

**NASDAQ PHLX LLC  
NOTICE OF ACCEPTANCE OF AWC**

**Via Certified Mail, Return Receipt Requested**

**TO: RBC Capital Markets, LLC  
Mr. Ryan Taylor  
Chief Compliance Officer  
30 Hudson Street, 27<sup>th</sup> Floor  
Jersey City, NJ 07302**

**FROM: Nasdaq PHLX LLC ("PHLX")  
c/o Financial Industry Regulatory Authority ("FINRA")  
Department of Enforcement  
15200 Omega Drive, Suite 300  
Rockville, MD 20850**

**DATE: December 2, 2019**

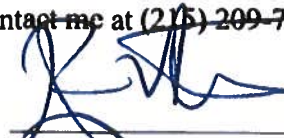
**RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 2016048771301**

**Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on **December 2, 2019** by the PHLX Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the PHLX Review Council, pursuant to PHLX Rule 9216. A copy of the AWC is enclosed herewith.**

**You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or PHLX if you are not a member of FINRA) in writing of any change of address or other changes required to be made to your Form BD.**

**You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by Nasdaq's Finance Department regarding the payment of any fine if a fine has been imposed.**

**If you have any questions concerning this matter, please contact me at ~~(215) 209-7002~~.**



**Eustace P. Francis  
Senior Counsel  
Department of Enforcement, FINRA  
Signed on behalf of PHLX**

**Enclosure**

**Russell Johnston, Esq.  
King & Spalding LLP  
1185 Avenue of the Americas – 34<sup>th</sup> Floor  
New York, New York 10036**

**RBC Capital Markets, LLC**  
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**FINRA District 10 – New York**  
**William St. Louis**  
**Senior Vice President and Regional Director**  
**(Via email)**

**NASDAQ PHLX LLC**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
NO. 2016048771301

**TO: Nasdaq PHLX LLC**  
c/o Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

**RE: RBC Capital Markets, LLC, Respondent**  
Member Firm  
CRD No. 31194

Pursuant to Rule 9216 of Nasdaq PHLX LLC ("PHLX" or the "Exchange") Code of Procedure, RBC Capital Markets, LLC ("RBC", the "Firm", or "Respondent") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, PHLX will not bring any future actions against the Respondent alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of PHLX, or to which PHLX is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by PHLX:

**BACKGROUND**

RBC became a member of FINRA on March 19, 1993 and PHLX on February 29, 2008, and its registrations remain in effect. The Firm is an indirect wholly-owned subsidiary of Royal Bank of Canada, a global banking and financial services company. The Firm's U.S. operations are headquartered in New York, New York, and the Firm has branch offices in 22 states. It currently employs approximately 5,680 registered representatives. The Firm provides full-service brokerage, investment banking, and asset management services to retail and institutional clients. The Firm has no prior relevant disciplinary history.

**SUMMARY**

1. The Financial Industry Regulatory Authority's ("FINRA") Trading and Financial Compliance Examinations staff (the "Staff") within the Department of Market Regulation, on behalf of PHLX and other options exchanges, conducted a review of the manual options order tickets handled by the Firm during the periods between April 11, 2016 and April 15, 2016 (the "2016 Exam Review Period") and February 12, 2018 and February 16, 2018 (the "2018 Exam Review Period").

2. During the 2016 and 2018 Exam Review Periods, RBC failed to accurately record the order receipt and/or order transmission times of manual options orders it had routed to floor brokers at PHLX and various other national securities exchanges for execution in violation of Rule 17a-3(a)(6)(i) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and PHLX Rule 760. The Firm also violated PHLX Rule 748(h) because its written supervisory procedures ("WSPs") and supervisory system applicable to the handling of manual options orders by its Global Equity Linked Products Desk (the "GELP Desk") during the period between April 2016 and September 13, 2019 and by its Wealth Management Options Desk (the "WM Desk") during the period between April 2016 and June 28, 2019, were not reasonably designed to achieve compliance with, and to detect and prevent, insofar as practicable, violations of, the applicable recordkeeping provisions of the federal securities laws and PHLX rules.

### FACTS AND VIOLATIVE CONDUCT

3. The recordkeeping provisions of the federal securities laws and PHLX rules are designed to ensure that regulators have access to certain basic information about securities transactions. Access to transaction records serves as an essential component for effective surveillance and examination of broker-dealers by PHLX and other self-regulatory organizations.
4. Section 17 of the Exchange Act and Rule 17a-3(a)(6)(i) promulgated thereunder require broker-dealers, such as RBC, to create a brokerage order ticket of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. In relevant part, the rule requires the brokerage order ticket to show, among other things, the terms and conditions of the order or instructions, the time the order was received, the time the order was entered, and the time of execution or cancellation. Such records must be accurate.
5. PHLX Rule 760 requires member firms to make, keep current, and preserve books and records as prescribed by the Exchange Act.
6. PHLX Rule 748(h) requires member organizations to establish, maintain and enforce WSPs, and a system of supervision for applying such procedures, that are reasonably designed to supervise the types of businesses and activities in which they and their associated persons engage in order to achieve compliance with, and to prevent and detect, insofar as practicable, violations of, applicable securities laws and regulations, including the By-Laws and Rules of the Exchange.

### The 2016 Exam Review Period

7. During 2016, the Firm handled approximately 16,400 manual options orders, approximately 12% of which were manual customer orders routed to option exchange floor brokers for execution. A sample of 66 manual customer options orders routed to various options exchanges during 2016 Exam Review Period was reviewed for timestamp accuracy.

