



# RBC Financial Planning Disclosure Brochure

## Form ADV, Part 2A: Firm Brochure

June 30, 2021

*This RBC Financial Planning Disclosure Brochure provides you with information about the qualifications and business practices of RBC Wealth Management, a division of RBC Capital Markets, LLC, Member NYSE/FINRA/SIPC ("RBC CM"), an indirectly wholly-owned subsidiary of Royal Bank of Canada. This brochure describes only RBC Financial Planning services offered by RBC CM. This document provides investors with information about RBC CM and our Financial Planning Services that should be considered before becoming a client of the program. Please contact us at (800) 759-4029 if you have any questions about the content of this brochure. This information has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or any state securities authority. Registration of an investment adviser does not imply a certain level of skill or training.*

Additional information about RBC Wealth Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### RBC Wealth Management

60 South Sixth Street | Minneapolis, MN 55402

(800) 759-4029 | [www.rbcwealthmanagement.com](http://www.rbcwealthmanagement.com)

PLEASE RETAIN A COPY OF THIS DOCUMENT FOR YOUR RECORDS



**Wealth  
Management**

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

## ITEM 2: MATERIAL CHANGES

In this Item 2, RBC WM is required to identify and discuss all material changes to its RBC Financial Planning Disclosure Brochure. Since the March 31, 2021, version of the RBC Financial Planning Disclosure Brochure, we have the following material updates.

### **Item 9. Additional information: section titled “Disciplinary Information”**

It is alleged that RBC Capital Markets, LLC violated SEC Rule 15c3-5(b) and (c)(1)(ii) and Rules 3.2 and 5.1 of the CBOE BZX Exchange, Inc., CBOE EDGA Exchange, Inc., CBOE BYX Exchange, Inc., and CBOE EDGX Exchange, Inc. due to the fact that the Firm’s financial risk management controls and supervisory procedures were not reasonably designed to (i) prevent the entry of erroneous orders, (ii) reject orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time, or (iii) reject duplicative orders. On March 30, 2021, without admitting or denying the findings, RBC CM was censured and fined \$45,000 by CBOE BZX Exchange, Inc., \$45,000 by CBOE EDGA Exchange, Inc., \$70,000 by CBOE BYX Exchange, Inc. and \$45,000 by CBOE EDGX Exchange, Inc.

The Massachusetts Securities Division alleged that RBC CM failed to adequately supervise its representatives with respect to concentration and suitability of master limited partnership energy and telecom positions in certain client accounts. On February 2, 2021 without admitting to any supervisory deficiencies RBC CM agreed to the described sanctions and fines totaling \$320,267.41.

RBC WM will provide you with a new RBC Financial Planning Disclosure Brochure without charge, upon request to your Financial Advisor. Our RBC Financial Planning Disclosure Brochure is also available on the SEC’s website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with RBC WM who are registered, or are required to be registered, as investment adviser representatives of RBC WM.

### ITEM 3: TABLE OF CONTENTS

Item 1	Cover page .....	1
Item 2	Material changes .....	2
Item 3	Table of contents.....	3
Item 4	Advisory Business .....	4
	About RBC Capital Markets.....	4
	RBC Financial Planning.....	4
	RBC Financial Planning Topics .....	4
	Implementing Financial Planning Recommendations.....	4
	Qualifications of Financial Advisors and Specialists Who Provide Financial Planning Services.....	5
	Other Advisory Services .....	5
	Assets Under Management .....	5
Item 5	Fees and Compensation .....	5
	RBC Financial Planning Fee Schedule .....	5
	Billing Practices.....	5
	Employee Programs and Promotions .....	5
	Transaction-based Brokerage Account .....	6
	Fee-based Investment Advisory Account .....	6
Item 6	Performance Based Fees and Side-By-Side Management.....	6
Item 7	Types of Clients .....	6
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	7
	Methods of Financial Analysis .....	7
	Investment Strategies .....	7
	Sources of Information.....	7
Item 9	Disciplinary Information .....	8
Item 10	Other Financial Industry Activities and Affiliations.....	13
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	14
	Code of Ethics.....	14
	Participation or Interest in Client Transactions and Personal Trading.....	14
Item 12	Brokerage Practices.....	15
Item 13	Review of Accounts.....	15
Item 14	Client Referrals and Other Compensation.....	16
Item 15	Custody .....	16
Item 16	Investment Discretion.....	16
Item 17	Voting Client Securities.....	16
Item 18	Financial Information.....	16

## ITEM 4: ADVISORY BUSINESS

### About RBC Capital Markets

RBC Capital Markets, LLC (“RBC CM”) is a member of all principal securities and commodities exchanges in the United States including the New York Stock Exchange (“NYSE”) and has been registered with the SEC since 1977. Our parent company, Royal Bank of Canada, is publicly held and is a global, integrated investment services firm and one of the world’s leading banks. We are registered to act as a broker-dealer, investment adviser, and futures commission merchant. As a registered investment adviser, we complete a Part 1 of Form ADV, which contains additional information about our business and our affiliates. This information is publicly available through our filings with the SEC at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). This information is current as of the date of this document and is subject to change at our discretion.

### RBC Financial Planning

This disclosure document describes the financial planning services offered by the RBC Wealth Management division of RBC CM along with the features and fees. Our financial planning services provide a personalized analysis and written advice to help you assess your financial situation and your ability to pursue specific financial goals. For the purposes of this disclosure document RBC Wealth Management and RBC Capital Markets, LLC will be collectively referred to as “RBC CM” and the financial planning services offered by RBC CM will be referred to as RBC Financial Planning.

RBC Financial Planning may include financial planning for individuals and for employees of entities. RBC Financial Planning — Individual Client is designed for individuals as a long-term, comprehensive financial planning relationship.

RBC Financial Planning – Corporate Client is designed for certain employees of entities choosing to participate in RBC Financial Planning.

