

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 104935 / March 6, 2026

ADMINISTRATIVE PROCEEDING
File No. 3-22609

In the Matter of

Canaccord Genuity LLC,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTIONS 15(b) AND 21C OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Canaccord Genuity LLC (“Respondent” or “Canaccord”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, and except to the extent admitted to in Sections II and III of the Consent Order Imposing Civil Money Penalty in the matter of *Canaccord Genuity LLC*, No. 2026-01, issued by the United States Department of the Treasury, Financial Crimes Enforcement Network (“FinCEN”), Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

Summary

This matter concerns Canaccord's failure to file certain suspicious activity reports ("SARs"), as required by Section 17(a) of the Exchange Act and Rule 17a-8 thereunder, in connection with its equity trading businesses from February 2019 through March 2022 (the "Relevant Period").

During the Relevant Period, Canaccord was a market maker and executing broker in exchange-listed and over-the-counter ("OTC") securities, annually ranking among the top four market participants by notional value of trades executed in OTC securities priced under \$5 per share. Canaccord, as a registered broker-dealer, is required to file SARs with FinCEN when it knows, suspects, or has reason to suspect that any transaction occurring by, at, or through Canaccord involves, among other things, fraud, or that has no business or apparent lawful purpose. During the Relevant Period, Canaccord failed to maintain an anti-money laundering ("AML") surveillance program that was reasonably designed to detect, investigate, and report suspicious activity within its equity trading business. At the time, Canaccord's AML surveillance relied in large part on the review of trading activity flagged as potentially suspicious by internal AML exception reports. Some of Canaccord's AML exception reports—which flagged thousands of potentially suspicious trades—went completely unreviewed for months or years at a time. As a result, during the Relevant Period Canaccord failed to file approximately 150 SARs pertaining to its equity trading activity.

Respondent

Canaccord is a Delaware limited liability company and registered broker-dealer headquartered in New York, New York. It has been registered with the Commission as a broker-dealer since 2004.

Background

1. The BSA and implementing regulations promulgated by FinCEN require a broker-dealer to file a SAR to report any transaction (or pattern of transactions of which the transaction is a part) conducted or attempted by, at, or through the broker-dealer involving or aggregating to at least \$5,000 in funds or other assets that the broker-dealer knows, suspects, or has reason to suspect: (1) involves funds derived from illegal activity or is intended or conducted to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade any Federal law or regulation or to avoid any transaction reporting requirement; (2) is designed to evade any requirements of the BSA or its implementing regulations; (3) has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the broker-dealer knows of no reasonable explanation for the transaction after examining the available facts; or (4) involves use of the broker-dealer to facilitate criminal activity. 31 C.F.R. § 1023.320(a)(2) ("SAR Rule").

2. To be liable for failing to file a SAR, a broker-dealer must know, suspect, or have reason to suspect that a transaction falls into one of the four categories of suspicious activity in the SAR Rule. The Financial Industry Regulatory Authority ("FINRA") and FinCEN have

longstanding regulatory guidance highlighting red flags related to penny stock transactions. *See* FinCEN’s The SAR Activity Review Trends Tips & Issues, Issue 15, “In focus: The Securities and Futures Industry” (May 2009); FINRA’s Updated Small Firm Template Anti-Money Laundering (AML) Program (updated Sept. 2020). In May 2019, FINRA issued Regulatory Notice 19-18, which included a compilation of previously identified red flags and provided additional examples of red flags potentially indicative of suspicious activity, including examples of manipulative trading of microcap securities and penny stocks. FINRA Regulatory Notice 19-18 (May 6, 2019). FINRA has cautioned member firms that its examples of red flags are not exhaustive and that other situations may arise that require further investigation. *Id.*; *see also* FINRA Regulatory Notice 21-03 (Feb. 10, 2021).

3. The BSA and its implementing regulations require the filing of a SAR no later than 30 calendar days after the date of the broker-dealer’s initial detection of facts that may constitute a basis for filing a SAR. If no suspect is identified on the date of such initial detection, a broker-dealer may delay filing a SAR for an additional 30 calendar days to identify a suspect, but in no case shall reporting be delayed more than 60 calendar days after the date of such initial detection. 31 C.F.R. § 1023.320(b).

4. Exchange Act Rule 17a-8, which was promulgated under Section 17(a) of the Exchange Act, requires broker-dealers registered with the Commission to comply with the reporting, recordkeeping, and record retention requirements of the BSA. The failure to file SARs as required by the SAR Rule is a violation of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder. *See SEC v. Alpine Sec. Corp.*, 308 F. Supp. 3d 775, 798–800 (S.D.N.Y. 2018), *aff’d*, 982 F.3d 68 (2d Cir. 2020), *cert. denied*, 142 S. Ct. 461 (2021).

Facts

A. Canaccord’s OTC Trading Activity

5. Among other lines of business, during the Relevant Period Canaccord served as a market maker and executing broker in exchange-listed and OTC securities. As a market maker, Canaccord primarily received order flow from and executed trades on behalf of large retail broker-dealers. Canaccord also has an institutional trading desk that executes trades on behalf of broker-dealers, money managers, hedge funds, and other financial institutions.

6. During the Relevant Period, Canaccord was an active participant in the OTC market. In 2022, for example, Canaccord executed approximately 10.4 million trades in OTC securities.

B. Canaccord’s AML Program

7. During the Relevant Period, Canaccord failed to adopt and implement reasonably designed AML policies and procedures to surveil its equity trading activity, which resulted in the firm’s failure to file SARs as required by the SAR Rule.