8. From the sample of 66 manual customer options orders routed to various options exchanges for execution during the 2016 Exam Review Period, the Firm did not maintain an accurate record of the order receipt time for 22 (approximately 33%) of the sampled orders. Of these 22 orders, one was executed on PHLX.
9. From the sample of 66 manual customer options orders routed to options exchanges for execution during the 2016 Exam Review Period, the Firm routed 38 options orders to floor brokers for execution. The Firm did not maintain an accurate record of the order transmission times for 34 (89%) of those orders. Of these 34 orders, six were executed on PHLX.

#### The 2018 Exam Review Period

10. During the 2018 Exam Review Period, a sample of 55 manual customer options orders routed to various options exchanges for execution was reviewed for timestamp accuracy.
11. From the sample of 55 manual customer options orders routed to various options exchanges for execution during the 2018 Exam Review Period, the Firm routed 15 options orders to floor brokers for execution. The Firm did not maintain an accurate record of the order receipt time for six (approximately 40%) of those orders. Of these six orders, four were executed on PHLX.
12. The conduct described in paragraphs eight through eleven constitutes violations of Rule 17a-3(a)(6)(i) promulgated under the Exchange Act, and PHLX Rule 760.
13. The Firm's GELP Desk handles options orders for institutional clients and facilitates customer options orders. During the period between April 2016 and September 13, 2019, the Firm failed to establish and maintain WSPs and a supervisory system applicable to the GELP Desk that were reasonably designed to achieve compliance with, and to detect and prevent violations of, the recordkeeping provisions of the federal securities laws and PHLX rules that require the accurate documentation of the order receipt and transmission times of options orders. Specifically, the Firm's WSPs did not require a reasonable review for order receipt and order transmission times or specify how many orders should be reviewed. Additionally, the Firm's supervisory system did not include a reasonable review for the accuracy of order receipt and order transmission times of options orders handled by the GELP Desk, and the Firm did not conduct such a review. The Firm revised its WSPs applicable to the GELP Desk on September 13, 2019.
14. The conduct described in paragraph 13 constitutes a violation of PHLX Rule 748(h).
15. The Firm's WM Desk executes orders solely for retail customers. During the period between April 2016 and June 28, 2019, the Firm failed to establish and maintain WSPs and a supervisory system applicable to the WM Desk that were reasonably designed to achieve compliance with, and to detect and prevent violations of, the recordkeeping provisions of the federal securities laws and PHLX rules that require the accurate documentation of the order receipt and transmission times of options orders.

Specifically, the WM Desk WSPs and supervisory system did not include a supervisory review of the accuracy of order receipt and transmission times of options orders handled by the WM Desk. Although the Firm represented that its Options Desk Manager conducted daily order ticket and activity reviews of WM Desk options orders, his review did not include a review for timestamp accuracy. Moreover, the Firm's WSPs did not include a review for the accuracy of order receipt and order transmission times of options orders handled by the WM Desk or specify how such reviews should be conducted. The Firm revised its WSPs applicable to the WM Desk on June 28, 2019.

16. The conduct described in paragraph 15 constitutes a violation of PHLX Rule 748(h).

B. Respondent also consents to the imposition of the following sanctions:

- A censure; and
- A fine of \$61,200, of which \$15,300 (\$10,300 for the books and records violations and \$5,000 for the supervision violations) shall be paid to PHLX.<sup>1</sup>

Acceptance of this AWC is conditioned upon acceptance of similar settlement agreements in related matters between the firm and Nasdaq Options Market LLC, NYSE Arca, Inc. and NYSE American LLC.

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. It has submitted a Payment Information form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

## II.

### WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under PHLX's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;

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<sup>1</sup> The balance of the fine shall be paid to Nasdaq Options Market LLC, NYSE Arca, Inc. and NYSE American LLC.

- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the PHLX Review Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Regulatory Officer, the PHLX Review Council, or any member of the PHLX Review Council, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

### III.

#### OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by FINRA's Department of Enforcement and the PHLX Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to PHLX Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Respondent; and
- C. If accepted:
  - 1. This AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by PHLX or any other regulator against the Respondent;
  - 2. PHLX may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with PHLX Rule 8310 and IM-8310-3; and
  - 3. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of PHLX, or to which

**PHLX is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Respondent's right to take legal or factual positions in litigation or other legal proceedings in which PHLX is not a party.**

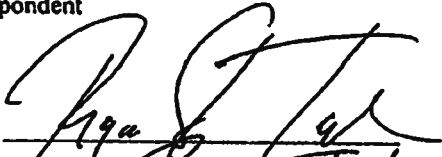
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by PHLX, nor does it reflect the views of PHLX or its staff.**



The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

10/16/19  
Date

RBC Capital Markets, LLC  
Respondent

By:   
Print Name: Ryan Taylor  
Title: Chief Compliance Officer


Reviewed by:



Russell Johnston, Esq.  
Counsel for Respondent  
King & Spalding LLP  
1185 Avenue of the Americas – 34<sup>th</sup> Floor  
New York, New York 10036  
(212) 827-4081

Accepted by PHLX:

December 2, 2019  
Date

  
Gustave T. Francis, Esq.  
Senior Counsel  
Department of Enforcement

Signed on behalf of PHLX, by delegated  
authority from the Director of ODA

**PAYMENT INFORMATION**

The fine amount will be reflected on an upcoming invoice and will be direct debited from the account for your firm that Nasdaq currently has on file. *Please DO NOT submit payment at this time.*

Please inform your finance or applicable department of this forthcoming debit.

If you need to arrange for an alternative method of payment, please contact Nasdaq at (301) 978-8310 by no later than the last business day of the month in which the Notice of Acceptance of the AWC was issued. *Otherwise, a direct debit will process from the account for your firm that Nasdaq currently has on file.*

Respectfully submitted,

Respondent

RBC Capital Markets, LLC

10-17-2019

Date

By: 

Name: Alvaro Garcia

Title: Yed of U.S. Capital Markets Litigation