Both RBC Financial Planning-Individual Client and RBC Financial Planning — Corporate Client closely follow a three step process which may include:

- **Gather Information** — Together with your Financial Advisor you will provide all the relevant financial information and define and prioritize your financial goals.
- **Analyze Information** — Review the information you provided to determine whether or not you are on track to achieve your defined goals.
- **Propose Recommendations** — Develop specific and actionable written financial recommendations in the form of an executive summary specific to your financial situation

### RBC Financial Planning Topics

RBC Financial Planning provides individuals with generalized guidance on one or more financial goals and objectives. Using information that you provide, your Financial Advisor (“Financial Advisor” or “FA”) will help you assess and understand your current financial situation and provide you with an executive summary. Your Financial Advisor may include other RBC subject matter experts to help with your financial planning engagement. The plan may include an analysis of one or more of the following areas:

- Assistance in development of an investment plan (i.e. goal identification, asset allocation, and diversification). These are asset class level recommendations and not specific security or product recommendations.
- Accumulating wealth (i.e. retirement funding, lifestyle maintenance, major purchase planning, and employee stock options)
- Protecting wealth (i.e. income/earning power protection, managing debt, and risk management)
- Converting wealth to income (i.e. retirement income planning)
- Transferring wealth (i.e. charitable planning, gifting strategies, estate planning, and business succession/continuation planning)
- Advanced/other planning

### Implementing Financial Planning Recommendations

Financial planning is an investment advisory service that creates a fiduciary relationship. This means that we must place your interests above our own. This disclosure document explains your rights and our obligations in providing you with this service. Please read it carefully and keep it for your records. Please note that although we act as your investment adviser in providing financial planning advice to you, this does not affect any other relationship you may have with your Financial Advisor or RBC CM. The nature of your existing RBC CM accounts, your rights and obligations relating to these accounts, and the terms and conditions of any RBC CM account agreement in effect do not change in any way.

Our financial planning service does not include any advice regarding specific securities or other specific product recommendations. In addition, you should understand that our financial planning service ends upon our delivery of the plan to you, as will the fiduciary relationship that arises from providing you with this service.

Any information presented in a financial plan regarding potential tax considerations is not intended as tax advice and should not be relied upon for the purpose of avoiding any tax penalties. Neither RBC CM nor any of its employees provide tax or legal advice and our financial planning services are not intended to provide, and should not be construed as providing, such advice. You must consult with your legal or tax advisors regarding your personal

circumstances. In addition, our financial plans assume that you are a U.S. citizen or resident and subject to U.S. taxes. Our financial plans may therefore not be applicable to or appropriate for non-U.S. citizens or those persons subject to other tax jurisdictions and requirements.

You should also understand that a financial plan does not address every aspect of a client's financial life (e.g., areas not covered include analysis of property and casualty, homeowners, medical and excess liability coverage, etc.). Please consult with your Financial Advisor regarding the specific topics included in your financial plan. Please note that a topic may not be included in your financial plan for a variety of reasons (e.g., insufficient data provided, separate analysis to be provided, etc.) and that such omission does not indicate that the topic is not applicable to your financial situation. Also, unless otherwise noted, any analysis of your estate planning documents or illustrations of death, gift or estate liabilities are estimates and should not be relied upon. You are advised to seek the counsel of your legal and tax advisors for a complete analysis of your estate and death tax liabilities.

### **Qualifications of Financial Advisors and Specialists Who Offer RBC Financial Planning Services**

Financial Advisors are required to apply for approval to offer RBC Financial Planning services to clients. Eligibility requirements may include a review of education, designations, experience, and regulatory records.

Generally, our Financial Advisor and professional personnel who provide financial planning services to clients have a college degree and/or securities industry experience. In addition, certain Financial Advisors and other RBC CM employees participating in financial planning services may possess a professional designation (e.g. Certified Financial Planner (CFP), Chartered Financial Consultant (ChFC), etc.) or an internal certification. Holding a professional designation typically indicates that the Financial Advisor or RBC CM employee has completed certain courses or continuing education. However, use of such designations does not change the nature of RBC CM's or your Financial Advisor's obligation with respect to the advisory or brokerage products and services that may be offered to you.

### **Other Advisory Services**

RBC CM offers several types of Advisory Programs, including:

- Consulting Solutions
- Managed Account Program
- Portfolio Focus
- RBC Advisor
- RBC Unified Portfolio

At this time not all Advisory Programs are available to all clients; contact your Financial Advisor for more information. Please review the RBC Wealth Management Wrap Fee Program Brochure for a full description of these services.

### **Assets Under Management**

As of March 31, 2021, we had \$175,642,536,215 in assets under management, \$123,636,271,108 of which was managed on a discretionary basis and \$52,006,265,107 of which was managed on a non-discretionary basis.

## **ITEM 5: FEES AND COMPENSATION**

### **RBC Financial Planning Fee Schedule**

The fee that you pay (in the case of RBC Financial Planning – Individual Client), or your employer pays on your behalf (in the case of RBC Financial Planning – Corporate Client) for our financial planning service covers our advice and the development and delivery of a financial plan.

Fees for RBC Financial Planning Services are negotiated within a range of \$1,000 to \$10,000, but in certain cases a fee higher than \$10,000 may be negotiated.

Fees for our financial planning services are negotiable, and are at our sole discretion, may be waived, and may differ from client to client based on a number of factors. These factors include, but are not limited to:

- the financial planning service selected;
- the scope of the engagement;
- the complexity of the services provided;
- the nature and amount of client assets involved; and
- the extent that other RBC Specialists (Wealth Strategist/Wealth Planner) are engaged.

Your Financial Advisor receives a percentage of the financial planning fees you pay to us.

### **Billing Practices**

When RBC Financial Planning fees are assessed, all fees associated with the financial planning service are disclosed, in advance, in a separate service agreement. The fees for the service are generally payable at delivery of the plan. However, other fee arrangements may be offered at our sole discretion. Payment is made by check or by debit from a RBC CM account you designate. You may terminate the financial planning agreement without penalty within five business days if you do not receive the RBC Financial Planning Disclosure Documents at least 48 hours prior to entering into the Agreement.

### **Employee Programs and Promotions**

Our ability to negotiate the fee or waive the fee may result in one client paying for the same set of services provided to another client at a lower fee or free of charge. We may also discount fees for clients purchasing multiple financial planning services or discount fees based on the broader relationship with RBC CM.



Fees as well as other account requirements may vary as a result of the application of prior policies depending upon when you received financial planning services from us. From time to time, the fees for financial planning or certain advisory services available through RBC CM may be reduced for our employees, certain other family members or employees of our affiliates.

Other types of fee arrangements, such as a wrap fee arrangements, are available in other advisory programs and services. We may enter into special agreements to provide other services involving specific clients, Financial Advisors or any of our branch offices. For more information regarding the above, contact your Financial Advisor.

