

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-17178**

**SEC Charges Investment Bank with Violating Registration and Disclosure Laws In Connection With an Issuer's Offering**

**March 24, 2016** – The Securities and Exchange Commission today announced that Canaccord Genuity Inc. (Canaccord), a registered broker-dealer, has agreed to pay \$550,198 to settle charges that it violated Section 5(b) of the Securities Act of 1933 when it initiated research coverage of an issuer while seeking to participate and being invited by the issuer to participate as an underwriter for the issuer's planned stock offering. This is the SEC's first action against a registered broker-dealer for violating Section 5(b) of the Securities Act by initiating research coverage while it was seeking, or had been invited, to participate in underwriting an offering for that issuer.

An SEC investigation found that after the issuer cancelled a secondary stock offering it had planned for January 2012, for which Canaccord was to act as the lead underwriter, the issuer began discussions with another investment bank in March 2012 about attempting another offering. On March 26, the issuer's CFO informed the investment bank that it would be the lead underwriter, and on April 9, the investment bank's internal review committee approved its participation as the lead underwriter for a planned mid-May 2012 offering that would include Canaccord as one of four co-managers.

On April 11, Canaccord's Managing Director, Head of U.S. Investment Banking and the issuer's CFO discussed Canaccord's possible participation in the May offering, including Canaccord's status and share of underwriting fees. In an email to the issuer's CEO about those discussions, the CFO stated that he told the Canaccord banker that he needed Canaccord's research analyst to initiate coverage in order to avoid restrictions on Canaccord's ability participate in the May offering, and that the Canaccord banker responded that once the issuer provided feedback about Canaccord's status and share of underwriting fees, he would ask Canaccord's head of research to have the research analyst publish an initiation report the following week. On April 12, the Canaccord banker emailed the issuer's CFO that based on his conversations with members of Canaccord's Commitment Committee he believed that Canaccord would participate in the May offering if the issuer gave Canaccord the status and share of underwriting fees it was seeking. Later that day, the issuer's CFO informed the Canaccord banker that he obtained clearance that Canaccord would receive the status it wanted and expected that he could get Canaccord the share of underwriting fees it sought. On April 13, the Canaccord banker e-mailed the issuer's CFO to thank him. On April 18, Canaccord initiated research coverage about the issuer with a "Buy" Rating and a twelve month price target of \$22, more than 60% above the issuer's then-current stock price.

The SEC's order finds that Canaccord violated Section 5(b) of the Securities Act. Without admitting or denying the findings, Canaccord agreed to entry of a cease-and-desist order, a censure and to pay disgorgement, prejudgment interest and a civil penalty totaling \$550,198.

The SEC's investigation was conducted by Anik A. Shah and assisted by John Bowers. The SEC examination that led to the investigation was conducted by Christine Sibille.

**See also:** Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933 and Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order