

BATS EDGX EXCHANGE, INC.
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140416350-06

TO: Bats EDGX Exchange, Inc.
c/o Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

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

Pursuant to Rule 8.3 of the Rules of Bats EDGX Exchange, Inc. ("EDGX"), RBC Capital Markets, LLC (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, EDGX will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm 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 EDGX, or to which EDGX 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 EDGX:

BACKGROUND

The firm became a member of EDGX on May 14, 2010 and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In review 20140416350, the Market Analysis Team ("Market Analysis") of FINRA's Market Regulation Department (the "staff"), on behalf of EDGX, reviewed the firm's handling of Intermarket Sweep Orders ("ISOs") for compliance with Regulation NMS and related exchange requirements during the period May 23, 2012 through August 22, 2014 (the "review period").

In review 20160512855, the staff, on behalf of EDGX, reviewed the firm's handling of ISOs for compliance with Regulation NMS and related exchange requirements on review date September 29, 2015 (the "review date").

Based on the foregoing reviews, the staff found the firm violated SEC Rule 611(c) and EDGX Rules 3.1, 5.1, 11.8(c), and 11.10(f).

FACTS AND VIOLATIVE CONDUCT

20140416350

1. During the review period, the firm failed to take reasonable steps to establish that certain of the ISOs it routed met the definitional requirements set forth in Rule 600(b)(30) of Regulation NMS.¹ The conduct described in this paragraph constitutes a violation of SEC Rule 611(c) of Regulation NMS and EDGX Rule 11.8(c).²
2. During the review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of EDGX, concerning ISOs that complied with the SEC's Regulation NMS. Specifically, the firm's supervisory system did not include written supervisory procedures that would enable it in certain instances to promptly identify issues with the firm's access to timely and accurate market data. The conduct described in this paragraph constitutes a violation of EDGX Rules 3.1 and 5.1.³

20160512855

3. On the review date, the firm failed to take reasonable steps to avoid displaying, and engaged in a pattern or practice of displaying, quotations that locked or crossed a Protected Quotation,⁴ without simultaneously routing an ISO to execute against the

¹ SEC Rule 600(b)(30) defines the term "intermarket sweep order" as a limit order for an NMS stock that meets two requirements. First, the order must be identified as an ISO when it is routed to a trading center. Second, at the same time the ISO order is routed to a market center, one or more additional ISOs must be routed to other market centers that are displaying protected quotations (*i.e.*, another national market center's best bid or offer). These simultaneous ISOs must be identified as such, and are required to contain a limit price that is superior to the limit price of the original ISO, with the intention that they execute against the full displayed size of any protected bid or offer on the other market centers.

² SEC Rule 611(c) requires a broker-dealer that routes an ISO to "take reasonable steps to establish that [the ISO] meets the requirements set forth in [SEC Rule 600(b)(30)]." EDGX Rule 11.8(c) sets out the EDGX requirements for ISOs.

³ EDGX Rule 5.1 requires members to "establish, maintain and enforce written procedures which will enable it to supervise properly the activities of associated persons of the Member and to assure their compliance" with EDGX rules and the federal securities laws. EDGX Rule 3.1 states that "[a] Member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

⁴ EDGX Rule 1.5(v) defines the term "Protected Quotation" ("The term "Protected Bid" or "Protected Offer" shall mean a bid or offer in a stock that is (i) displayed by an automated trading center; (ii) disseminated pursuant to an effective national market system plan; and (iii) an automated quotation that is the best bid or best offer of a national securities exchange or association. The term "Protected Quotation" shall mean a quotation that is a Protected Bid or Protected Offer.").

full displayed size of any Protected Quotation that was a Locking Quotation or Crossing Quotation.⁵ The conduct described in this paragraph constitutes a violation of EDGX Rule 11.10(f).⁶

4. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of EDGX, concerning ISOs that complied with the SEC's Regulation NMS. Specifically, the firm's supervisory system did not include written supervisory procedures that would enable it in certain instances to promptly identify issues with the firm's access to timely and accurate market data. Furthermore, the firm's Regulation NMS Compliance ISO exception reports, which were reviewed by firm personnel, did not identify that the firm had locked or crossed a Protected Quotation on the review date. The conduct described in this paragraph constitutes a violation of EDGX Rules 3.1 and 5.1.⁷

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

1. A censure;
2. A fine in the total amount of \$84,000 for the findings in review 20140416350 to be paid jointly to Bats BYX Exchange, Inc., Bats BZX Exchange, Inc., Bats EDGA Exchange, Inc., EDGX, The NASDAQ Stock Market LLC, NASDAQ BX, Inc., New York Stock Exchange LLC, and NYSE Area, Inc., of which \$10,500 of that total amount shall be paid to EDGX; and
3. A fine of \$10,500 for the findings in review 20160512855.

⁵ EDGX Rule 11.6(g) defines the term "Locking Quotation" ("The display of a bid for an NMS stock at a price that equals the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock at a price that equals the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan in violation of Rule 610(d) of Regulation NMS."). EDGX Rule 11.6(g) defines the term "Crossing Quotation" ("The display of a bid (offer) for an NMS stock at a price that is higher (lower) than the price of an offer (bid) for such NMS stock previously disseminated pursuant to an effective national market system plan in violation of Rule 610(d) of Regulation NMS.").

⁶ EDGX Rule 11.10(f) requires users to "reasonably avoid displaying" and to refrain from engaging in a "in a pattern or practice of displaying, any quotations that lock or cross a Protected Quotation," subject to certain exceptions.

⁷ EDGX Rule 5.1 requires members to "establish, maintain and enforce written procedures which will enable it to supervise properly the activities of associated persons of the Member and to assure their compliance" with EDGX rules and the federal securities laws. EDGX Rule 3.1 states that "[a] Member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

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. It has submitted an Election of Payment form showing the method by which it proposes to 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 sanctions imposed herein shall be effective on a date set by EDGX.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under EDGX Rules:

- A. To have a Statement of Charges issued specifying the allegations against the firm;
- B. To be notified of the Statement of Charges 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 Appeals Committee of EDGX'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 prejudice of the Chief Regulatory Officer ("CRO"), in connection with the CRO'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 prohibitions of EDGX Rule 8.16, 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 and accepted by the CRO, pursuant to EDGX Rule 8.3;
- 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:

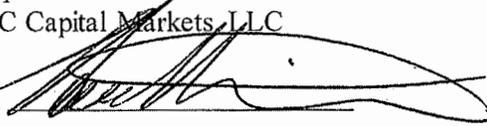
1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by EDGX or any other regulator against the firm;
2. this AWC will be published on a website maintained by EDGX in accordance with EDGX Rule 8.18. In addition, this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record; and
3. 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 EDGX, or to which EDGX 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 EDGX is not a party.

- D. 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. This Statement does not constitute factual or legal findings by EDGX, nor does it reflect the views of EDGX 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 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.

8/17/2017
Date

Respondent
RBC Capital Markets LLC

By: 

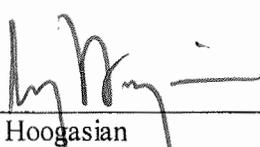
Name: HOWARD R. PLOTKIN
MANAGING DIRECTOR

Title: _____

Reviewed by:

Attorney Name
Counsel for Respondent

8/28/2017
Date



Greg Hoogasian
Senior Vice President & Chief Regulatory Officer
Bats EDGX Exchange, Inc.

ELECTION OF PAYMENT FORM

The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A firm check or bank check for the full amount;
- Wire transfer;

Respectfully submitted,
Respondent
RBC Capital Markets, LLC

8/17/2017
Date

By: 

Name: HOWARD R. PLOTKIN
MANAGING DIRECTOR

Title: _____