You are not required to purchase products that RBC CM distributes, or otherwise transact business with RBC CM or any of our affiliates in order to put into action any aspect of your financial plan. If you would like RBC CM to be involved with helping you develop an investment strategy, the capacity in which we act when helping you implement an investment strategy will depend on, and vary by, the nature of your accounts (i.e., brokerage or advisory accounts) used for such implementation.

### **Transaction-based Brokerage Account**

You pay commissions and other charges (such as sales loads on mutual funds) at the time of each individual securities transaction.

### **Fee-based Investment Advisory Account**

You pay a fee on a quarterly basis based on the assets held within, and services provided for, your account rather than a commission on each individual transaction.

It is important to understand that brokerage and investment advisory services are separate and distinct and each is governed by different laws and separate contracts with you. While there are similarities among the brokerage and advisory services we provide, depending on the capacity in which we act, our contractual relationship and legal duties to you are subject to a number of important differences.

The fee you pay covers only the RBC Financial Planning Service as set forth in the service agreement you enter into with us. The fee does not cover any other services, accounts or products. Therefore, if you maintain accounts with us, or if we assist you in implementing your financial plan, you will pay other charges, such as compensation for the sale of securities or other investment products, in addition to the financial planning fee. This will add to the overall compensation that we receive and may present a conflict of interest based on an incentive to recommend investment products based on the compensation received, rather than based on your needs. The financial planning fees will not be reduced or offset by these other fees.

We may reduce or terminate the above payouts to Financial Advisors in connection with accounts they service that do not meet certain prescribed asset levels on a household basis. This will only affect the amounts paid to your Financial Advisor and will not mean that you will pay less.

**The percentage of firm revenues credited to Financial Advisors in asset-based programs is higher than the percentage of firm revenues credited on most other products and services, including the compensation they would receive if you paid separately for advice, brokerage and other services. The differences in compensation create an incentive for Financial Advisor to recommend products for which they receive higher compensation.**

Under certain circumstances (e.g., acquisitions and recruitment), some Financial Advisors may be compensated differently. Financial Advisors also receive certain revenue awards based on their production amount, business mix and net new assets. We reserve the right, at our discretion and without prior notice, to change the methods by which we compensate our Financial Advisors.

Branch Directors and Complex Directors, who may also be Financial Advisors, perform supervisory responsibilities over other RBC WM Financial Advisors for the branch or region in which they are located. We compensate these individuals for their supervisory activities through a base salary, but also pay a bonus to these individuals that is based on meeting certain internal benchmarks, which include revenue generated by the Financial Advisors in their branch or region. This is a conflict of interest as supervisors have an incentive to encourage the recommendations of products, services and investments that generate greater revenue for RBC WM in order to meet the revenue portion of the internal benchmark. We mitigate this conflict by not compensating our supervisors directly based on the recommendation of any specific products, services or investments but instead on attainment of specific internal benchmarks, which include revenue goals.

## **ITEM 6: PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT**

We do not have any performance-based fees for any advisory programs.

## **ITEM 7: TYPES OF CLIENTS**

RBC Financial Planning is generally intended for individuals; married couples; domestic partners; and entities with financial planning needs, such as trusts, estates, nonprofit organizations and business entities. Clients are required to open an account with RBC CM to satisfy the Patriot Act, however clients are not required to maintain an asset balance in this account.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

### Methods of Financial Analysis

When developing an analysis and recommendations for you, your Financial Advisor compares your financial goals with your investment risk tolerance. Your Financial Advisor may use asset value, current and projected return, and other assumptions you provide, as well as historical return analysis prepared by RBC CM. Your financial plan may be prepared through the use of one or more computer software packages to analyze your goals using one or more methods of analysis, including probability and deterministic modeling. Forward looking analyses, including probabilistic modeling (which presents the likelihood that the client may be able to achieve certain goals) are hypothetical in nature, do not reflect actual investments results and are not a guarantee of future results. These analyses do not analyze specific securities. Actual market conditions may result in outcomes significantly different than those illustrated. With respect to probabilistic modeling, the results may vary over time and with each use if any of the underlying assumptions or profile data is adjusted. In addition, the analysis does not present the results that could occur from an extreme market event, either positive or negative, due to the low probability of such an occurrence.

### Investment Strategies

Evaluation of your financial situation may also include an asset allocation analysis designed to assist you in positioning your investment assets. If your assessment includes such analysis, the recommended portfolio allocation will be determined based on a variety of factors, including your personal financial information, risk tolerance, and the anticipated performance of different asset classes.

Our asset allocations are based on a proprietary methodology. In developing those allocations, RBC CM considers asset class risk and return results that are based on estimated forward-looking return and risk assumptions, as measured by standard deviation ("capital market assumptions"), which are based on RBC CM proprietary research. The development process includes a review of a variety of factors, including the return, risk, correlations and historical performance of various asset classes, inflation and risk premium. The process assumes a situation where the supply and demand for investments is in balance and in which expected returns of all asset classes are a reflection of their expected risk and correlations regardless of timeframe. These capital market assumptions are designed with a 7 to 10 year outlook.

RBC CM periodically reviews the economic or market conditions or other general investment considerations that it believes may impact the capital market assumptions. The capital market assumptions may change from time to time at the discretion of RBC CM. RBC CM has changed its risk and

return assumptions in the past and may do so in the future. Neither RBC CM nor your Financial Advisor is required to provide you with an updated proposal based upon changes to these or other underlying assumptions. Changes in the assumptions may affect your Target Allocation on the broad, subclass or style level. We may also add or remove asset classes, subclasses and styles from the allocation methodology at any time. Once we have delivered a financial plan to you, we are not required to provide you with an updated analysis based upon changes to these capital market assumptions or resulting changes to your Target Allocation. It is important to note that implementing changes to your Target Allocation may result in tax consequences to you. Please consult your tax advisor if this occurs.

There is no guarantee that if you adopt your financial plan, you will meet all of your objectives. As actual investment returns, inflation, taxes, and other economic conditions will vary from the assumptions used in our reports, your actual results will vary from those presented and may impact your ability to reach your financial planning goals.

The asset allocation analysis does not provide a comprehensive financial analysis of your ability to reach your other financial planning goals, and it does not identify the impact of your investment strategy on your tax and estate planning situations.