8. Under Canaccord’s policies and procedures, which included AML policies and procedures generally applicable to the firm (“AML Policies and Procedures”) and written

supervisory procedures to guide the review of the firm’s trading activity (“WSPs”), the AML Compliance Officer (“AMLCO”) was responsible for determining whether a SAR filing was required following the identification and escalation by other compliance personnel of potentially suspicious trading activity. The compliance group responsible for monitoring Canaccord’s equity trading activity—and escalating potentially suspicious activity for SAR consideration—was the Trading Compliance Group (“Trading Compliance”).

9. As detailed in the WSPs, Trading Compliance’s monitoring efforts relied in large part on the review of exception reports meant to identify “patterns of potential market manipulation” based on certain red flags relevant to the firm’s equity trading activity. During the Relevant Period, these AML exception reports identified potentially suspicious trading activity based on red flags that included, among other things, “Marking the Close,” “Marking the Open,” “Pump and Dump,” “Excessive Cancels,” “Wash Sales,” “Low Price,” and “Low Volume.”

10. Trading Compliance relied on the AML exception reports to monitor and investigate suspicious trading activity and, when necessary, escalate that activity to the AMLCO for SAR consideration. Until at least late 2021, however, these reports often excluded significant portions of Canaccord’s trading activity or were otherwise deficient.

11. For example, the Marking the Open report did not identify key aspects of the potentially suspicious activity—e.g., the prior day’s closing price, time of trade, purchase/sale, or percent of market volume (pre-market or other)—and the WSPs did not provide any review guidance beyond an instruction to examine “the totality of the circumstances.” The Marking the Close report had no pricing information, and the WSPs only called for the review of a sample of 15% of trades meeting the reports’ criteria, providing no explanation as to how the sample should be selected or why the other 85% of flagged trades should go unreviewed.

12. These deficiencies in Canaccord’s AML exception reports were exacerbated by deficient performance by certain supervisory personnel. For example, the AMLCO, who was ultimately responsible for implementing Canaccord’s AML program and filing SARs, did not conduct reasonable supervision of Trading Compliance or its trade surveillance efforts.

13. During the Relevant Period, certain of Canaccord’s AML exception reports went unreviewed for months or years at a time. For example, Canaccord’s Low Volume report for its market making business went completely unreviewed from June 2019 through March 2022. The report, as stated in the WSPs, was “intended to capture instances in which the firm’s activity in a low volume security represents a significant percentage of the total market volume” in order to “prevent potential instances of stock manipulation as low priced securities have historically been a vehicle used to commit such activities.” Thousands of trades identified by this report went uninvestigated by Canaccord during the 34 months in which the report was not reviewed.

14. For Canaccord’s market making business, other exception reports identified thousands of trades that also went uninvestigated during portions of the Relevant Period: the Low Price report went unreviewed from May 2019 through December 2021; the Marking the Open and Marking the Close reports went unreviewed for seven months during 2021; and the Pump and Dump report went unreviewed in September 2019 and May 2020. For the firm’s institutional

business, the Low Price report went unreviewed for at least 20 months between February 2019 and December 2021 and the Low Volume report went unreviewed from December 2021 through March 2022.

15. In 2021, Canaccord determined not only that some of the exception report reviews required under its AML Policies and Procedures and WSPs were not being performed, but that certain employees had falsified documentation of their purported reviews. As Canaccord then reported to FINRA, some of those falsified documents were created and produced in response to a FINRA inquiry. Canaccord further determined at that time that the AML exception reports were themselves inadequate.

C. Canaccord’s Failure to File SARs

16. During the Relevant Period, Canaccord failed to investigate or report potentially suspicious transactions that included the following types of trading activity:

- a. Spikes in trading volume and price in a thinly traded or low-priced security with purchase and sale patterns indicative of pump and dump schemes;
- b. A single or small number of traders comprising a significant portion of trading volume in a thinly traded or low-priced security; and
- c. Significant trading in a thinly traded or low-priced security leading up to and/or following a Commission trading suspension.

17. As a result of the above, and based on a lookback that was undertaken by Canaccord, the firm’s failure to investigate certain suspicious trading activity resulted in its failure to file approximately 150 SARs from February 2019 through March 2022.

Violations

18. As a result of the conduct described above, Canaccord willfully¹ violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

Canaccord’s Remedial Efforts

19. In determining to accept the Offer, the Commission considered remedial acts undertaken by Canaccord. These include an increase in AML compliance staffing, updated AML exception reports, revised processes for SAR consideration and filing, retention of third-party consultants to conduct a comprehensive review of the firm’s AML compliance program, new

¹ “Willfully,” for purposes of imposing relief under Section 15(b) of the Exchange Act, “means no more than that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965).

supervision and review protocols, and new trade surveillance tools. As noted above, Canaccord has also completed a lookback into suspicious activity it failed to investigate and report during the Relevant Period.

IV.

In view of the foregoing, the Commission deems it appropriate, and in the public interest, to impose the sanctions agreed to in Respondent Canaccord's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

A. Respondent is censured.

C. Respondent shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$20,000,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Canaccord as a Respondent in these proceedings and identifying the file number of these proceedings. A copy of the cover letter and check or money order must be sent to Thomas P. Smith, Jr., Associate Director, Division of Enforcement, Securities and Exchange Commission, New York Regional Office, 100 Pearl Street, Suite 20-100, New York, NY 10004.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that, in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action (a "Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary