

**NYSE AMERICAN LLC  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2020-01-00098**

TO: NYSE AMERICAN LLC

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

**During the period between January 2018 and December 2020 (the “Relevant Period”), RBC Capital Markets, LLC violated: (i) Section 17(a) under the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 17a-3(a)(6)(i) thereunder (“Rule 17a-3”), along with (ii) NYSE American Rule 956NY, for failing to create, maintain, and preserve accurate records of manual customer orders routed to the NYSE American Options floor (the “American Options Floor”); and (iii) NYSE American Rule 320, for failing to establish and maintain adequate supervisory systems that were reasonably designed to ensure compliance with the above-mentioned rules. Consent to a censure, a \$250,000 fine, and an undertaking.**

\* \* \*

Pursuant to Rule 9216 of the NYSE American LLC (“NYSE American” or the “Exchange”) Code of Procedure, RBC Capital Markets, LLC (“RBC” or the “Firm”) 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, NYSE American will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

**I. ACCEPTANCE AND CONSENT**

- A. RBC 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 NYSE American, or to which NYSE American 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 NYSE American:

**BACKGROUND AND JURISDICTION**

1. RBC is a registered broker-dealer and indirect, wholly-owned subsidiary of the Royal Bank of Canada, an international banking and financial services company. The Firm is headquartered in New York, NY. RBC became a member of NYSE American in April 1993.

## **PROCEDURAL HISTORY**

2. This matter arose out of an investigation by NYSE Regulation into RBC's creation and maintenance of books and records relating to its routing of manual institutional customer options orders to the American Options Floor.

## **VIOLATIONS**

### *Books and Records Violations*

3. The recordkeeping provisions of the federal securities laws and NYSE American 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 investigation of broker-dealers by NYSE American and other self-regulatory organizations. Accurate recordkeeping is also necessary for member firms to perform their supervisory obligation to detect, prevent, and remediate violative conduct, and to protect customers.
4. Section 17 of the Exchange Act and Rule 17a-3(a)(6)(i) promulgated thereunder require broker-dealers such as RBC to "make and keep current . . . [a] memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of a security." In relevant part, the rule requires that order records reflect, among other things, "the terms and conditions of the order or instructions," "the time the order was received," and "the time of entry." Such records must be accurate.
5. NYSE American Rule 956NY requires members to maintain a record of every order for the purchase or sale of option contracts, including any limit price, order entry date and time, and the date and time of any modification of the terms of the order.
6. During the Relevant Period, RBC violated the books and records provisions set forth above as follows.
7. First, RBC failed to accurately make and keep current order memoranda reflecting the price and transmission times for institutional customer orders that it routed to the American Options Floor. These inaccuracies resulted from the fact that when routing orders to the American Options Floor, RBC's proprietary order management system transmitted as the price of the orders a snapshot of the market at the time, rather than the actual price at which RBC wanted to trade. RBC traders would then contact NYSE American floor brokers through communication channels (some but not all of which it has retained) with the true price once it had been agreed upon with its institutional customer. However, RBC did not make or keep current order memoranda of these true prices or the time at which it transmitted them to the American Options Floor for execution.

8. Second, the electronic transmission times recorded by RBC and produced to NYSE Regulation were inaccurate. NYSE Regulation reviewed a sample of institutional customer options orders routed to the American Options Floor. Eighty percent (80%) of the sampled orders contained transmission times that were later than the actual times at which the NYSE American floor broker entered the orders for execution on the American Options Floor.
9. Third, RBC routinely recorded manually received institutional customer options orders as having a price of MKT, for market order, despite RBC having agreed to a specific price with its institutional customer. RBC failed to make or keep current order memoranda reflecting this agreed-upon price.
10. The conduct described in paragraphs 7-9, which impacted the books and records for thousands of orders transmitted to the American Options Floor, constitutes violations of Rule 17a-3(a)(6)(i) and NYSE American Rule 956NY.

#### *Supervisory Violations*

11. NYSE American Rule 320 sets forth certain requirements regarding offices, supervision, and control of NYSE American members and member organizations. NYSE American Rule 320(e) requires that members and member organizations who have employees establish, maintain, enforce, and keep current a system of compliance and supervisory controls reasonably designed to achieve compliance with applicable securities laws and regulations and NYSE American rules that are appropriate to their business size, structure, customer accounts, transactions, and business activities.
12. During the Relevant Period, RBC failed to establish and maintain a supervisory system reasonably designed to ensure compliance with its books and records obligations.
13. Specifically, RBC failed to maintain a reasonably designed supervisory system to ensure the creation and retention of accurate records for manual options orders, including: (i) the prices of orders that it transmitted to the American Options Floor for execution; (ii) the time at which it transmitted orders to the American Options Floor for execution; and (iii) the prices of the orders it received from its institutional customers.
14. RBC failed to remedy the books and records violations noted above despite, among other things, discussions with NYSE Regulation identifying potential inaccuracies.
15. The conduct described in paragraphs 12-14 constitute violations of NYSE Rule 320.

