr. V.P., Compliance Director

19 SUBSCRIBED AND SWORN TO before me this 8<sup>th</sup> day of January, 2014.



21 Helen Ann Morrell  
22 Notary Public in and for the  
23 State of Minnesota

24 My Commission expires:  
25 1-31-2018  
26

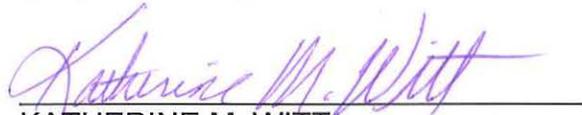
**PROOF OF SERVICE**

I HEREBY certify that I have this day served the foregoing Administrative Consent Order, Docket 2013-7-10 upon all parties of record in this proceeding, by mailing a copy thereof, properly addressed, with postage prepaid to:

**LAUREN COOK JACKSON  
SIDLEY AUSTIN LLP  
1501 K STREET NW  
WASHINGTON DC 20005**

And emailing a copy to [lcookjackson@sidley.com](mailto:lcookjackson@sidley.com)

DATED At Boise, Idaho, this 23 day of January, 2014.

  
KATHERINE M. WITT