



DIVISION OF  
TRADING AND MARKETS

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

April 21, 2015

Robert E. Buckholz  
Sullivan & Cromwell LLP  
125 Broad Street  
New York, NY 10004

**Re: Royal Bank of Canada  
File No. TP 15-09**

Dear Mr. Buckholz:

In your letter dated April 21, 2015, as supplemented by conversations with the staff, you request on behalf of Royal Bank of Canada, a Schedule I Bank under the Bank Act (Canada) and a financial holding company ("RBC"), an exemption from Rules 101 and 102 of Regulation M under the Securities Exchange Act of 1934 ("Exchange Act") in connection with a proposed acquisition by RBC (the "Acquisition").<sup>1</sup>

You seek an exemption to permit RBC and certain of its affiliates to conduct specified transactions outside the United States in RBC Shares during the Acquisition. Specifically, you request that: (i) the Market-Making Subsidiaries be permitted to continue to engage in market making and facilitation trading activities as described in your letter; (ii) RBC and RBC Dominion be permitted to continue to engage in derivatives and structured notes hedging and index-related activities as described in your letter; (iii) the Brokerage Providers be permitted to continue to engage in brokerage activities and facilitation trading activities as described in your letter; (iv) the Asset Managers be permitted to continue to engage in investment management activities as described in your letter; (v) the Plan Facilitators, RBC plan participants who may be deemed "affiliated purchasers" of RBC, and RBC Dominion (including Sun Life and Computershare) be permitted to continue to engage in plan-related activities as described in your letter; (vi) the Banking Units be permitted to continue to engage in banking-related activities as described in your letter; (vii) RBC Estate and Trust Services be permitted to continue to engage in estate and trust-related activities as described in your letter; (viii) the Custody Units be permitted to continue to engage in custody-related activities as described in your letter; and (ix) the Stock Borrowing and Lending Units and the Collateral-Taking Units be permitted to continue to engage in stock borrowing and lending and collateral-taking activities as described in your letter.

You also seek an exemption to permit certain RBC affiliates to conduct specified transactions in the United States in RBC Shares during the Acquisition. Specifically, you request that: (i) the US Brokerage Providers be permitted to continue to engage in unsolicited brokerage activities in the United States as described in your letter; and (ii) the Brokerage Providers, the

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<sup>1</sup> We have attached a copy of your letter. Each defined term in our response has the same meaning as defined, directly or by reference, in your attached letter, unless we note otherwise.

Plan Facilitators, the Banking units, RBC Estate and Trust Services, the Custody Units, and the Stock Borrowing and Lending Units and Collateral-Taking Units be permitted to continue to engage in the limited transactions that may result from their respective brokerage activities and facilitation trading activities, the plan-related activities, the banking-related activities, the estate and trust-related activities, the custody-related activities, and the stock borrowing and lending and collateral-taking activities, solely when such transactions are routed to the RBC affiliates in the United States for best execution considerations as described in your letter.

*Response:*

Based on the facts and representations that you have made in your letter, but without necessarily concurring in your analysis, we find that it is necessary or appropriate in the public interest, and is consistent with the protection of investors, to grant, and hereby grants, RBC an exemption from Rules 101 and 102 of Regulation M to permit RBC, the Market-Making Subsidiaries, RBC Dominion, the Brokerage Providers, the Asset Managers, the Plan Facilitators, the RBC plan participants who may be deemed “affiliated purchasers” of RBC, the Banking Units, RBC Estate and Trust Services, the Custody Units, the Stock Borrowing and Lending Units and the Collateral-Taking Units, and the US Brokerage Providers (collectively, the “Companies”), to continue to engage in the transactions described in your letter during the Acquisition.

This exemption is subject to the following conditions:

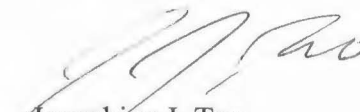
1. None of the transactions of the Companies described in your letter shall occur in the United States, with the exception of the unsolicited brokerage activities of the US Brokerage Providers, and the limited transactions that may result from the brokerage activities and facilitation trading activities, the plan-related activities, the banking-related activities, the estate and trust-related activities, the custody-related activities, and the stock borrowing and lending and collateral-taking activities, solely when such transactions are routed to the RBC affiliates in the United States for best execution considerations as described in your letter;
2. All of the transactions described in your letter for which you seek relief shall be effected in the ordinary course of business and not for the purpose of facilitating the Acquisition;
3. The documents distributed to U.S. investors in connection with the Acquisition will disclose the possibility of, or the intention to engage in, the transactions described in your letter;
4. RBC and each of the Companies will provide to the Securities and Exchange Commission’s Division of Trading and Markets staff (“Division”), upon request, a time-sequenced schedule of all such transactions made during the Acquisition. Such schedule will include:
  - a. size, broker (if any), time of execution, and price of the transactions;

- b. the exchange, quotation system, or other facility through which the transactions occurred; and
  - c. whether the transactions were made for a customer account or a proprietary account;
5. Upon request of the Division, RBC and each of the Companies will transmit the information requested in item 4 (above) to the Division at its offices in Washington, D.C., within 30 days of its request;
  6. RBC and each of the Companies shall retain all documents and other information required to be maintained pursuant to this letter for at least two years following the completion of the Acquisition;
  7. Representatives of RBC and each of the Companies shall be made available (in person at the offices of the Commission in Washington, D.C., or by telephone) to respond to inquiries of the Division relating to their records; and
  8. Except as otherwise exempted by this letter, RBC and each of the Companies will comply with Regulation M.

This exemption is based solely on the facts presented and the representations made in your letter. Any different facts or circumstances may require a different response. In the event that any material change occurs with respect to any of those facts or representations, transactions in the RBC Shares must be discontinued, pending presentation of the facts for our consideration.

In addition, your attention is directed to the anti-fraud and anti-manipulation provisions of the Exchange Act, including Sections 9(a) and 10(b), and Rule 10b-5 thereunder. Responsibility for compliance with these and any other applicable provisions of the federal securities laws must rest with the participants in the various transactions. We express no view with respect to any other questions that the proposed transactions may raise, including, but not limited to, the adequacy of disclosure concerning, and the applicability of any other federal or state laws to, the proposed transactions.

For the Commission,  
by the Division of Trading and Markets,  
pursuant to delegated authority,<sup>2</sup>



Josephine J. Tao  
Assistant Director

Attachment

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<sup>2</sup> 17 CFR 200.30-3(a)(6).



# SULLIVAN & CROMWELL LLP

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April 21, 2015

Division of Trading and Markets,  
Securities and Exchange Commission,  
100 F Street, N.E.,  
Washington, D.C. 20549.

Attention: Josephine J. Tao, Assistant Director

Re: Royal Bank of Canada: Request for Exemptive Relief from Rules 101 and 102 of Regulation M

Ladies and Gentlemen:

We are writing on behalf of our client, Royal Bank of Canada, a Schedule I Bank under the Bank Act (Canada) and a financial holding company ("RBC"), regarding the application of Regulation M to transactions by RBC and its affiliates in the common shares of RBC ("RBC Shares") during the distribution of RBC Shares to be made by RBC to stockholders of City National Corporation, a bank holding company organized as a Delaware corporation ("City National"), in connection with the proposed acquisition of City National by RBC (the "Acquisition"). Specifically, on behalf of RBC, we ask the Staff to grant exemptive relief from Rules 101 and 102 of Regulation M to permit RBC and its affiliates to continue, in the ordinary course of business as described below and in accordance with applicable local law, to engage in the following activities during the Regulation M restricted period applicable to the Acquisition:

- ***Market Making and Facilitation Trading in RBC Share Derivatives:*** Certain subsidiaries of RBC, including RBC Dominion Securities Inc. ("RBC Dominion"), RBC Capital Markets, LLC ("RBC Capital Markets"), RBC Europe Limited ("RBC EL") and RBC Capital Markets (Australia) ("RBC CMA") (such subsidiaries collectively the "Market-Making Subsidiaries"), regularly make bids and offers for, and purchase and sell futures and forwards, swaps and options, relating to baskets and indices that include RBC Shares, and other derivatives relating to RBC Shares (such



futures, forwards, swaps, options, baskets, indices and other derivatives, collectively, “RBC Share Derivatives”) on the Montreal Exchange (“MX”) and other exchanges or marketplaces in and outside of Canada, as applicable.<sup>1</sup> In addition, RBC and the Market-Making Subsidiaries purchase and sell, solely in the over-the-counter market, certain RBC Share Derivatives for which, for credit quality purposes, RBC is the counterparty. RBC and the Market-Making Subsidiaries effect these transactions for their own accounts, on both solicited and unsolicited bases, in order to provide liquidity to the market, to facilitate customer transactions and to readjust RBC’s and each of the Market-Making Subsidiaries’ economic exposure to RBC Shares as appropriate following such transactions. RBC Dominion is a designated market maker on the Toronto Stock Exchange (“TSX”) and the MX for certain third-party exchange traded funds (“ETFs”) and other securities or derivatives that relate to RBC Shares. In addition, the Market-Making Subsidiaries act as a market maker, absent a marketplace obligation, in furtherance of contractual obligations with ETFs.

- ***Derivatives and Structured Notes Hedging and Index-Related Adjustments:*** In connection with the trading activities described above under “Market Making and Facilitation Trading in RBC Share Derivatives” and customer trades, RBC and RBC Dominion effect trades in RBC Shares, and enter into cash-settled swaps, for their own accounts and for the accounts of their customers, for the purpose of hedging positions (or adjusting or liquidating existing hedge positions) of RBC and its affiliates and of their customers. In addition, to hedge its economic exposure arising from the issuance of structured notes that it may issue from time to time and that are linked to baskets or indices that include RBC Shares, RBC enters into hedging transactions in RBC Shares at the time of the issuance of the structured notes and over the life of such structured notes. RBC Dominion is the designated market maker on the TSX for certain ETFs that are index-based and also trades certain ETFs that are index-based and include RBC Shares. The traded ETFs for which RBC Dominion is not the market maker generally consist of 10 or more securities and RBC Shares comprise less than 10% of the value of each such ETF. These ETFs are listed solely on Canadian exchanges and are comprised exclusively of Canadian securities. In order to appropriately hedge its positions in these ETFs, RBC Dominion will effect trades in the securities that are components of the applicable ETFs, including RBC Shares. In addition, RBC Dominion solicits and effects trades in RBC Shares in order to appropriately adjust RBC Dominion’s proprietary index-related portfolio in

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<sup>1</sup> Although these activities and the others described in this letter are conducted outside of the United States (except for those activities specifically described as occurring in the United States), RBC’s customers or counterparties involved in such activities may be based in the United States, Canada or elsewhere.

response to changes in the applicable indices. During the restricted period related to the Acquisition, these hedging and other transactions will be effected exclusively on the TSX or other exchanges or alternative trading systems (“ATSs”) in Canada, and all such transactions will be entered into in the ordinary course of business and not in contemplation or facilitation of the Acquisition.