Our financial planning reports do not:

- make individual security or specific product recommendations.
- analyze particular securities.
- provide on-going advice regarding specific securities or other investments, regardless of whether or not a fee is assessed; rather, a general asset allocation strategy based upon your stated risk tolerance, investment objectives, financial needs, age, current asset allocation and value of the assets is suggested in the financial planning report.

**Before you actually sell any such assets, consult with your legal and tax professionals regarding the tax and other implications of any such sale.**

### Sources of Information

The primary source of information used by your Financial Advisor is the data provided by you, such as your personal data, assets and liabilities, income expectations, assumed overall rates of interest and inflation, short-term and long-term financial goals, risk tolerance associated with goals, and other relevant information.

If you decide to implement any portion of your financial plan with RBC CM, at your request, your Financial Advisor can make specific product recommendations and help you develop an investment strategy. Your Financial Advisor may use training and marketing materials; prospectuses and annual reports for the investment; financial and insurance products distributed by RBC CM or its affiliates. We may

utilize research, model portfolios and asset allocation services generated by RBC CM, RBC CM affiliates, third parties, by or through brokers or dealers or investment advisers, including research, model portfolios and asset allocation advice purchased through economic arrangements with such parties. Investing in securities involves risks that may result in losses, which you should be prepared to bear.

## ITEM 9: DISCIPLINARY INFORMATION

In the past, we have entered into various orders, consent and settlements with our regulators and other third parties and have been the subject of adverse legal and disciplinary events. Below are summaries of certain events that may be material to your decision in selecting or maintaining our services for your investment advisory needs.

It should be noted that the disciplinary reporting requirements for broker-dealers and investment advisors differ. Since we are registered as both a broker-dealer and investment adviser, we file information as required by both sets of regulatory requirements. In addition to the descriptions below, you can find additional information about us and management personnel on the Securities and Exchange Commission's website located at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) as well as the Financial Industry Regulatory Authority's ("FINRA") website located at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

Please note that in each of the instances described below, we entered into various orders, consent and settlements without admitting or denying any of the allegations.

It is alleged that RBC Capital Markets, LLC violated SEC Rule 15c3-5(b) and (c)(1)(ii) and Rules 3.2 and 5.1 of the CBOE BZX Exchange, Inc., CBOE EDGA Exchange, Inc., CBOE BYX Exchange, Inc., and CBOE EDGX Exchange, Inc. due to the fact that the Firm's financial risk management controls and supervisory procedures were not reasonably designed to (i) prevent the entry of erroneous orders, (ii) reject orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time, or (iii) reject duplicative orders. On March 30, 2021, without admitting or denying the findings, RBC CM was censured and fined \$45,000 by CBOE BZX Exchange, Inc., \$45,000 by CBOE EDGA Exchange, Inc., \$70,000 by CBOE BYX Exchange, Inc. and \$45,000 by CBOE EDGX Exchange, Inc.

The Massachusetts Securities Division alleged that RBC CM failed to adequately supervise its representatives with respect to concentration and suitability of master limited partnership energy and telecom positions in certain client accounts. On February 2, 2021 without admitting to any supervisory deficiencies RBC CM agreed to the described sanctions and fines totaling \$320,267.41.

Without admitting or denying the findings, on December 15, 2020 RBC CM consented to the sanctions and to the entry of

findings that it failed to establish and maintain a supervisory system reasonably designed to supervise representatives' recommendations to customers to purchase particular share classes of 529 college savings plans. The findings stated that RBC CM did not provide adequate guidance to representatives regarding the importance of considering share class differences when recommending 529 plans and had no procedures requiring supervisors to review 529 plan share class recommendations for suitability. RBC CM updated its procedures to include such a requirement, but the updated procedures failed to adequately instruct supervisors to consider either the age of the beneficiary or the number of years until expected withdrawals, both critical factors in determining the suitability of the recommended share class. Also, RBC CM did not consistently provide supervisors with the information necessary to review the suitability of 529 plan share class recommendations. Later, RBC CM issued a company-wide compliance alert that provided guidance to representatives regarding 529 plan share class recommendations. RBC CM then updated its supervisory systems and procedures with respect to 529 share class recommendations. Among other things, RBC CM instructed supervisors to consider the age of the beneficiary when assessing the suitability of a representative's 529 share class recommendation. RBC CM has agreed to pay restitution and interest relating to the sale of class C shares to certain 529 plan customers in the estimated amount of \$839,803.

The SEC alleged that from at least July 2012 through August 2017, RBC CM disadvantaged certain retirement plan and charitable organization brokerage customers who maintained accounts at RBC CM ("Eligible Customers") by failing to ascertain that they were eligible for a less expensive share class, and recommending and selling them more expensive share classes in certain open-end mutual funds when less expensive share classes were available. RBC CM did so without disclosing that it would receive greater compensation from the Eligible Customers' purchases of the more expensive share classes. Eligible Customers did not have sufficient information to understand that RBC CM had a conflict of interest resulting from compensation it received for selling the more expensive share classes. Specifically, RBC CM recommended and sold these Eligible Customers class A shares with an up-front sales charge, or class B or class C shares with a back-end contingent deferred sales charge (a deferred sales charge the purchaser pays if the purchaser sells the shares during a specified time period following the purchase) and higher ongoing fees and expenses, when these Eligible Customers were eligible to purchase load-waived class A and/or no-load class R shares. RBC CM omitted material information concerning its compensation when it recommended the more expensive share classes. RBC CM also did not disclose that the purchase of the more expensive share classes would negatively impact the overall return on the Eligible Customers' investments, in light of the different fee structures for the different fund share classes. In making those recommendations of more expensive share classes



while omitting material facts, RBC CM violated sections 17(a)(2) and 17(a)(3) of the Securities Act. These provisions prohibit, respectively, in the offer or sale of securities, obtaining money or property by means of an omission to state a material fact necessary to make statements made not misleading, and engaging in a course of business which operates as a fraud or deceit on the purchaser. As a result of the conduct described above, RBC CM willfully violated sections 17(a)(2) and 17(a)(3) of the Securities Act. On April 24, 2020 RBC CM was censured and paid disgorgement of \$2,607,676, prejudgment interest of \$631,331, plus a civil monetary penalty of \$650,000.

The Commodity Futures Trading Commission alleged that RBC CM engaged in at least 385 noncompetitive, fictitious wash exchange for physical transactions. It was further alleged that RBC CM failed to meet its supervisory obligations, resulting in additional violations including failures to prepare and file timely quarterly risk exposure reports, failures to disclose material noncompliance issues and failures to maintain and produce timely required records. On September 30, 2019, RBC CM was censured and fined \$5,000,000.

Without admitting or denying the findings, RBC CM consented to the sanctions and the entry of findings that RBC CM entered 670 principal orders with incorrect origin codes, indicating that the orders were for customers instead of RBC CM. The findings state that RBC CM ignored red flags and failed to remedy the pattern of entering and executing orders with incorrect origin codes. In addition, for the calendar year 2018, RBC CM conducted 11 of 12 monthly origin code reviews late because RBC CM failed to enforce its procedures requiring timely origin code reviews. Between August 28, 2019, and October 2, 2019, RBC CM settled for a total of \$100,000 across eight exchanges (NASDAQ PHLX LLC \$7,138; NASDAQ Stock Markets/The NASDAQ Options Market \$5,687; CBOE BZX Exchange, Inc. \$28,271; NASDAQ ISE, LLC Fine \$6,721; NYSE American LLC \$4,098; NYSE ARCA, Inc. \$5,509; CBOE Exchange, Inc.: \$36,592; and CBOE C2 Exchange, Inc., \$5,984).

FINRA alleged that from March 2008 to June 2016, RBC CM failed to make the statutorily required delivery of prospectuses to customers who purchased approximately 165,000 exchange traded funds and notes and hundreds of thousands of mutual funds. RBC CM failed to design, implement and enforce a reasonable supervisory system, procedures and set of controls to comply with prospectus delivery rules for ETFs, ETNs and mutual funds and as a result, failed to discover the delivery failures until FINRA's investigation into the matter. On October 17, 2019, RBC CM was censured and fined in the amount of \$2,900,000.

The firm self-reported to the SEC the violations described below pursuant to the Division of Enforcement's Share Class Selection Disclosure Initiative ("SCSD Initiative"). The SEC alleged that RBC CM, during the period of January 1, 2014, through March 27, 2017, failed to make adequate disclosures, in its Form ADV or otherwise, regarding its mutual fund share

class selection practices, and the 12b-1 fees it received, in connection with advisory account transactions. Specifically, at times during the relevant period, RBC CM purchased, recommended or held in advisory accounts mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes in the same fund. The SEC alleged that RBC CM failed to adequately disclose the receipt of the 12b-1 fees and the associated conflict of interest, thereby allegedly willfully violating sections 206(2) and 207 of the Investment Advisers Act. On March 11, 2019, without admitting or denying the findings, the firm shall cease from committing or causing any violation and any future violations of sections 206(2) and 207 of the Advisers Act. Respondent is censured, shall pay disgorgement of \$10,494,813.38 and prejudgment interest of \$1,220,581.34, and shall comply with the undertakings enumerated in the offer settlement.

It was alleged that on two settlement dates RBC CM entered sell-side orders prior to the cut-off time for participation in the special opening quotation and subsequently changed its orders through submission of buy-side orders after the cut-off time which is a violation of Chicago Board Options Exchange, Inc. (CBOE) Rule 6.2B. It was further alleged that RBC CM violated CBOE Rule 4.2 for failing to supervise its associated persons to assure compliance with exchange Rule 6.2B for failing to establish and maintain adequate supervisory procedures for compliance with exchange Rule 6.2B. On August 30, 2018, without admitting or denying the findings, RBC CM consented to the described sanctions and to the entry of findings; therefore it was fined \$75,000.

It was alleged that RBC CM violated CBOE Futures Exchange, LLC (CFE) Rules 401A, 412B(A) and 609. On numerous dates from May 2016 through May 2017, due to a third party service provider programming error and a failure to follow its own written procedures, RBC CM reported inaccurate open interest in various VX weekly contracts, resulting in overstatements of overall exchange open interest. In addition, on numerous dates between December 2016 and August 2017, due to a third party provider inputting incorrect reportable levels and a failure to follow its own written procedures, RBC CM failed to report large trader positions in various VX weekly contracts. On June 13, 2018, without admitting or denying the findings, RBC CM consented to the described sanctions and to the entry of the findings which resulted in a fine of \$50,000.

The Clearing House Risk Committee of the Chicago Mercantile Exchange (CME) alleged that RBC CM violated CME Rule 971A.1. On June 29, 2018, without admitting or denying the findings, RBC CM consented to the described sanctions and to the entry of findings, and was fined \$50,000.

Without admitting or denying the findings, RBC CM consented to the sanctions and to the entry of findings that it inappropriately used Options Clearing Corporation (OCC) adjustments to create a position without trading on an exchange and subsequently inappropriately used OCC adjustments to close out a position without trading on an exchange. The findings stated that further, it was determined

that RBC CM, through 273 internal entries, triggered OCC adjustments in a total of 107 symbols for a total of 203,478 contracts, which created long and short positions at the OCC without trading on an exchange, and resulted in inflated open interest. The findings also stated that RBC CM failed to follow its written supervisory procedures related to the proper use of OCC adjustments. RBC CM further failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with the applicable securities laws and regulations, and Box Options Exchange LLC rules, concerning OCC adjustments, as RBC CM did not have any procedures in place to verify that OCC adjustments were not associated with internal entries. On April 13, 2018, RBC CM was censured and fined \$150,000.

Without admitting or denying the findings, RBC CM consented to the sanctions and to the entry of findings that RBC CM failed to take reasonable steps to establish that certain of the intermarket sweep orders (ISOS) it routed met the definitional requirements set forth in Rule 600(B)(30) of Regulation NMS. The findings stated that on the review date, RBC CM failed to take reasonable steps to avoid displaying, and engaged in a pattern of practice of displaying, quotations that locked or crossed a protected quotation, without simultaneously routing an ISO to execute against the full displayed size of any protected quotation that was a locking quotation or crossing quotation. The findings also stated that RBC CM's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the rules of the exchange, concerning ISOS that complied with the SEC's Regulation NMS. Specifically, RBC CM's supervisory system did not include written supervisory procedures that would enable it in certain instances to promptly identify issues with RBC CM's access to timely and accurate market data. RBC CM's regulation NMS compliance ISO exception reports, which were reviewed by RBC CM personnel, did not identify that RBC CM had locked or crossed a protected quotation on the review date. In October 2017, RBC CM settled for a total of \$94,000 across eight exchanges (Bats BYX \$10,500; Bats BZX \$10,500; Bats EDGA \$10,500; Bats EDGX \$21,000; Nasdaq BX \$10,500; Nasdaq \$10,500; NYSE Arca \$10,500; NYSE \$10,500).

It is alleged that RBC WM transmitted to the Order Audit Trail System (OATS) reports in which the special handling code field was not populated to indicate whether the orders were "held" or "not held." The findings alleged that RBC WM's supervisory system did not include written supervisory procedures (WSPs) providing for a review of RBC WM's OATS reports that was representative of the types of business in which RBC WM engaged to ensure its submissions were accurate. The findings also alleged that RBC WM failed to report to the Trade Reporting and Compliance engine (TRACE) transactions in TRACE eligible corporate debt securities, reporting block transactions that were to be allocated to separate managed accounts as a single block instead of reporting the allocations as individual

transactions, as required. The findings also alleged that RBC WM effected customer transactions in a municipal securities in an amount lower than the minimum denomination of the issue, which were not subject to an exception under the applicable municipal securities rulemaking board (MSRB) rule and failed to disclose to its customers that the municipal securities transaction were in an amount below the minimum denomination of the issue. FINRA also alleged that RBC WM failed to report information regarding 18,634 purchase and sale transactions effected in municipal securities to the Real-time Transaction Reporting System (RTRS). For approximately 1,500 of these instances, RBC WM reported block transactions that were to be allocated to separate managed accounts as a single block instead of reporting the allocations as individual transactions, as required. On May 3, 2017, without admitting or denying the findings, RBC WM was censured and fined \$225,000 (for the OATS reporting violations of NASD Rule 6955(A) and FINRA Rule 7450(A), supervision violations of NASD Rule 3010, FINRA Rule 3110, NASD Rule 2110 and FINRA 2010; TRACE reporting violations of FINRA Rule 6730(B); the municipal securities minimum denomination violations of MSRB Rule G-15(F); the municipal securities disclosure violations of MSRB Rule G-17 and MSRB Rule G-47; and the municipal securities trade reporting violations of MSRB Rule G-14). RBC WM will undertake to revise its written supervisory procedures with respect to providing for supervision reasonably designed to achieve compliance with respect to the OATS reporting violations, and offer rescission to the customers impacted by the minimum denomination issue at either the original purchase price or the current fair market value, whichever is higher; additionally the offer of rescission shall remain open with the affected customer for a period of 60 days.

It is alleged that RBC Capital Markets, LLC and RBC Capital Markets Arbitrage, S.A. (both noted together as "RBC" hereafter) failed to retain electronic records in WORM ("write once, read many") format. RBC is also alleged to have failed to implement an audit system regarding the inputting of records in electronic storage media. RBC is alleged to have failed to obtain an attestation from their third party vendor. RBC's supervisory system was allegedly not reasonably designed to enforce specific procedures concerning storage of electronic broker-dealer records in WORM format. On December 21, 2016, without admitting or denying the findings, RBC consented to the described sanctions and to the entry of findings; therefore RBC was censured and fined \$3,500,000, which was paid jointly and severally, and RBC has undertaken to review relevant policies and procedures.

It is alleged by the FINRA that RBC CM trading systems experienced issues during the review periods resulting in significant overstatements and inaccuracies of its advertised trade volume, in violation of NASD Rules 2110 (for conduct prior to December 15, 2008), 3010 (for conduct prior to December 1, 2014), and 3310 (for conduct prior to February 15, 2010), and FINRA Rules 2010 (for conduct on and after December 15, 2008), 3110 (for conduct on and

after December 1, 2014), and 5210 (for on conduct on and after February 15, 2010). On November 3, 2016, RBC CM was censured and paid a fine in the amount of \$975,000.

It is alleged by the SEC that RBC CM caused Rural/Metro Corporation's violations of the proxy statement provisions of the federal securities laws in connection with the sale of Rural/Metro Corporation ("Rural") in 2011 to a private equity firm. RBC CM, which served as Rural's lead financial adviser for the sale, rendered a fairness opinion to Rural's board of directors that contained materially false and misleading information concerning RBC CM's valuation analysis. RBC CM caused that information to be included in the proxy statement that Rural filed to solicit shareholder approval for the sale. As a result, RBC CM caused Rural to violate section 14(A) of the Exchange Act and Rule 14A-9 thereunder, which prohibits solicitation by means of a proxy statement that contains any materially false or misleading statement. On August 31, 2016, RBC CM was ordered to cease and desist and paid \$500,000 in disgorgement, plus interest of \$77,759. RBC CM also paid a civil penalty of \$2 million.

It is alleged by the Chicago Board Options Exchange ("CBOE") that RBC CM violated Exchange Rule 4.2 and Regulation SHO Rule 204 by failing to properly close out fail-to-deliver positions in seven sampled securities and failed to supervise its associated persons to assure compliance with the aforementioned rules. On April 11, 2016, RBC CM was censured and fined \$75,000.

It is alleged by FINRA that RBC CM violated FINRA rule 2010 and 2081 when mediating a dispute with a claimant by including a "term or condition" that the claimant will not oppose expungement on a settlement agreement.

It is also alleged that RBC CM violated NASD rule 3010(A) and FINRA rules 3110(A), 2010 and 2081 by failing to establish, maintain and enforce a supervisory system, including written procedures, which were reasonably designed to ensure compliance. On June 10, 2016, RBC CM was censured and fined \$125,000 and will undertake the adoption and implementation of supervisory systems and written procedures reasonably designed to achieve compliance with the requirements of FINRA rule 2081.

It is alleged by FINRA that RBC CM failed to identify and apply sales charge discounts to eligible customer transactions in Unit Investment Trusts (UITs). This resulted in approximately 4,399 eligible transactions paying an excess sales charge amount of approximately \$502,088.88. In addition, it is alleged that RBC CM failed to effectively inform and train registered representatives and supervisors to ensure the proper procedures were followed and applicable sales charge discounts were applied. On April 4, 2016; RBC CM was censured and fined \$225,000 and ordered to pay \$502,088.88 plus interest in restitution to customers.

