

1 **Iowa Insurance Division**
2 **601 Locust Street**
3 **Des Moines, IA 50309-3738**

4 In the matter of)

5 RBC Capital Markets, LLC,)

6 Respondent.)

-Insurance Division Docket No.-80979

ADMINISTRATIVE CONSENT ORDER

7
8 WHEREAS, RBC Capital Markets, LLC (“RBC”) is a broker-dealer registered in the state
9 of Iowa, 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 Iowa Code
21 sections 502.604, 502.609, and 17A.19 (2013) with respect to this Order; and

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

25 NOW, THEREFORE, the Commissioner of Insurance, as administrator of the Iowa
26 Uniform Securities Act, Iowa Code chapter 502 (2013), hereby enters this Order:

1 I.

2 FINDINGS OF FACTS

3 1. RBC admits the jurisdiction of the Iowa Insurance Division 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 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
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 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
RR's administrative matters and client orders.

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

1 Registration Required

2 7. Iowa Code section 502.402(1) (2013) provides that “[i]t is unlawful for an individual to
3 transact business in this state unless the individual is registered under this chapter as an agent or is
4 exempt from registration as an agent under subsection 2.”

5 8. Pursuant to the general prohibition under Iowa Code section 502.402(1) (2013), a
6 person cannot accept unsolicited orders in Iowa without being registered as an agent in Iowa.

7 9. Pursuant to Iowa Code sections 502.412(3) and (4)(i) (2013) the administrator may
8 impose a civil penalty on a broker-dealer for a failure to supervise its agents.

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 FA, 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
related supervisory structure. Specifically:

- 18 a. After accepting an order from a client, CAs accessed the electronic order entry
19 system to place the order;
- 20 b. The order entry system automatically recorded the identity of the person entering
21 the order using the user’s login information. If the order was received from the
22 client by someone other than the person entering the order, the person entering the
23 order was required to identify the person who accepted the order from the client by
24 typing the name or initials in a text box;
- 25 c. RBC’s trading system checked the registration of the RR assigned to the account,
26 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 Iowa when the CAs were not registered in Iowa as agents of RBC. This difference in
5 registration status increased the possibility that CAs would accept orders which they did not solicit
6 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 Iowa at times when the CAs were not appropriately
9 registered in Iowa.

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.
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3 **II.**

4 **CONCLUSIONS OF LAW**

5 1. The Iowa Insurance Division has jurisdiction over this matter pursuant to Iowa
6 Uniform Securities Act, Iowa Code chapter 502 (2013).

7 2. RBC's failure to establish an adequate system to monitor the registration status of
8 persons accepting client orders constitutes grounds for discipline pursuant to Iowa Code section
9 502.412(4)(i) (2013).

10 3. RBC's failure to ensure its CAs were registered in the appropriate jurisdictions
11 constitutes a failure to enforce its established written procedures, and is grounds for discipline
12 pursuant to Iowa Code section 502.412(3) (2013).

13 4. Pursuant to Iowa Code section 502.402(1) (2013), RBC's acceptance of orders in
14 Iowa through CAs who were not properly registered in Iowa constitutes grounds for discipline
15 pursuant to Iowa Code section 502.412(4)(i) (2013)

16 5. Pursuant to Iowa Code section 502.412(3) (2013), the violations described above
17 constitute bases for the assessment of an administrative civil penalty against RBC.

18 6. The Iowa Insurance Division finds the following relief appropriate and in the public
19 interest.

20 **III.**

21 **UNDERTAKINGS**

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

ORDER

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

IT IS HEREBY ORDERED:

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

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

3. RBC is hereby ordered to pay the sum of thirty seven thousand, two hundred ninety dollars and seventeen cents (\$ 37,290.17) to the Iowa Insurance Division within ten days of the date of this Order. The Iowa Insurance Division shall apply the monies received from RBC as follows: Pursuant to Iowa Code Section 502.601(5) (2013), \$18,145.17 shall be deposited in the Iowa Securities Investor Education and Training Fund; \$18,145 shall be deposited in the Investor Protection Trust for investor education, investor protection, and promotion of compliance with federal and state securities and commodities laws; and \$1,000 shall be provided to the Iowa Insurance Division for the costs of investigation.

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

5. This order is not intended by the Iowa Insurance Division to subject any Covered Person to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands including, without limitation, any disqualification from relying upon the state or federal registration exemptions or safe harbor provisions. "Covered Person," means RBC or any of its affiliates and their current or former

1 officers or former officers, directors, employees, or other persons that would otherwise be
2 disqualified as a result of the Orders (as defined below).

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

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

12 Dated this 5th day of December, 2013.

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14 BY ORDER OF NICK GERHART
15 COMMISSIONER OF INSURANCE

16 
17 By ROSANNE MEAD
18 IOWA SECURITIES ADMINISTRATOR
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CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY RBC

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

RBC admits the jurisdiction of the Iowa Insurance Division, neither admits nor denies the Findings of Facts and Conclusions of Law contained in this Order, and consents to entry of this Order by the Iowa Insurance Division as settlement of the issues contained in this Order.

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

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

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

Dated this 18 day of November, 2013.

RBC Capital Markets, LLC

By:

Title: Sr. V.P. Compliance Director

SUBSCRIBED AND SWORN TO before me this 18 day of November, 2013.

[Affix



Helen Ann Morrell

Notary Public in and for the State of Minnesota

My Commission expires:

1-31-2018