- ***Brokerage Activities and Facilitation Trading:*** Certain subsidiaries of RBC, including RBC Dominion, RBC Direct Investing Inc., RBC Dominion Securities Global Limited (“RBC Dominion Global”), RBC Investment Services (Asia) Limited, West Indies Stockbrokers Limited, RBC Merchant Bank (Caribbean) Limited, RBC Capital Markets, RBC EL and RBC CMA (such subsidiaries collectively the “Brokerage Providers”), engage in discount brokerage and/or full-service brokerage activities for their customers through ordinary customer facilitation and related services. The discount brokerage division engages only in unsolicited brokerage activities, while the full service brokerage division provides additional services, including discussions with customers regarding investment strategies (including with respect to RBC Shares) and solicited and unsolicited brokerage activities.<sup>2</sup> The Brokerage Providers also effect transactions in RBC Shares and RBC Share Derivatives for their own principal accounts in order to facilitate unsolicited customer transactions. The Brokerage Providers may accomplish these activities by engaging in direct buying and selling of RBC Shares or relaying buy and sell orders for RBC Shares to unaffiliated third parties. These activities are conducted primarily in Canada, except that these transactions may be routed to RBC subsidiaries in the United States for best execution considerations. Additionally, RBC’s affiliated United States broker-dealers, including RBC Capital Markets and RBC Capital Markets Arbitrage S.A. (such subsidiaries collectively the “US Brokerage Providers”), engage in unsolicited brokerage activities of the kind described above with their customers and related trades may be effected on the New York Stock Exchange (“NYSE”), the TSX, other exchanges or an ATS. All of the US Brokerage Providers are members of FINRA. We ask that the requested relief also cover these United States activities of these RBC subsidiaries.
- ***Asset Management:*** Certain subsidiaries of RBC, including RBC Dominion, RBC Phillips, Hager and North Investment Counsel Inc., RBC Dominion Global, RBC Private Counsel (USA) Inc., RBC Global Asset Management Inc., RBC Global Asset Management (UK) Limited, RBC Investment Management (Asia) Limited, RBC

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<sup>2</sup> During the applicable restricted period, RBC will fully restrict and direct employees in the full service brokerage division not to solicit orders from customers with respect to RBC Shares (except where acting as an Asset Manager, as discussed below).



Investment Management (Caribbean) Limited (“RBC IM Caribbean”), RBC Investment Solutions (CI) Limited (“RBC ISCIL”), RBC Investment Management (UK) Limited (“RBC IM UK”) and RBC Investment Management (USA) Limited (“RBC IM USA”) (such subsidiaries individually an “Asset Manager” and collectively the “Asset Managers”), provide discretionary investment management services for their customers, both directly or via affiliated or third-party investment managers or sub-advisors. The types of accounts managed by the Asset Managers on a discretionary basis include mutual funds, exchange-traded funds, pooled funds, other institutional accounts (such as corporations, trusts, pension plans, foundations, not-for-profit organizations and accounts of the customers of other affiliated and third-party investment management firms to which the Asset Manager provides advisory or sub-advisory services) and accounts of individuals (such funds, individuals and institutional accounts, the “Managed Accounts”). As part of their ordinary investment management activities on behalf of the Managed Accounts, the Asset Managers may buy and sell RBC Shares, or trade put or call options in respect of RBC Shares, for certain of the Managed Accounts. A substantial majority of such activity takes place in Canada, and a small portion of such activity may occur in other non-United States jurisdictions. During the restricted period related to the Acquisition, the Asset Managers will purchase or sell RBC Shares, and will otherwise act, only in accordance with: (i) an exemptive relief decision that RBC has received from the Ontario Securities Commission (“OSC”) in connection with certain trading restrictions imposed on RBC and its affiliates under Canadian law, (ii) the investment mandate of the applicable Managed Account and (iii) the fiduciary duties imposed on the Asset Managers under Canadian law in respect of the Managed Accounts over which they exercise control or discretion. The transactions described above may be routed to certain RBC subsidiaries, including RBC Dominion, or to unaffiliated third parties, at the direction of the applicable Asset Manager.

- ***Trading in RBC Shares Pursuant to Employee Plans:*** RBC maintains employee share ownership, option and other incentive plans covering employees of RBC and various of its subsidiaries (the “Employee Plans”). Certain subsidiaries of RBC, including RBC Dominion (the “Plan Facilitators”), from time to time purchase RBC Shares on the open market to facilitate the grant of awards or exercises pursuant to the terms of the Employee Plans. The Plan Facilitators make the purchases on a regular basis, depending on the plan, solely to satisfy RBC’s obligation to deliver shares based on pre-determined payroll deductions of the employee or grants and exercises under the plans. RBC also operates deferred incentive programs that grant senior-level employees long-dated notional RBC Share participation units. Insofar as the award grants of RBC Shares are adjusted from time to time, and to hedge against currently existing unmatured notional share grants, RBC Dominion enters into total return swaps for RBC Shares. During the restricted period related to the Acquisition,



these activities by the Plan Facilitators will be conducted pursuant to an exemptive relief decision granted by the OSC to RBC and its affiliates. The transactions that may result from these plan-related activities are effected on the TSX, the NYSE and other equity marketplaces, based on best execution considerations.

- ***Employee Exercise of Stock Options and Sale of Shares:*** Employees of RBC and its subsidiaries, including executive officers, may purchase RBC Shares upon the exercise of their stock options. Employees exercising stock options commonly sell RBC Shares to fund the exercise price of the options they exercise. The vesting schedule of the stock options is pre-determined pursuant to the terms of the applicable plans. The sales of RBC Shares by executive officers are effected only on the TSX or other marketplaces in Canada.
- ***Purchases for Dividend Reinvestment Plan:*** RBC operates a dividend reinvestment plan (“DRIP”) that provides holders of RBC common and preferred shares with a right to receive additional RBC Shares rather than cash dividends. The plan is only open to shareholders residing in Canada and the United States. The requirements of the DRIP are satisfied either through open market share purchases that are directed by Sun Life Financial Trust Inc. (“Sun Life”) and Computershare Trust Company of Canada (“Computershare”) and effected by RBC Dominion as broker, or with shares issued from treasury. The transactions that may result from these DRIP-related activities are effected on the TSX or other equity marketplaces outside of the United States.
- ***Banking-Related Activities:*** In connection with their retail and commercial banking services, certain subsidiaries of RBC, including Royal Bank of Canada (Channel Islands) Limited and RBC (Suisse) SA (such subsidiaries collectively the “Banking Units”), engage in the marketing and sale of investment products, including funds that may include RBC Shares, to banking customers. In addition, certain of the Banking Units provide investment advice and financial planning guidance to banking customers, and such advice and guidance may include information that would assist customers in determining whether to purchase or sell RBC Shares. The marketing and sale of investment products and the provision of investment advice and financial planning guidance to banking customers as described above occur solely outside of the United States, and primarily in the United Kingdom, various member states of the European Union and Switzerland. The transactions that may result from these banking-related activities are effected on the TSX, the NYSE and other equity marketplaces, based on best execution considerations.
- ***Trading in RBC Shares by Trustees, Corporate Service Providers and Personal Representatives of Estates:*** Certain subsidiaries of RBC, including Royal Trust

Corporation of Canada, The Royal Trust Company, RBC cees Trustee Limited, RBC cees Trustee Guernsey Limited, Regent Capital Trust Corporation Limited, Royal Bank of Canada Trust Company (Bahamas) Limited, Royal Bank of Canada Trust Company (Cayman) Limited, RBC Trust Company (Delaware) Limited, RBC Trustees (CI) Limited, RBC Trust Company (International Limited), RTC Trust Company (Jersey) Limited and RTC Trustees (Guernsey) Limited (such subsidiaries collectively "RBC Estate and Trust Services"), act as trustees, corporate service providers, administrators, executors or personal representatives of estates and trusts ("Estates and Trusts"). As part of their responsibilities, RBC Estate and Trust Services sell RBC Shares already held by the Estates and Trusts and purchase RBC Shares on a limited basis where permitted under applicable laws and with any required consents. Such activities are conducted in accordance with RBC Estate and Trust Services' fiduciary duty to act in a manner that is in the best interests of the beneficiaries or grantors and to deal fairly, honestly and in good faith in doing so. These activities of the RBC Estate and Trust Services are conducted both inside and outside of the United States and primarily in Canada and the United Kingdom. The resulting transactions in RBC Shares may occur through the facilities of the TSX and other equity marketplaces and in the United States through the NYSE, based on best execution considerations.

- ***Custody-Related Activities:*** In addition to the activities described under other items, certain subsidiaries of RBC ("Custody Units") engage in the provision of custody services, including the settlement of trades in RBC Shares which clients or third parties authorized by clients to operate their accounts, such as the client's investment advisor or manager, arrange to be executed with a third-party broker. In connection with such custody services, the Custody Units may also perform other ancillary services, such as acting as a trustee and purchasing or selling RBC Shares upon the direction of their clients or the clients' investment advisors or managers (which may include effecting purchases or sales of shares in accordance with trustee's fiduciary obligations). The purchases of or bids for RBC Shares that may be deemed to result from these custody-related activities may occur through the facilities of the TSX and other equity marketplaces and in the United States through the NYSE, based on best execution considerations.
- ***Stock Borrowing and Lending and Taking Collateral:*** Certain subsidiaries of RBC (the "Stock Borrowing and Lending Units") borrow and lend securities, including RBC Shares, from and to customers as part of stock lending transactions in the ordinary course of business. In some circumstances, a customer may purchase RBC Shares from a third party in anticipation of lending them to a Stock Borrowing and Lending Unit, or a customer or fund manager may arrange for a third party to purchase RBC Shares after the customer has borrowed them from a Stock Borrowing



and Lending Unit. In addition, certain subsidiaries of RBC (the “Collateral-Taking Units”) accept RBC Shares as collateral. In the event that the borrower defaults on a loan, the Collateral-Taking Units may foreclose on the collateral and in some circumstances dispose of it, including by selling it in the market. The stock borrowing and lending and collateral-taking activities described above are conducted solely outside of the United States, primarily in Canada, the United Kingdom and Australia. The purchases of or bids for RBC Shares that may be deemed to result from these stock borrowing and lending and collateral-taking activities may occur through the facilities of the TSX and other equity marketplaces and in the United States through the NYSE, based on best execution considerations.

The availability of the exemptions requested by this letter would be conditioned on the disclosure and record-keeping undertakings outlined below under “Relief Requested.”

RBC has provided us with, and authorized us to make on its behalf, the factual representations set forth in this letter about the market for RBC Shares and the activities of RBC and its affiliates. The description of Canadian laws and regulations has been provided by Osler, Hoskin & Harcourt LLP.

## **I. The Market for RBC Shares**

The principal trading market for RBC Shares is the TSX. Additionally, there are a number of ATSS in Canada where RBC Shares are traded. RBC Shares are also listed on the NYSE. RBC is a foreign private issuer as defined in Rule 3b-4(c) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the “Exchange Act”) and is subject to the information reporting requirements of the Exchange Act.

As of January 31, 2015, RBC had approximately 1,442.6 million common shares outstanding. RBC’s market capitalization at January 31, 2015 was approximately \$85.0 billion,<sup>3</sup> the largest of any Canadian bank and of any Canadian company, representing 6.8% of the S&P TSX 60 Index. The average daily trading volume value of RBC Shares on the TSX during the two month period beginning on December 22, 2014 and ending on February 19, 2015 (the “Prescribed Period”) was approximately \$173.0 million, or approximately 70.0% of the worldwide average daily trading volume value for

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<sup>3</sup> As used in this letter, “\$” refers to U.S. dollars and “C\$” refers to Canadian dollars. For purposes of this letter, and except as otherwise noted, Canadian dollars have been converted to United States dollars at the rate of C\$1.2176 = \$1.00, the average exchange rate from December 22, 2014 through February 20, 2015, as published by the Federal Reserve.



that period. The average daily trading volume value of RBC Shares on the NYSE for the Prescribed Period was approximately \$28.7 million, or approximately 11.6% of the worldwide average daily trading volume value for that period. In addition, the average daily trading volume value of RBC Shares on the TSX for the 2014 calendar year was approximately \$129.4 million, or approximately 75.7% of the worldwide average daily trading volume value for that year, and the average daily trading volume value of RBC Shares on the NYSE for the 2014 calendar year was approximately \$8.2 million, or approximately 4.8% of the worldwide average daily trading volume value for that year. RBC expects to issue approximately 41.36 million RBC Shares (representing approximately 2.87% of RBC Shares outstanding as of January 31, 2015) and, assuming the full exercise of all converted City National stock options and other City National equity awards as described below, a maximum of approximately 44.19 million RBC Shares (representing approximately 3.06% of RBC Shares outstanding as of January 31, 2015), as consideration for shares of City National common stock in the Acquisition, based on approximately 55.225 million shares of City National common stock outstanding as of January 22, 2015. As described in more detail below under “The Acquisition,” RBC currently expects that approximately 2.83 million RBC Shares will be issuable in respect of converted City National stock options and other City National equity awards.

The TSX provides for trading in equities through a fully automated electronic exchange trading system. Order entry is restricted to persons with authorized access and the system provides for fully automated order matching and trade execution. The TSX is an auction market based on time and price priority (subject to priority to crosses between orders from the same participating organization). There is full pre-trade transparency of orders (price and volume) other than a portion of the volume that may be hidden on an “iceberg order” where a large order is to be traded.<sup>4</sup> Public identification of the participating organization entering the order is optional. There is full post trade transparency (price and volume) of executions. There is a Market on Close facility for certain securities with no pre-trade transparency other than broadcast imbalance and indicative calculated closing price. There is a 45-minute post-closing Special Trading Session that permits trades effected solely at the regular session closing prices. Order and trade data is disseminated in real time to various information vendors. Other Canadian markets (the ATSSs) offer similar functionality but do not all provide pre-trade transparency. Some markets only provide post-trade transparency.

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<sup>4</sup> Additional information regarding iceberg orders is provided by the TSX and is available at <http://www.tsx.com/trading/toronto-stock-exchange/order-types-and-features/icebergs>.

The MX is Canada's exchange for listed derivatives. It provides for trading in single stock equity options, currency options (U.S. Dollar), index futures and options and interest rates futures and options through a fully automated electronic exchange trading system. Order entry is restricted to persons with authorized access and the system provides for fully automated ordering matching and trade execution. The MX is a continuous auction market based on time and price priority. There is full pre-trade transparency of orders (price and volume) with the exception that participants may opt to only disclose a portion of the total volume that they wish to trade. The balance may be hidden as part of an "iceberg order" that becomes visible as the disclosed portion is executed. There is full post trade transparency (price and volume) of executions. Order and trade data is disseminated in real time to various information vendors.

As of January 31, 2015, the overall market capitalization of equity securities listed on the TSX was approximately \$2,217 billion and there were 1,513 listed companies on the TSX. The primary market index is the S&P/TSX Composite, which currently is composed of 250 of the most prominent domestic companies listed on the TSX, including RBC.

## **II. RBC's Market Activities**

RBC is the largest bank in Canada and one of the largest banks in the world based on market capitalization. RBC is also one of North America's leading diversified financial services companies and provides personal and commercial banking, wealth management services, insurance, investor services and capital markets products and services on a global basis. For the fiscal year ended October 31, 2014, RBC had consolidated reported net income of approximately \$7.39 billion and at October 31, 2014 it had total assets of approximately \$772.46 billion and equity attributable to shareholders of approximately \$43.27 billion. RBC serves more than 16 million personal, business, public sector and institutional clients through offices in Canada, the United States and 38 other countries and operates through the following business segments: Personal & Commercial Banking, Wealth Management, Insurance, Investor & Treasury Services and Capital Markets. RBC's head office is in Montreal, Quebec, Canada and its executive offices are located in Toronto, Ontario, Canada. The market activities for which RBC is seeking relief will be managed principally by representatives in Toronto. As described in more detail below under "Canadian Market Regulation," in Canada, RBC and its affiliates are regulated by, among others, the OSC and other provincial securities regulatory authorities and the Investment Industry Regulatory Organization of Canada ("IIROC").

The trading activities for which RBC is seeking relief will, except as described below with respect to United States activities, occur principally on securities



exchanges or other marketplaces in Canada and be managed principally by representatives within Canada and subject to the regulation and supervision of IIROC and other applicable Canadian regulatory agencies. The management of the ordinary course trading activities of the applicable affiliates is operated separately from the management of RBC responsible for decisions relating to the Acquisition. The clients and counterparties involved may be based or organized in Canada, the United States or other jurisdictions. RBC has confirmed that the activities described below for which it is requesting relief are permitted under, and would be conducted in accordance with, applicable Canadian law (including, where applicable, pursuant to relevant exemptive relief).

- ***Market Making and Facilitation Trading in RBC Share Derivatives:*** The Market-Making Subsidiaries regularly make bids and offers for, and purchase and sell RBC Share Derivatives on the MX and other exchanges or marketplaces in and outside of Canada, as applicable. In addition, RBC and the Market-Making Subsidiaries purchase and sell, solely in the over-the-counter market, certain RBC Share Derivatives for which, for credit quality purposes, RBC is the counterparty. RBC and the Market-Making Subsidiaries effect these transactions for their own accounts, on both solicited and unsolicited bases, in order to provide liquidity to the market, to facilitate customer transactions and to readjust RBC's and each of the Market-Making Subsidiaries' economic exposure to RBC Shares as appropriate following such transactions. RBC Dominion is a designated market maker on the TSX and the MX for certain third-party ETFs and other securities or derivatives that relate to RBC Shares. In addition, the Market-Making Subsidiaries act as a market maker, absent a marketplace obligation, in furtherance of contractual obligations with ETFs. RBC believes that the activities of the Market-Making Subsidiaries described above accounted for approximately 5% of the average daily trading volume of RBC Shares on the TSX for the 2014 calendar year.
- ***Derivatives and Structured Notes Hedging and Index-Related Adjustments:*** In connection with the trading activities described above under "Market Making and Facilitation Trading in RBC Share Derivatives" and customer trades, RBC and RBC Dominion effect trades in RBC Shares, and enter into cash-settled swaps, for their own accounts and for the accounts of their customers, for the purpose of hedging positions (or adjusting or liquidating existing hedge positions) of RBC and its affiliates and of their customers. In addition, to hedge its economic exposure arising from the issuance of structured notes that it may issue from time to time and that are linked to baskets or indices that include RBC Shares, RBC enters into hedging transactions in RBC Shares at the time of the issuance of the structured notes and over the life of such structured notes. RBC Dominion is the



designated market maker on the TSX for certain ETFs that are index-based and also trades certain ETFs that are index-based and include RBC Shares. The traded ETFs for which RBC Dominion is not the market maker generally consist of 10 or more securities and RBC Shares comprise less than 10% of the value of each such ETF. These ETFs are listed solely on Canadian exchanges and are comprised exclusively of Canadian securities. In order to appropriately hedge its positions in these ETFs, RBC Dominion will effect trades in the securities that are components of the applicable ETFs, including RBC Shares. In addition, RBC Dominion solicits and effects trades in RBC Shares in order to appropriately adjust RBC Dominion's proprietary index-related portfolio in response to changes in the applicable indices. During the restricted period related to the Acquisition, these hedging and other transactions will be effected exclusively on the TSX or other exchanges or ATSS in Canada, and all such transactions will be entered into in the ordinary course of business and not in contemplation or facilitation of the Acquisition. RBC believes that the activities described above accounted for less than 4% of the average daily trading volume of RBC Shares on the TSX for the 2014 calendar year.