It is alleged by FINRA that RBC CM failed to amend, or timely amend, the forms U4 for registered representatives to report unsatisfied tax liens and civil judgments. In addition, it is alleged that RBC CM failed to establish and maintain

a supervisory system and written supervisory procedure reasonably designed to ensure sufficient inquiry and disclosure of reportable unsatisfied liens and judgments in instances in which a garnishment notice was sent. On March 1, 2016; RBC CM was censured and fined \$300,000 and required to provide FINRA a written certification that the systems, policies and procedures are now reasonably designed to ensure compliance with the applicable laws.

It is alleged by the NYSE that RBC CM violated NYSE rule 92(A) by entering a proprietary order on thirteen occasions to buy or sell an NYSE-listed security while knowingly was in possession of a customer order to buy or sell such security that could have been executed at the same price. This resulted in the proprietary order to be traded along with, or ahead of, the customer order or caused the customer's order to be traded outside of their consent parameters. It is also alleged that on two occasions, the Firm violated NYSE Rule 2010 by failing to document customer consent to the allocation split as required by NYSE Rule 92(B). In addition, it is alleged that the Firm violated NYSE Rule 342 by failing to reasonably supervise and implement adequate controls reasonably designed to achieve compliance with certain NYSE rules and policies. On August 28, 2015; RBC CM was censured and fined \$80,000.

RBC CM self-reported to FINRA an Order Audit Trail System ("OATS") reporting issue which resulted in RBC CM failing to transmit 1,183,844,292 reportable order events ("ROES") to the Order Audit Trail System ("OATS") over the course of approximately 28 months in violation of FINRA rules 7450, 2010 and NASD rule 3010. FINRA alleged that RBC CM lacked Written Supervisory Procedures ("WSP") reasonably designed to provide for adequate OATS reporting. On July 27, 2015 RBC CM was censured and fined a total amount of \$450,000 and required to revise its WSP.

It is alleged by the Securities and Exchange Commission ("SEC") that RBC CM violated section 17(A)(2) of the Securities Act by conducting inadequate due diligence in certain municipal securities offering and, as a result, failed to form a reasonable basis on the validity of certain material representations in official statements issued in connection with those offerings. On June 18, 2015 RBC CM was fined \$500,000 and ordered to retain an independent consultant to conduct a review of the policies and procedures relating to municipal securities underwriting due diligence.

It is alleged by FINRA that between 2008 and 2012, RBC CM violated NASD rules 3010(A), 2310, 2110 and FINRA rule 2010 by failing to have in place supervisory systems and procedures reasonably designed to ensure compliance with applicable laws and regulations and its internal guidelines concerning suitability of reverse convertibles, a type of complex structured product. On April 23, 2015; RBC CM was censured and fined \$1,000,000 and ordered to pay \$433,898.10 plus interest in restitution to certain clients.

FINRA alleged that RBC CM violated FINRA and MSRB rules by allegedly (1) trading in its market-making account and



then failing to execute customer limit orders at a price that would have satisfied the limit orders (2) purchasing and selling municipal securities at an aggregate price for its own account from or to a customer that was not fair and reasonable; and (3) failing to report eligible transactions to the Trade Reporting and Compliance Engine ("TRACE") as well as the correct contra-part identifier for TRACE eligible transactions and products. On November 13, 2013, without admitting or denying the findings, the Firm entered into an Acceptance Waiver and Consent agreeing to a censure and fine for \$50,000, \$15,000 of which was for the alleged MSRB rule violations.

It is alleged by the Colorado Division of Securities that RBC CM client associates, who were not appropriately licensed in accordance with applicable state laws, accepted orders for transactions in securities and the firm failed to establish and enforce an adequate system to monitor the licensing status of such employees. On July 8, 2013, as part of a multi-state settlement, RBC CM entered into an agreement individually with each state for repayment of back licensing fees and penalties in the aggregate amount of \$2.8 million. In addition, the firm will reimburse the state of Colorado \$100,000 and the North American Securities Administrators Association \$10,000 for the costs associated with this matter. Lastly, RBC CM will establish and maintain policies, procedures and systems that are reasonably designed to supervise the trade process in accordance with applicable state licensing laws.

The New Jersey Bureau of Securities ("NJBS") alleged that RBC CM failed to follow its own procedures with respect to monthly account reviews ("MARS"), failed to reasonably supervise its agents, and also failed to maintain copies of the MARS, which may be considered to be a failure to keep accurate books and records. On March 11, 2013, without admitting or denying the findings of fact and conclusions of law by the NJBS, RBC CM entered into a consent order and was assessed a fine in the amount of \$150,000, of which \$100,000 was suspended due to RBC's extensive cooperation, and paid \$300,000 in disgorgement to the NJBS.

FINRA alleged that RBC CM violated various FINRA, NASD, MSRB and SEC rules by failing to use reasonable diligence in some transactions relating to corporate bonds to ascertain the best inter-dealer market and transact in such market ensuring prices to customers were as favorable as possible under prevailing market conditions. In addition, it is alleged that RBC CM transacted in municipal securities for its own account to and from some clients at an aggregate price that was not considered to be fair and reasonable at the time of the transaction. It is also alleged that RBC CM failed to transmit some reportable order events to the order audit trail system and transmitted some execution reports that failed to reflect partial executions. In addition, it is alleged that RBC CM failed to send written notifications to some clients disclosing its correct capacity in the transactions, that compensations details are available upon request and erroneously disclosing that a commission was charged for a principal transaction. RBC CM also allegedly accepted an

equity short sale security or effected an equity short sale order in its own account without borrowing, entering into a bona fide arrangement to borrow or having a reasonable ground to believe that the security could be borrowed so that it could be delivered properly and failed to document compliance with Regulation SHO. RBC CM also allegedly failed to submit accurate or timely information regarding the result of an Auction Rate Security and numerous interest rate resets to the MSRB's short-term obligatory rate transparency system. Lastly, it is alleged that RBC CM failed to correctly report some required transactions for corporate debt, contra-party identifiers, market identifiers, execution date and new issue offerings for which RBC CM was managing underwriter/secritizer to the Trade Reporting and Compliance Engine. On April 24, 2013; RBC CM was censured and fined a total of \$97,500.