## **RELEVANT PRIOR DISCIPLINARY HISTORY**

16. On October 22, 2019, the Firm submitted a Letter of Acceptance, Waiver, and Consent to NYSE American for violations of Rule 17a-3(a)(6)(i), NYSE American Rule 956NY, and NYSE American Rule 320, related to the Firm's failure to accurately record the order receipt and order transmission times of manual options orders it had routed to the American Options Floor. NYSE American Matter No. 20160487713 (Oct. 22, 2019). The Firm agreed to a censure and total fine of \$97,200, of which \$15,300 was paid to NYSE American, and the remainder paid to other exchanges, including NYSE Arca, for related violations.

## **SANCTIONS**

B. The Firm also consents to the imposition of the following sanctions:

### **1. Censure and fine in the amount of \$250,000**

The Firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. The Firm has submitted a Method of Payment Confirmation form showing the method by which it will pay the fine imposed.

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

The Firm agrees that it shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made pursuant to any insurance policy, with regard to any fine amounts that the Firm pays pursuant to this AWC, regardless of the use of the fine amounts. The Firm further agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state, or local tax for any fine amounts that the Firm pays pursuant to this AWC, regardless of the use of the fine amounts.

### **2. Undertaking**

Within 90 days of the execution of this AWC, the Firm agrees to certify that it has corrected the deficiencies with its books and records procedures set forth above. This time may be extended with the agreement of the parties.

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

## **II. WAIVER OF PROCEDURAL RIGHTS**

The Firm specifically and voluntarily waives the following rights granted under the NYSE American 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;
- 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 Exchange's Board of Directors and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the Firm specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Regulatory Officer of NYSE American; the Exchange's Board of Directors, Disciplinary Action Committee ("DAC"), and Committee for Review ("CFR"); any Director, DAC member, or CFR member; Counsel to the Exchange Board of Directors or CFR; any other NYSE American employee; or any Regulatory Staff as defined in Rule 9120 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.

The Firm further specifically and voluntarily waives any right to claim that a person violated the ex parte communication 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**

The Firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed by NYSE Regulation, and accepted by the Chief Regulatory Officer of NYSE American pursuant to NYSE American 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 Firm; and
- C. If accepted:
  - 1. The AWC shall be sent to each Director and each member of the Committee for Review via courier, express delivery or electronic means, and shall be deemed final and shall constitute the complaint, answer, and decision in the matter, 10 days after it is sent to each Director and each member of the Committee for Review, unless review by the Exchange Board of Directors is requested pursuant to NYSE American Rule 9310(a)(1)(B);
  - 2. This AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by the Exchange, or any other regulator against the Firm;

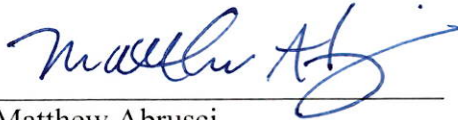
3. NYSE American shall publish a copy of the AWC on its website in accordance with NYSE American Rule 8313;
  4. NYSE American may make a public announcement concerning this agreement and the subject matter thereof in accordance with NYSE American Rule 8313; and
  5. The Firm may not take any action 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. The Firm may not take any position in any proceeding brought by or on behalf of the Exchange, or to which the Exchange is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Exchange is not a party.
- D. A signed copy of this AWC and the accompanying Method of Payment Confirmation form delivered by email, facsimile or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy.
- E. The Firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of NYSE Regulation or its staff.

The Firm certifies that, in connection with each of the Exchange's requests for information in connection with this matter, the Firm made a diligent inquiry of all persons and systems that reasonably had possession of responsive documents and that all responsive documents have been produced. In agreeing to the AWC, the Exchange has relied upon, among other things, the completeness of the document productions.

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 it 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.

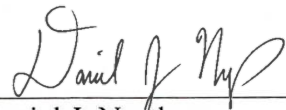
9/29/21  
Date

RBC Capital Markets, LLC,  
Respondent

By:   
Matthew Abrusci  
Head – U.S. Capital Markets Law Group

Accepted by NYSE Regulation

9/29/21  
Date

  
Daniel J. Northrop  
Senior Enforcement Counsel  
NYSE Regulation

Signed on behalf of NYSE American LLC,  
by delegated authority from its Chief  
Regulatory Officer