- ***Brokerage Activities and Facilitation Trading:*** The Brokerage Providers engage in discount brokerage and/or full-service brokerage activities for their customers through ordinary customer facilitation and related services. The discount brokerage division engages only in unsolicited brokerage activities, while the full service brokerage division provides additional services, including discussions with customers regarding investment strategies (including with respect to RBC Shares) and solicited and unsolicited brokerage activities.<sup>5</sup> The Brokerage Providers also effect transactions in RBC Shares and RBC Share Derivatives for their own principal accounts in order to facilitate unsolicited customer transactions. The Brokerage Providers may accomplish these activities by engaging in direct buying and selling of RBC Shares or relaying buy and sell orders for RBC Shares to unaffiliated third parties. These activities are conducted primarily in Canada, except that these transactions may be routed to RBC subsidiaries in the United States for best execution considerations. RBC believes that the activities of the Brokerage Providers described above accounted for approximately 8% of the average daily trading volume of RBC Shares on the TSX for the 2014 calendar year. Additionally, the US Brokerage Providers engage in unsolicited brokerage activities of the kind described above with their customers

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<sup>5</sup> During the applicable restricted period, RBC will fully restrict and direct employees in the full service brokerage division not to solicit orders from customers with respect to RBC Shares (except where acting as an Asset Manager, as discussed below).

and related trades may be effected on the NYSE, the TSX, other exchanges or an ATS. All of the US Brokerage Providers are members of FINRA. RBC believes that the activities of the US Brokerage Providers described above accounted for approximately 3% of the average daily trading volume of RBC Shares on the NYSE for the 2014 calendar year. We ask that the requested relief also cover these United States activities of these RBC subsidiaries.

- ***Asset Management:*** The Asset Managers provide discretionary investment management services for their customers, both directly or via affiliated or third-party investment managers or sub-advisors. As part of their ordinary investment management activities on behalf of the Managed Accounts, the Asset Managers may buy and sell RBC Shares, or trade put or call options in respect of RBC Shares, for certain of the Managed Accounts. A substantial majority of such activity takes place in Canada, and a small portion of such activity may occur in other non-United States jurisdictions. During the restricted period related to the Acquisition, the Asset Managers will purchase or sell RBC Shares, and will otherwise act, only in accordance with: (i) an exemptive relief decision that RBC has received from the OSC in connection with certain trading restrictions imposed on RBC and its affiliates under Canadian law, (ii) the investment mandate of the applicable Managed Account and (iii) the fiduciary duties imposed on the Asset Managers under Canadian law in respect of the Managed Accounts over which they exercise control or discretion. The transactions described above may be routed to certain RBC subsidiaries, including RBC Dominion, or to unaffiliated third parties, at the direction of the applicable Asset Manager. Under Canadian law, the Asset Managers have a fiduciary duty to oversee the Managed Accounts in a manner that is in the best interests of the Managed Accounts and to deal fairly, honestly and in good faith in doing so. Further, only portfolio managers registered as advising representatives of an Asset Manager are permitted to advise the Managed Accounts in respect of any securities. Restrictions on trading of RBC Shares by the Asset Managers for the Managed Accounts therefore make it more difficult for an Asset Manager to meet its fiduciary duty to purchase, or to bid for, RBC Shares when such actions are otherwise in the best interests of the Managed Accounts. RBC believes that the activities of the Asset Managers described above, except for RBC Dominion, RBC Dominion Global, RBC IM Caribbean, RBC ISCIL, RBC IM UK and RBC IM USA, accounted for approximately 3.5% of the average daily trading volume of RBC Shares on the TSX for the 2014 calendar year. The activities of RBC Dominion and RBC Dominion Global have been captured above under “Brokerage Activities and Facilitation Trading” and the activities of RBC IM Caribbean, RBC ISCIL, RBC IM UK and RBC IM USA are considered to be minimal.



- ***Trading in RBC Shares Pursuant to Employee Plans:*** The Plan Facilitators from time to time purchase RBC Shares on the open market to facilitate the grant of awards or exercises pursuant to the terms of the Employee Plans. The Plan Facilitators make the purchases on a regular basis, depending on the plan, solely to satisfy RBC's obligation to deliver shares based on pre-determined payroll deductions of the employee or grants and exercises under the plans. RBC also operates deferred incentive programs that grant senior-level employees long-dated notional RBC Share participation units. Insofar as the award grants of RBC Shares are adjusted from time to time, and to hedge against currently existing unmaturing notional share grants, RBC Dominion enters into total return swaps for RBC Shares. During the restricted period related to the Acquisition, these activities by the Plan Facilitators will be conducted pursuant to an exemptive relief decision granted by the OSC to RBC and its affiliates. The transactions that may result from these plan-related activities are effected on the TSX, the NYSE and other equity marketplaces, based on best execution considerations. RBC believes that the activities of the Plan Facilitators described above accounted for less than 1% of the average daily trading volume of RBC Shares on the TSX for the 2014 calendar year and approximately 1% of the average daily trading volume of RBC Shares on the NYSE for the 2014 calendar year. RBC will instruct its executive officers deemed to be "reporting insiders" under the OSC requirements (as described below under "Canadian Market Regulation") not to (i) request an increase in their contributions or allocations to the applicable plans or (ii) effect transfers of existing investments into an investment in RBC Shares, in each case during the restricted period for the distribution, and will use reasonable efforts to monitor plan activity for compliance with such instructions (or to effect other procedures designed to establish compliance).
- ***Employee Exercise of Stock Options and Sale of Shares:*** Employees of RBC and its subsidiaries, including executive officers, may purchase RBC Shares upon the exercise of their stock options. Employees exercising stock options commonly sell RBC Shares to fund the exercise price of the options they exercise. The vesting schedule of the stock options is pre-determined pursuant to the terms of the applicable plans. The sales of RBC Shares by executive officers are effected only on the TSX or other marketplaces in Canada. RBC believes that the activities described above accounted for less than 1% of the average daily trading volume of RBC Shares on the TSX for the 2014 calendar year.
- ***Purchases for Dividend Reinvestment Plan:*** RBC operates a DRIP that provides holders of RBC common and preferred shares with a right to receive additional RBC Shares rather than cash dividends. The plan is only open to shareholders residing in Canada and the United States. The requirements of the DRIP are



satisfied either through open market share purchases that are directed by Sun Life and Computershare and effected by RBC Dominion as broker, or with shares issued from treasury. The transactions that may result from these DRIP-related activities are effected on the TSX or other equity marketplaces outside of the United States. RBC believes that the activities by each of Sun Life, Computershare and RBC Dominion described above accounted for less than 1% of the average daily trading volume of RBC Shares on the TSX for the 2014 calendar year.

- ***Banking-Related Activities:*** In connection with their retail and commercial banking services, the Banking Units engage in the marketing and sale of investment products, including funds that may include RBC Shares, to banking customers. In addition, certain of the Banking Units provide investment advice and financial planning guidance to banking customers, and such advice and guidance may include information that would assist customers in determining whether to purchase or sell RBC Shares. The marketing and sale of investment products and the provision of investment advice and financial planning guidance to banking customers as described above occur solely outside of the United States, and primarily in the United Kingdom, various member states of the European Union and Switzerland. The transactions that may result from these banking-related activities are effected on the TSX, the NYSE and other equity marketplaces, based on best execution considerations. RBC believes that the activities by the Banking Units described above accounted for less than 1% of the average daily trading volume of RBC Shares worldwide for the 2014 calendar year.
- ***Trading in RBC Shares by Trustees, Corporate Service Providers and Personal Representatives of Estates:*** RBC Estate and Trust Services act as trustees, corporate service providers, administrators, executors or personal representatives of Estates and Trusts. As part of their responsibilities, RBC Estate and Trust Services sell RBC Shares already held by the Estates and Trusts and purchase RBC Shares on a limited basis where permitted under applicable laws and with any required consents. Such activities are conducted in accordance with RBC Estate and Trust Services' fiduciary duty to act in a manner that is in the best interests of the beneficiaries or grantors and to deal fairly, honestly and in good faith in doing so. These activities of the RBC Estate and Trust Services are conducted both inside and outside of the United States and primarily in Canada and the United Kingdom. The resulting transactions in RBC Shares may occur through the facilities of the TSX and other equity marketplaces and in the United States through the NYSE, based on best execution considerations. RBC believes that the activities by the RBC Estate and Trust Services described above

accounted for less than 1% of the average daily trading volume of RBC Shares worldwide for the 2014 calendar year.

- ***Custody-Related Activities:*** In addition to the activities described under other items, the Custody Units engage in the provision of custody services, including the settlement of trades in RBC Shares which clients or third parties authorized by clients to operate their accounts, such as the client's investment advisor or manager, arrange to be executed with a third-party broker. In connection with such custody services, the Custody Units may also perform other ancillary services, such as acting as a trustee and purchasing or selling RBC Shares upon the direction of their clients or the clients' investment advisors or managers (which may include effecting purchases or sales of shares in accordance with the trustee's fiduciary obligations). The purchases of or bids for RBC Shares that may be deemed to result from these custody-related activities may occur through the facilities of the TSX and other equity marketplaces and in the United States through the NYSE, based on best execution considerations. RBC believes that the activities by the Custody Units described above accounted for less than 1% of the average daily trading volume of RBC Shares on the TSX for the 2014 calendar year and less than 1% of the average daily trading volume of RBC Shares on the NYSE for the 2014 calendar year.
- ***Stock Borrowing and Lending and Taking Collateral:*** The Stock Borrowing and Lending Units borrow and lend securities, including RBC Shares, from and to customers as part of stock lending transactions in the ordinary course of business. In some circumstances, a customer may purchase RBC Shares from a third party in anticipation of lending them to a Stock Borrowing and Lending Unit, or a customer or fund manager may arrange for a third party to purchase RBC Shares after the customer has borrowed them from a Stock Borrowing and Lending Unit. In addition, the Collateral-Taking Units accept RBC Shares as collateral. In the event that the borrower defaults on a loan, the Collateral-Taking Units may foreclose on the collateral and in some circumstances dispose of it, including by selling it in the market. The stock borrowing and lending and collateral-taking activities described above are conducted solely outside of the United States, primarily in Canada, the United Kingdom and Australia. The purchases of or bids for RBC Shares that may be deemed to result from these stock borrowing and lending and collateral-taking activities may occur through the facilities of the TSX and other equity marketplaces and in United States through the NYSE, based on best execution considerations. RBC believes that the activities by the Stock Borrowing and Lending Units and the Collateral-Taking Units described above accounted for less than 1% of the average daily trading volume of RBC Shares on



the TSX for the 2014 calendar year and that the volume of transactions on the NYSE has been minimal.

- **Information Barriers:** RBC has established information barrier policies and procedures to prevent material non-public information from passing between the sales/trading areas of RBC and its affiliates and other areas of RBC and its affiliates. Accordingly, during restricted periods prior to announcements of earnings results or other material developments that have not yet become public, RBC's traders and sales force who conduct trading activities are generally able to continue their market activities, although senior management may restrict such activities in extraordinary circumstances. RBC will continue to maintain these policies and procedures during the distribution related to the Acquisition.
- **Other activities:** RBC and its affiliates conduct other market activities in RBC Shares in the ordinary course of their business, such as publishing research reports with respect to RBC and trading in RBC Shares or in RBC Share Derivatives. In connection with the distribution related to the Acquisition, RBC and its affiliates will comply with Regulation M, either by suspending market activities not subject to exemptive relief during the relevant period (such as the publishing of research reports) or by conducting those actions in accordance with an available exception from Regulation M. Accordingly, RBC is not seeking relief from the Staff for these activities.

### III. The Acquisition

On January 22, 2015, RBC, City National and RBC USA Holdco Corporation, a Delaware corporation and a direct, wholly-owned subsidiary of RBC ("HoldCo"), entered into an Agreement and Plan of Merger (the "Merger Agreement") pursuant to which RBC will acquire City National. Under the Merger Agreement, City National will merge with and into HoldCo, with HoldCo surviving the merger.

In connection with the Acquisition, City National's common stockholders will be entitled to elect to receive the consideration in cash or RBC Shares, subject to proration, equalizations and certain other limitations set forth in the Merger Agreement.

- i. Each share of City National common stock that is converted into the right to receive cash consideration will receive an amount in cash equal to the "Per Share Amount." The Per Share Amount will be calculated by dividing the "Closing Transaction Value" by the number of shares of City National common stock outstanding at completion of the Acquisition. Subject to certain adjustments and

limitations as set forth in the Merger Agreement, the Closing Transaction Value represents an aggregate value, calculated by adding (1) the aggregate cash included in the Acquisition (\$94.50 multiplied by 50% of the number of shares of City National common stock outstanding at completion of the Acquisition (subject to certain adjustments)) and (2) the aggregate number of RBC Shares included in the Acquisition (41,358,212, as increased based on increases in City National shares permitted to be issued following execution of the Merger Agreement and decreased by shares of City National, if any, cancelled in connection with the Acquisition) multiplied by the volume weighted average RBC Share price for the 10 trading days preceding the date of completion of the Acquisition (the "Valuation Period").

- ii. Each share of City National common stock that is converted into the right to receive stock consideration will receive a number of RBC Shares equal to the Per Share Amount divided by the volume weighted average RBC Share price for the Valuation Period.

As discussed below under "Canadian Market Regulation," market manipulation and dissemination of false information to affect the prices of listed securities are prohibited under Canadian law.

The Acquisition is subject to the approval of City National stockholders. City National plans to mail the proxy statement/prospectus to its common stockholders as soon as practicable following the declaration of effectiveness of the registration statement referred to below, and the meeting of City National's stockholders to vote on whether to approve the Acquisition is expected to occur between 10 and 60 business days from the date of such mailing. In addition, under the Merger Agreement, an election form will be mailed to City National stockholders approximately 35 days prior to the closing of the Acquisition (the "Mailing Date"). The deadline by which a valid election may be made on the election form is currently expected to be the day that is 30 days after the Mailing Date. We refer to the period during which City National stockholders may make their elections regarding cash or stock as the Election Period.

The RBC Shares to be delivered in the Acquisition distribution will be registered under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, pursuant to a registration statement on Form F-4. As noted above, based on outstanding share information provided by City National as of January 22, 2015, RBC currently expects to issue approximately 41.36 million RBC Shares (representing approximately 2.87% of RBC Shares outstanding as of January 31, 2015)



and, assuming the full exercise of all converted City National stock options and other City National equity awards as described below, a maximum of approximately 44.19 million RBC Shares (representing approximately 3.06% of RBC Shares outstanding as of January 31, 2015), as merger consideration in the Acquisition. Upon completion of the Acquisition, all outstanding options to purchase shares of City National common stock will be converted into options to purchase RBC Shares and all other City National equity awards will be settled on the basis set forth in the Merger Agreement. Based on information provided by City National, RBC currently expects that approximately 2.83 million RBC Shares will be issuable in respect of converted City National stock options and other City National equity awards. All of the RBC Shares to be delivered in the Acquisition and upon exercise of converted City National stock options and other City National equity awards will be newly issued shares. In addition, an application will be made to list on the TSX and the NYSE the RBC Shares issuable in the Acquisition and upon exercise of converted City National stock options and other City National equity awards.

#### **IV. Application of Regulation M**

In connection with the Acquisition, RBC will distribute RBC Shares to City National stockholders and, therefore, will be engaged in a “distribution” in the United States for purposes of Regulation M. Because there will be a Valuation Period and a stockholder election as to consideration, pursuant to Rule 100 of Regulation M there will be three different restricted periods for the distribution (although the second and third periods are expected to overlap). The first restricted period for the distribution will begin on the day that the proxy statement/prospectus is first mailed to City National stockholders and will end when the City National stockholder vote is completed (the “First Restricted Period”). The second restricted period for the distribution will occur during the Election Period (the “Second Restricted Period”). The third restricted period for the distribution will begin one day prior to the commencement of the Valuation Period and will end upon the completion of the Valuation Period, which will occur on the date of the closing of the Acquisition (the “Third Restricted Period”, and together with the First Restricted Period and the Second Restricted Period, the “Restricted Period”).<sup>6</sup>

The Market-Making Subsidiaries, the Brokerage Providers, the US Brokerage Providers, the Asset Managers and other subsidiaries of RBC may, from time to time, purchase RBC Shares for their own accounts and/or the accounts of others and

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<sup>6</sup> See the Division of Market Regulation Staff Legal Bulletin No. 9: Frequently Asked Questions About Regulation M (revised April 12, 2002), available at <http://www.sec.gov/interp/legal/mrslb9.htm>; Release 33-8511 (Dec. 13, 2014) (restricted period for mergers, acquisitions, and exchange offers includes valuation and election periods).

may recommend and exercise investment discretion with respect to the purchase of RBC Shares. Depending upon the specific subsidiary and type of activity, these purchases may occur on either a solicited or unsolicited basis and may be performed by the subsidiary directly, through another RBC subsidiary or through an unaffiliated third party. Accordingly, the RBC subsidiaries may be deemed to be “affiliated purchasers” of RBC, as defined in Rule 100 of Regulation M.<sup>7</sup> Additionally, RBC Capital Markets is serving as a financial advisor to RBC in connection with the Acquisition and therefore RBC believes that it qualifies as a distribution participant subject to Rule 101 of Regulation M.<sup>8</sup> The other affiliates described in this letter that constitute affiliated purchasers, as well as RBC itself, would be subject to Rule 102 of Regulation M, and we have assumed for purposes of the relief requested in this letter that RBC Capital Markets would also be deemed to be subject to Rule 102.

Under Rule 102, RBC and its affiliated purchasers would not be permitted to bid for or purchase, or attempt to induce any person to bid for or purchase, RBC Shares during the Restricted Period, except to the extent that one of the specified exceptions under the applicable rule is available. There are no exceptions available under Rule 102 that would permit RBC and its affiliated purchasers to engage in the activities described in this letter. Therefore, without the requested exemptive relief, RBC and its affiliates would not be permitted to engage in their respective ordinary course financial services activities during the Restricted Period.

The Market-Making Subsidiaries are significant market makers in listed options on RBC Shares and significant participants in trading of other RBC Share Derivatives, including in connection with providing expected services to their customers.<sup>9</sup>

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<sup>7</sup> Certain divisions of RBC, as autonomous divisions of RBC, may not be “affiliated purchasers,” but for purposes of this letter RBC has assumed that they may be deemed to be affiliated purchasers under Regulation M.

<sup>8</sup> Although a limited set of the activities for which exemptive relief is requested under this letter could be permitted under Rule 101 of Regulation M to the extent effected by a distribution participant, RBC respectfully requests exemptive relief for all such activities in the event that RBC Capital Markets was deemed not to be a distribution participant. We note that the investment banking department of RBC Capital Markets, which is serving in the financial advisory role, is subject to information barrier policies and procedures, which are in compliance with applicable OSC regulations, to prevent material non-public information from passing between it and the sales/trading areas of RBC and its affiliates (including the departments of RBC Capital Markets for which relief is requested under this letter).

<sup>9</sup> Derivatives on RBC Shares (other than securities futures) generally would not be “covered securities” for the purpose of Rule 100 of Regulation M. See, e.g., Release 34-38067 (Dec. 20, 1996), 62 FR 520, 524. Derivative market activities by RBC affiliates, however, might in some cases be regarded as involving inducements to purchase RBC Shares. To avoid uncertainty, the



Accordingly, if the Market-Making Subsidiaries are precluded from conducting ordinary course market making and trading activities in RBC Share Derivatives, the application of Regulation M could have adverse effects on the Canadian market for RBC Share Derivatives. Additionally, if RBC and RBC Dominion are prohibited from hedging their derivatives or structured products and adjusting or terminating those hedges, they would be exposed to market price movement in respect of positions established in the ordinary course of business prior to commencement of the Restricted Period.

If they are restricted by Regulation M, the Brokerage Providers may be unable to execute unsolicited brokerage orders submitted by their customers in the normal course, or customer facilitation trades in the ordinary course, thereby forcing their customers to take their orders elsewhere (with related delays and inconvenience) or to refrain from completing ordinary course financial transactions. RBC believes that the Brokerage Providers would be likely to lose a significant number of these customers if they were prevented from providing them with customary facilitation services during the Restricted Period.

Likewise, given the importance of RBC Shares to the overall Canadian securities market, to prohibit the Asset Managers from trading RBC Shares during the Restricted Period (which, as noted above, would be limited to transactions in accordance with an exemptive relief decision that RBC has received from the OSC and with the investment mandate of the applicable Managed Account) would have a significant adverse effect on their ability to manage their investments on behalf of their clients. Additionally, the restrictions imposed by Regulation M make it more difficult for an Asset Manager to meet its fiduciary duty to purchase, or to bid for, RBC Shares when such actions are otherwise in the best interests of the Managed Accounts.

The purchase of RBC Shares by the Plan Facilitators in connection with the Employee Plans are intended only to facilitate the grant of awards or exercises pursuant to the terms of those plans. The Plan Facilitators purchase RBC Shares solely to satisfy RBC's obligation to deliver shares based on pre-determined payroll deductions of the employee or grants and exercises under the plans. RBC Dominion serves as the purchaser in Canada solely because it is an in-house broker-dealer and, accordingly, RBC's use of RBC Dominion allows RBC to reduce the expense of engaging a third-party agent. With respect to the deferred incentive programs, RBC Dominion enters into total return swaps for RBC Shares solely to facilitate the grant of awards and to hedge against unmatured notional share grants.

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activities covered by this request for exemption include the RBC Share Derivatives trading and hedging and other activities in RBC Shares described in this letter.

Any related sales by employees exercising their stock options occur at the discretion of those employees, who typically time the exercise of their options to realize the value of options that would expire or to otherwise meet their own financial objectives. RBC believes that it may place a significant burden on employees not to be able to exercise their stock options or make a corresponding sale of shares during the Restricted Period.

With respect to the DRIP, Sun Life and Computershare engage in open market purchases, which are effected by RBC Dominion, solely to satisfy RBC's obligation to deliver shares. The purchases are made solely in response to dividend announcements of RBC. RBC believes that it would be disruptive to restrict the ability of holders of RBC common and preferred shares to have their dividends reinvested pursuant to the terms of the plan during an extended period of time. The activities related to the Employee Plans and the DRIP have represented a small proportion of all trading in RBC Shares, and RBC believes that they will not have a significant effect on the market price of RBC Shares.

The marketing and sale of funds that include RBC Shares by the Banking Units would generally qualify as basket transactions for purposes of the exemption provided by Rule 101(b)(6). RBC believes that all or substantially all of the funds contain a minimum of 20 securities, and RBC Shares do not represent more than 5% of the value of such funds. The Banking Units may not rely on the exception for basket transactions because they are affiliated purchasers of the issuer. However, RBC believes that as RBC Shares represent such a limited percentage of the value of, and the number of securities included in, each fund and the Banking Units market and sell these funds in the ordinary course of business, the marketing and sale of these funds is unlikely to have a significant effect on the market price of RBC Shares. Moreover, the financial planning and investment advisory activities of the Banking Units do not constitute bids for or purchases of RBC Shares, and RBC believes that it is unlikely that such activities would constitute inducements to purchase RBC Shares.

RBC Estate and Trust Services have fiduciary or similar duties under applicable local law to invest the assets of the Estates and Trusts in the best interests of their beneficiaries. Accordingly, RBC Estate and Trust Services would be prohibited by law from trading in RBC Shares unless they believed that such trading was in the best interests of the beneficiaries of the Estates and Trusts. The activities of the RBC Estate and Trust Services historically have represented a small proportion of all trading in RBC Shares, and RBC believes that these activities will not have a significant effect on the market place of RBC Shares.



RBC believes that the Custody Units' services in arranging settlement of trades do not constitute bids for, purchases of or inducements to make bids for or purchases of RBC Shares. In addition, any purchases or sales of RBC Shares that the Custody Units may engage in as a trustee are incidental to their function of providing custodial services to their clients. The Custody Units do not have any discretion as to such purchases or sales and execute transactions either in accordance with trustee's fiduciary obligations or upon specific directions of clients or their portfolio managers.

The activities of the Stock Borrowing and Lending Units and the Collateral-Taking Units do not constitute bids for, purchases of or inducements to make bids for or purchases of RBC Shares in the traditional sense. Nonetheless, RBC believes that in some circumstances (1) the activities of the Stock Borrowing and Lending Units may be deemed to be attempts to induce a bid or purchase because a customer may purchase RBC Shares from a third party in anticipation of lending them to a Stock Borrowing and Lending Unit, or a customer may arrange for a third party to purchase RBC Shares after the customer has borrowed them from a Stock Borrowing and Lending Unit; and (2) the activities of the Collateral-Taking Units may be deemed to be attempts to induce a bid or purchase because RBC may foreclose on collateral that includes RBC Shares and dispose of it, including by selling it in the market. RBC therefore seeks exemptive relief in order to continue to conduct these activities during the Restricted Period. It would place a significant burden on customers not to be able to borrow RBC Shares from any Stock Borrowing and Lending Unit, and as with the unsolicited brokerage activities described above, RBC believes that the Stock Borrowing and Lending Units would likely lose a significant number of customers if the Stock Borrowing and Lending Units could not continue to provide customary stock lending services. Similarly, if borrowers could not pledge their RBC Shares to the Collateral-Taking Units, the borrowers would be burdened with finding either other assets to pledge or other sources of debt. Because stock lending transactions are intended only to help facilitate customer transactions and do not themselves involve the sale or purchase of RBC Shares, and Collateral-Taking Units would only sell RBC Shares following a default by the borrower, RBC believes that it is unlikely that the activities of Stock Borrowing and Lending Units and the Collateral-Taking Units would have a significant effect on the market price of RBC Shares.

The market making, derivatives and structured notes hedging, brokerage, asset management, plan-related activities, banking-related activities, estates and trusts services, custody-related activities and stock borrowing, lending and taking of collateral described in this letter are also important aspects of RBC's business as a major Canadian financial institution, are standard activities for Canadian financial institutions and are permissible under home country law under comparable circumstances (including, where applicable, pursuant to relevant exemptive relief). Accordingly, interrupting these

activities for such an extended period could also have an adverse impact on RBC's business, including its ability to properly manage its risks, and could result in loss of business due to customer and employee dissatisfaction.

RBC Shares would easily qualify as actively traded securities that are exempt under Rule 101(c)(1), with a worldwide average daily trading volume value for the Prescribed Period of approximately \$247.2 million, a worldwide average daily trading volume for the 2014 calendar year of \$170.9 million and an estimated public float value (as of October 31, 2014) of approximately \$94.4 billion. Regulation M normally would not interfere with market activities in actively traded securities, such as RBC Shares. However, because the RBC affiliates may constitute affiliated purchasers of the issuer, they may not rely on the actively traded securities exception to do what brokers for large United States issuers are normally allowed to do during distributions by those issuers.

Finally, RBC believes that the risk of market manipulation by affiliates of RBC is further limited by the information barrier policies and procedures and fiduciary duties described above, the fact that the market activities that are the subject of this request for exemptive relief are ordinary course market activities of RBC and its affiliates rather than activities commenced or managed in contemplation of the Acquisition and the fact that applicable Canadian law prohibits market manipulation and dissemination of false information to affect the prices of listed securities. As discussed further below under "Canadian Market Regulation," the activities for which exemptive relief is being requested are subject to and will be conducted in accordance with applicable Canadian law (including, where applicable, pursuant to relevant exemptive relief). Applicable Canadian law provides important safeguards against the risk of the types of abuse that Regulation M was designed to prevent.

For these reasons, RBC asks the Staff to provide an exemption from Regulation M that would allow RBC and its affiliates to continue to engage in the ordinary course market activities described above during the Restricted Period, as permitted under market practice and applicable Canadian law.

## **V. Canadian Market Regulation**

### ***Regulation of RBC and its Subsidiaries***

RBC, as a Canadian chartered bank listed in Schedule I of the *Bank Act* (Canada), and its affiliates, such as the Market-Making Subsidiaries, the Brokerage Providers, the US Brokerage Providers and the Asset Managers, that, to the extent applicable, are either registered as dealers and/or advisors under the securities legislation of all provinces and territories of Canada or participate in Canadian capital markets under



an exemption from such requirements, are subject to regulatory oversight by the OSC and/or the securities regulatory authorities of all other provinces and territories of Canada, and are required to comply with those requirements of Ontario securities law that are summarized below, including OSC Rule 48-501 – *Distribution Restrictions* (“OSC Rule 48-501”).<sup>10</sup>

OSC Rule 48-501 is functionally the Canadian securities regulatory equivalent of Regulation M, except that OSC Rule 48-501 already provides for certain exceptions covering some of the exemptive relief requested herein, all as more particularly set out below.

### ***Ontario Securities Law***

The principal regulatory authority in Ontario is the OSC. Like the securities regulatory authorities in the other provinces and territories, the OSC is responsible for regulating a variety of different market participants that include investment fund managers, dealers, advisors, issuers of securities, investment funds, self-regulatory organizations, clearing agencies and marketplaces, including exchanges and alternative trading systems. The principal source of such regulation is the *Securities Act* (Ontario) (the “Ontario Act”)<sup>11</sup> which grants the OSC extensive authority to enforce its provisions.

In addition to the regulation of the market participants referred to above, the Ontario Act regulates, among other things, the conduct of takeover bids and issuer

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<sup>10</sup> Due to the impracticality of attempting to summarize the securities laws of all Canadian provinces and territories, this summary has been limited to a consideration of the securities laws of Ontario for three reasons. First, Ontario has the most significant capital market in Canada and the greatest number of market participants. As a result, the OSC is one of the most influential members of the association established by the securities regulatory authorities of Canada’s provinces and territories, referred to as the Canadian securities administrators, and Ontario’s securities laws have a broader application than the securities laws of the other jurisdictions. Second, Ontario’s securities laws have tended to be at least as onerous as the securities laws of the other jurisdictions and compliance with the standards established by such laws has therefore generally served to ensure compliance with the securities laws of the other provinces and territories. Third, Ontario’s securities laws have become increasingly representative of the securities laws of the other provincial and territorial jurisdictions as a result of the regulatory uniformity that has been achieved through the publication of national instruments by the Canadian securities administrators.

<sup>11</sup> The term “Ontario Act” includes, for purposes of this letter, any relevant regulations and rules made under the Ontario Act, including any national instrument or multilateral instrument adopted in Ontario pursuant to an OSC rule.

bids as well as trading by insiders.<sup>12</sup> The Ontario Act prohibits insider trading by providing that no person or company in a special relationship with a reporting issuer<sup>13</sup> shall purchase or sell securities of the reporting issuer with the knowledge of a material fact<sup>14</sup> or material change<sup>15</sup> that has not been generally disclosed. It also provides that no reporting issuer and no person or company in a special relationship with a reporting issuer shall inform, other than in the necessary course of business, another person or company of a material fact or material change with respect to the reporting issuer before the material fact or material change has been generally disclosed. For purposes of these trading and tipping prohibitions, a person or company in a special relationship includes a person or company that is an insider or affiliate<sup>16</sup> of the reporting issuer. Trading with knowledge of the trading activity of a managed account is also prohibited in certain circumstances. According to the Ontario Act, any person or company having information concerning the investment program of a managed account, including a mutual fund, is also prohibited from purchasing or selling the securities of an issuer for the person or company's own account where the portfolio securities of the managed account include

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<sup>12</sup> The term "insider" is defined in section 1(1) of the Ontario Act to include, in part, every director or officer of a reporting issuer, such as RBC, and every director or officer of a company that is a subsidiary of a reporting issuer, such as the Market-Making Subsidiaries, the Brokerage Providers, the US Brokerage Providers and the Asset Managers.

<sup>13</sup> The term "reporting issuer" is defined in section 1(1) of the Ontario Act to mean, in part, an issuer that has qualified its securities for distribution pursuant to a prospectus under the Act or that has had its securities listed and posted for trading on a recognized stock exchange. RBC is a reporting issuer under the Ontario Act.

<sup>14</sup> The term "material fact" is defined in section 1(1) of the Ontario Act to include, in part, a fact that would reasonably be expected to have a significant effect on the market price or value of securities.

<sup>15</sup> The term "material change" is defined in section 1(1) of the Ontario Act to mean a change in the business, operations or capital of an issuer that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the issuer.

<sup>16</sup> A company is deemed to be an affiliate of another company if one of them is the subsidiary of the other, or if both are subsidiaries of the same company, or each of them is controlled by the same person or company. A company is deemed to be a subsidiary of another company if, among other things, it is controlled by that other company, it is controlled by that other company and one or more companies each of which is controlled by that other company or it is a subsidiary of a company that is the other company's subsidiary. A company is deemed to be controlled by another company, or by two or more companies, if the voting securities of the first company carrying more than 50% of the votes for the election of directors are held for the benefit of the other company or companies and the votes carried by such securities are entitled to elect a majority of the directors of the first company.



securities of that issuer and the information is used by the person or company for its own advantage.

The Ontario Act also regulates conflicts of interest by prohibiting certain self-dealing transactions and by prescribing disclosure requirements for transactions that involve related issuers of registrants such as the Market-Making Subsidiaries, the Brokerage Providers, the US Brokerage Providers or the Asset Managers that are registered under the Ontario Act. Certain of these prohibited transactions and disclosure requirements are summarized below.

As the result of self-dealing restrictions, an investment fund is prohibited from knowingly making an investment in, among others, any person or company who is a substantial security holder of the investment fund, its management company or its distribution company.<sup>17</sup> RBC would be considered a substantial security holder of the Asset Managers, and investment funds managed by the Asset Managers would therefore be prohibited from making an investment in RBC in the absence of any exemption. A mutual fund that is a reporting issuer is also generally prohibited from purchasing securities from, or selling securities to, the manager of the fund, such as an Asset Manager, or any affiliate of the manager, such as RBC, a Market-Making Subsidiary, a Brokerage Provider, or a US Brokerage Provider, unless the price for the security is not more than the ask price in the case of a purchase, or less than the bid price in the case of a sale, all as reported on a public quotation system in common use.

The Ontario Act also prohibits a portfolio manager from knowingly causing any investment portfolio that is managed by it to invest in any issuer in which a “responsible person” is an officer or director unless the specific fact is disclosed to the portfolio manager’s client and the client’s written consent is obtained prior to the investment. As a result of the definition of the term “responsible person”, this self-dealing restriction serves to preclude any Asset Manager registered under the Ontario Act from causing any of its clients to invest in RBC without the client’s prior written consent to do so if any director or officer of the Asset Manager or any director or officer of an affiliate of the Asset Manager that participates in the formulation of, or has access prior to implementation to, any investment decisions that are made on behalf of, or any advice that is given to, the client is also a director or officer of RBC.

Registrants are also required to identify any material conflicts of interest that may exist or arise between the firm and a client and to provide a description of any

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<sup>17</sup> For such purpose, a person or company is considered to be a substantial security holder of an issuer if that person or company owns beneficially voting securities to which are attached more than 20% of the voting rights attached to all voting securities of the issuer.

such conflicts that a reasonable investor would be expected to be informed of before purchasing or selling any securities for the client.

Investment fund managers are also required under the Ontario Act to refer any conflict of interest matter relating to a publicly traded investment fund to the independent review committee of such investment fund.

As noted above, OSC Rule 48-501 is the Canadian securities regulatory equivalent of Regulation M. OSC Rule 48-501 prohibits (subject to certain exceptions) a dealer-restricted person from trading restricted securities during the restricted period in relation to a distribution of an issuer's securities for its own account, an account over which it exercises control or direction or an account that it knows, or ought reasonably to know, is the account of an issuer-restricted person. In the context of the distribution of RBC Shares contemplated by the Acquisition, RBC Capital Markets is a dealer-restricted person under OSC Rule 48-501 because RBC has engaged RBC Capital Markets as its financial advisor and RBC Capital Markets' compensation in this engagement depends on the outcome of the transaction. RBC Dominion is also a dealer-restricted person under OSC Rule 48-501 as it is a related entity of RBC Capital Markets and it engages in certain of the activities described in paragraph (b)(iii) of the definition of "dealer-restricted person" under OSC Rule 48-501.

A dealer-restricted person is comparable to a "distribution participant" under Regulation M and an issuer-restricted person is comparable to an "issuer" under Regulation M. The exemptions that are available to a dealer-restricted person when trading for its own account, or an account over which it exercises control or direction, include an exemption that permits the dealer-restricted person to trade "highly-liquid securities" during the restricted period as well as an exemption that permits the dealer-restricted person to engage in market stabilization and market-balancing activities for the purpose of maintaining a fair and orderly market during the restricted period. For purposes of OSC Rule 48-501, the term "highly-liquid security" is defined to mean a listed security or quoted security that has traded, in total, on one or more marketplaces as reported on a consolidated market display during a 60-day period ending not earlier than 10 days prior to the commencement of the restricted period: (i) an average of at least 100 times per trading day and (ii) with an average trading value of at least C\$1,000,000 per trading day; or is subject to Regulation M and is considered to be an "actively-traded security" for purposes of Regulation M.

OSC Rule 48-501 (in particular, Section 2.2) also prohibits (subject to certain exceptions) an issuer-restricted person from bidding for or purchasing a restricted security for the account of an issuer-restricted person or an account over which the issuer restricted person exercises direction or control, or to attempt to induce or cause any



person or company to purchase any restricted security. One of the exceptions to the trading restrictions placed on issuer-restricted persons in OSC Rule 48-501 is in connection with the exercise of an option, right, warrant or similar contractual arrangement held or entered into by the issuer-restricted person prior to the commencement of the restricted period (the “Previous Rights Exception”). Notably, however, there is no exception to the issuer-restricted person trading restrictions in respect of “highly-liquid securities”. Accordingly, while RBC employees that are insiders<sup>18</sup> of RBC (“Insiders”) can exercise their stock options to purchase RBC Shares by reliance on the Previous Rights Exception, RBC and its affiliates (except as described below, other than RBC Dominion and RBC Capital Markets, which are also dealer-restricted persons under OSC Rule 48-501) cannot perform any of the ordinary course activities described above in this application without exemptive relief from OSC Rule 48-501. In particular, without exemptive relief in Ontario, RBC Dominion cannot purchase any RBC Shares on behalf of affiliates of RBC or Insiders in connection with the Share Ownership Plans or the Managed Accounts.

The above-described exemptions that are generally available to dealer-restricted persons are not available to a dealer-restricted person when acting for an account which the dealer-restricted person knows, or reasonably ought to know, is an account of an issuer-restricted person. Accordingly, although RBC Dominion and RBC Capital Markets may purchase RBC Shares for either their own account or an account over which they exercise direction or control throughout the restricted period, and they may attempt to induce or cause persons or companies to purchase RBC Shares during the restricted period, they may not purchase RBC Shares for an account of an issuer-restricted person (including, in respect of the Acquisition, RBC, another affiliate of RBC or an Insider) as a result of subsection 2.1(a) of OSC Rule 48-501.

RBC Dominion and RBC Capital Markets have received a decision from the OSC exempting them from subsection 2.1(a) of OSC Rule 48-501 to permit them to engage in certain limited, ordinary course trading activities during the restricted period, namely, the bidding for or purchasing of RBC Shares:

- for the account of an Insider when such bid or purchase is made in accordance with the terms and conditions of an Employee Plan or the DRIP;
- for the account of an Insider, excluding an Insider who in the ordinary course receives or has access to information as to material facts or material changes concerning RBC before such facts are generally disclosed and who, directly or

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<sup>18</sup> See n.12 above.

indirectly, exercises, or has the ability to exercise, significant power or influence over the business, operations, capital or development of RBC (any such excluded Insider, a “Reporting Insider” and Insiders, excluding Reporting Insiders, the “Non-Reporting Insiders”) or an account over which a Non-Reporting Insider exercises direction or control;

- for the account of RBC in connection with RBC’s normal course issuer bid (“NCIB”); and
- for the account of RBC or any of its affiliates in furtherance of any of the foregoing.

In addition, RBC, RBC Dominion, RBC Capital Markets and certain other of RBC’s affiliates have received a decision from the OSC exempting RBC, its affiliates (other than RBC Dominion and RBC Capital Markets) and the Insiders, as applicable, from section 2.2 of OSC Rule 48-501 to permit them to engage in the following limited, ordinary course trading activities:

- the bidding for or purchasing of RBC Shares by RBC and its affiliates, including the Asset Managers, on behalf of a Managed Account;
- the bidding for or purchasing of RBC Shares by RBC and its affiliates, including the Plan Facilitators, on behalf of (i) any Insider that is a participant in an Employee Plan, or (ii) any Managed Account or Insider that is a participant in the DRIP, provided that in each case such bid or purchase is in accordance with the terms and conditions of the relevant Employee Plan or the DRIP, as the case may be;
- the bidding for or purchasing of RBC Shares by RBC and its affiliates, including the Banking Units, in connection with the provision of retail and commercial banking services;
- the bidding for or purchasing of RBC Shares by RBC and its affiliates, including the RBC Estate and Trust Services, in connection with the provision of Estates and Trusts services;
- the bidding for or purchasing of RBC Shares by RBC and its affiliates, including the Custody Units, in connection with the provision of custody services;



- the bidding for or purchasing of RBC Shares by RBC and its affiliates, including the Stock Borrowing and Lending Units and the Collateral-Taking Units, in connection with the provision of securities lending and borrowing services;
- the bidding for or purchasing of RBC Shares by an Insider in accordance with the terms and conditions of an Employee Plan or the DRIP;
- the bidding for or purchasing of RBC Shares by a Non-Reporting Insider for the account of such Non-Reporting Insider or an account over which such Non-Reporting Insider exercises direction or control;
- the bidding for or purchasing of RBC Shares by RBC and its affiliates, including the Market-Making Subsidiaries (but excluding RBC Dominion and RBC Capital Markets), the Brokerage Providers (but excluding RBC Dominion) and the US Brokerage Providers (but excluding RBC Capital Markets), in connection with the provision of market making, trading facilitation, hedging, index-related adjustments or brokerage services;
- the bidding for or purchasing of RBC Shares by RBC in connection with RBC's NCIB; and
- attempting by the Bank and its affiliates to induce or cause any person or company to purchase RBC Shares in furtherance of any of the foregoing.

***Investment Industry Regulatory Organization of Canada***

The trading activity of those who trade securities through the TSX is subject to regulations and rules promulgated by IIROC, including the Universal Market Integrity Rules (“UMIR”).<sup>19</sup>

Each of RBC's affiliates that is a member of IIROC, such as RBC Dominion, is also subject to regulatory oversight by IIROC and is required to comply

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<sup>19</sup> IIROC is recognized as a self-regulatory organization by the securities regulatory authorities of all provinces of Canada. Its responsibilities include the regulation of securities trading and market-related activities of participants on Canadian equity marketplaces through, among other things, the administration and enforcement of a common set of market integrity rules (i.e., UMIR). The Canadian equity marketplaces that are currently regulated by IIROC include the TSX; TSX Venture Exchange; Canadian Securities Exchange; Omega ATS; Alpha Exchange; Bloomberg Tradebook Canada; Chi-X Canada; CX2 Canada ATS; Instinet Canada Cross Limited; Liquidnet Canada Inc.; Lynx ATS; MATCH Now and TMX Select.

with the by-laws, rules and policies of IIROC. As a participating organization of the TSX, RBC Dominion is also required to comply with the provisions of UMIR.

UMIR requires marketplace participants, such as RBC Dominion, to transact business openly and fairly and in accordance with just and equitable principles of trade<sup>20</sup> and it prohibits participants from directly or indirectly, engaging in, or participating in the use of, any manipulative or deceptive method, act or practice in connection with any order or trade on a marketplace.<sup>21</sup> UMIR also imposes best execution<sup>22</sup> and best price<sup>23</sup> obligations on participants and it prohibits participants from frontrunning.<sup>24</sup> Such rules are directly applicable to IIROC members that are participants in a Canadian exchange or ATS, such as RBC Dominion, but are not directly applicable to RBC Capital Markets, as it is not a participant in a Canadian exchange or an ATS.

UMIR section 7.7 (Trading During Certain Securities Transactions) (“UMIR 7.7”) also imposes trading restrictions, similar to those imposed by OSC Rule 48-501, on marketplace participants, such as RBC Dominion, in the context of certain transactions. However, in the context of the Acquisition, UMIR 7.7 will not apply to RBC Dominion because RBC Dominion has not been engaged by RBC as a soliciting dealer or financial advisor on a success-fee basis.

## VI. Relief Requested

Pursuant to Rules 101(d) and 102(e) of Regulation M, RBC is seeking exemptive relief from the application of Rules 101 and 102 of Regulation M to permit RBC and its affiliates to continue to engage in the market making, derivatives and structured notes hedging, brokerage, customer facilitation, asset management, plan-related activities, banking-related activities, estates and trusts services, custody-related activities and stock borrowing, lending and taking of collateral described in Section II of this letter during the Regulation M Restricted Period. These activities would be conducted in the ordinary course of business and not for the purpose of facilitating the Acquisition. The activities would (subject to the requested relief and, where applicable,

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<sup>20</sup> UMIR section 2.1(1).

<sup>21</sup> UMIR section 2.2(1).

<sup>22</sup> UMIR section 5.1.

<sup>23</sup> UMIR section 5.2.

<sup>24</sup> UMIR section 4.1.



applicable relief received from Canadian regulators) be conducted in accordance with all applicable law, all as described in this letter.

As a condition to the relief being requested, RBC would undertake to include disclosure in the proxy statement/prospectus that will be distributed to City National shareholders. The disclosure will be substantially similar to the following:

Since the announcement of the merger, RBC and certain of its affiliates have engaged, and intend to continue to engage throughout the proxy solicitation period, in various market making, derivatives and structured notes hedging, brokerage and facilitation trading, asset management, plan-related activities, banking-related activities, estates and trusts services, custody-related activities and stock borrowing, lending and taking of collateral, involving RBC common shares outside the United States (and, to a limited extent, within the United States). Among other things, RBC or one or more of its affiliates intends to engage in trades in RBC common shares and/or related derivatives for its own account and the accounts of its customers (and, to the extent described below, its employees) for the purpose of hedging their positions established in connection with the trading of certain derivatives relating to RBC common shares, hedging RBC's economic exposure arising from the issuance of structured notes, hedging RBC's exposure in respect of positions in its market making obligations related to certain exchange traded funds, effecting brokerage transactions for its customers and other customer facilitation transactions in respect of RBC common shares, and effecting delivery of RBC common shares as required pursuant to certain of RBC's benefit or compensation plans for employees. Further, certain of RBC's asset management affiliates may buy and sell RBC common shares, or ETFs, funds or indices including RBC common shares, outside the United States (and, in the case of certain asset management activities, within the United States) as part of their ordinary, discretionary investment management activities on behalf of their customers or publicly traded funds managed by them. Certain of RBC's affiliates may continue to (a) engage in the marketing and sale to customers of funds that include RBC common shares, providing investment advice and financial planning guidance to customers that may include information about RBC common shares, (b) transact in RBC common shares as trustees and/or personal representatives of trusts and estates, (c) provide custody services relating to the RBC common shares and (d) engage in the borrowing and lending of RBC common shares, as well as accepting RBC common shares as collateral for loans. These activities occur both outside and inside the United States and

the transactions in RBC common shares may be effected on the Toronto Stock Exchange, the New York Stock Exchange, other exchanges or alternative trading systems and in the over-the-counter market. The foregoing activities could have the effect of influencing the market price of RBC common shares. RBC has sought certain exemptive relief from the SEC in relation to Regulation M under the Exchange Act and from the Ontario Securities Commission in relation to OSC Rule 48-501 Trading During Distributions, Formal Bids And Share Exchange Transactions, in order to permit RBC and certain of its affiliates to engage in the foregoing activities in the ordinary course during the proxy solicitation period.

As a further condition to the relief being requested, RBC will undertake to keep records of the date and time when any RBC Shares are purchased or sold, the market in which the purchase or sale is effected, the amount of RBC Shares purchased or sold and the price of the purchase or sale, for each purchase or sale of RBC Shares that any RBC affiliates make during the Restricted Period (this information with respect to purchases or sales will not include any client-specific data, the disclosure of which is restricted under applicable law). RBC will maintain such records for a period of two years following the completion of the distribution related to the Acquisition. Upon the written request of the Director of the Division of Trading and Markets of the SEC, RBC will make a copy of the relevant records described above available at the SEC's offices in Washington, D.C. within 30 days.

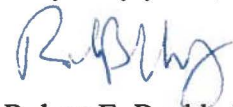
In connection with the relief requested by RBC in this letter, please note that substantially similar exemptive relief from Rule 101 and/or Rule 102 of Regulation M was granted with respect to: Banco Santander, S.A. under your exemptive letters of January 6, 2015 and September 18, 2014; Banco Bilbao Vizcaya Argentaria, S.A. under your exemptive letter of November 17, 2014; UBS AG under your exemptive letter of October 7, 2014; Deutsche Bank Aktiengesellschaft under your exemptive letter of June 4, 2014; Barclays PLC under your exemptive letter of July 31, 2013; Bank of Montreal under your exemptive letter of April 8, 2011; Banco Bilbao Vizcaya Argentaria, S.A. under your exemptive letter of October 28, 2010; Deutsche Bank Aktiengesellschaft under your exemptive letter of September 16, 2010; the Toronto-Dominion Bank under your exemptive letter of August 19, 2010; ING under your exemptive letter of November 19, 2009; Shinhan Financial Group Co., Ltd. under your exemptive letter of March 5, 2009; Banco Santander, S.A. under your exemptive letter of December 22, 2008; and the Toronto-Dominion Bank under your exemptive letter of December 21, 2007.

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If you have any questions or comments with respect to any of the matters discussed in this letter or require any additional information, please contact the undersigned at (212) 558-3876.

Very truly yours,



Robert E. Buckholz

(Enclosures)

cc: Anthony Pagano  
Catherine Stephen  
Matthew Bassani  
Shaine Pollock  
(Royal Bank of Canada)