FINRA alleged that RBC CM violated various FINRA, NASD and MSRB rules by failing to report orders in an accurate or timely manner or to correct rejected orders transmitted to the Order Audit Trail System (OATS), FINRA/NASDAQ Trade Reporting Facility (FNTRF) and the Trade Reporting and Compliance Engine (TRACE). It is also alleged that the RBC CM purchased and sold municipal securities for its own account at an aggregate price, taking into consideration all relevant factors, that was not considered to be fair and reasonable. Lastly, it is alleged that the RBC CM did not have a supervisory system reasonably designed to achieve compliance with the minimum requirements pertaining to TRACE-eligible securities. On December 12, 2012, RBC CM was censured and fined \$62,500 and required to revise its written supervisory procedures relating to the registration of TRACE-eligible securities within 90 days.

FINRA alleged that RBC CM violated SEC rules 15C3-1, 15C3-3, 17A-3, 17A-5, FINRA Rule 2010, NASD Rules 2110, 3010 (A) and (B), NYSE Rules 416(A), 440.20 by failing to properly and accurately reconcile its accounts, due to complications stemming from a merger and conversion. This resulted in customer reserve, net capital, recordkeeping and supervisory violations. On July 16, 2012, RBC CM was censured and paid a fine of \$250,000.

It is alleged by FINRA that RBC CM violated FINRA/NASD rules 1122, 2010, 2110, 3010 by failing to establish and maintain a supervisory system and establish, maintain and enforce written supervisory procedures reasonably designed to comply with applicable rules and regulations pertaining to short-term transactions in Closed-End Funds. On May 10, 2012 RBC CM was censured, fined \$200,000 and ordered to pay partial restitution of \$70,000 to a customer.

The Massachusetts Securities Division alleged that RBC CM failed to supervise and made unsuitable recommendations to brokerage and advisory clients regarding the purchase of leveraged, inverse and inverse-leveraged Exchange Traded Funds. ON May 2, 2012 RBC CM entered into a consent order with the Massachusetts Securities Division under which RBC Capital Markets has paid a fine of \$250,000 and offered restitution of approximately \$2,000,000 to certain clients.

FINRA alleged that RBC CM violated various FINRA, MSRB and SEC rules because it failed to report the following to the trade reporting and compliance engine (TRACE) for TRACE eligible securities: block transactions within 15 minutes of execution time, transactions it was required to report, the correct contra-party's identifier, the time of trade execution in the correct format, the correct price and symbol indicating whether the trade was a buy or sell and the correct trade execution time. RBC CM also reported transactions to TRACE it was not required to report and double reported TRACE transactions. RBC CM also failed to report information regarding purchase and sale transactions and block purchase and sale transactions effected in municipal securities to the real-time transaction reporting system (RTRS) within 15 minutes of the time of trade to a RTRS portal. RBC CM also improperly reported information to RTRS, failed to report information and reported a transaction it should not have. RBC CM failed to report the correct yield for municipal securities to the RTRS and provided written notification disclosing to customers the incorrect yield. RBC CM failed to transmit to the OTC reporting facility (OTCRF) last sale reports of transactions within 90 seconds after execution and to designate the reports as late. RBC CM failed to report to the OTCRF the correct execution time for transactions in reportable securities. It is also alleged that RBC CM failed to show the correct execution time on brokerage order memoranda, execute orders fully and promptly, use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price for customers were as favorable as possible under the prevailing market conditions. On November 8, 2011; RBC CM was censured and fined \$125,000 and ordered to pay \$241.26, plus interest, in restitution to investors.

It is alleged by the SEC that RBC CM violated Sections 8A, 17(A)(2) and 17(A)(3) of the Securities Act of 1933 (the "Securities Act"), Section 15(B) of the Securities Exchange Act of 1934 ("Exchange Act"), Section 203(E) of the Investment Advisers Act of 1940 by negligently marketing and selling Collateralized Debt Obligations ("CDOs") to five school districts in Wisconsin that may have been inadequate or unsuitable. On September 27, 2011, RBC CM was censured, ordered to cease and desist and paid \$6.6 million in disgorgement and restitution, plus interest of \$1.8 million. RBC CM also paid a civil penalty of \$22 million.

FINRA alleged that in several transactions RBC CM violated MSRB Rules G-17 & G-30(A) by purchasing municipal securities for its own account from a customer and/or sold municipal securities for its own account to a customer at an aggregate price (including any mark-down or mark-up) that was not fair and reasonable. On August 25, 2011, RBC CM was censured and was ordered to pay \$43,157 plus interest in restitution and a fine of \$95,000.

The SEC, as well as 46 States/Territories, alleged in separate allegations that the RBC CM failed to disclose

in communications with customers the increasing risks associated with Auction Rate Securities that the firm underwrote, marketed and sold. Between June of 2009 and July of 2011, RBC CM was ordered to cease and desist, repurchase/provide opportunities for liquidity and was fined an aggregate amount of \$7,678,992.96.

## ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

RBC CM is a full-service brokerage and financial services firm and is registered as a broker-dealer and an investment adviser with the SEC. RBC CM is also registered with the Commodity Futures Trading Commission as a futures commission merchant. Further, RBC CM is a member of the NYSE, FINRA, the Securities Investor Protection Corporation ("SIPC"), and several other exchanges and self-regulatory organizations.

RBC CM does not make recommendations or select investment advisors for you nor are you required to purchase products that RBC CM distributes, or otherwise transact business with RBC CM or any of our affiliates in order to put into action any aspect of your financial plan. If you would like RBC CM to be involved with helping you develop an investment strategy, the capacity in which we act when helping you implement an investment strategy will depend on and vary by the nature of your accounts (i.e., brokerage or advisory accounts) used for such implementation and may result in different conflict of interests.

RBC GAM-US is an affiliate of RBC CM. RBC GAM-US is a federally registered investment adviser that provides portfolio management services to institutional separate accounts, registered investment companies, pooled vehicles, and portfolio management services for wrap fee accounts and model portfolios offered by other providers. RBC GAM-US also serves as a sub-adviser to RBC CM sponsored wrap program and is a model provider.

City National Bank (CNB) is an affiliate of RBC CM. CNB offers retail and commercial banking, including securities-backed lending.

City National Rochdale, LLC is a subsidiary of City National Bank, an affiliate of RBC CM. City National Rochdale is a federally registered investment adviser that provides money management services to high net worth individuals, families and foundations. City National Rochdale may also serve as investment adviser and/or sub-advisor to mutual funds.

RBC CM and its affiliated banks, RBC Bank (Georgia), N.A., City National Bank and the Three World Financial Center Branch of Royal Bank of Canada are collectively considered the "Affiliate Banks". RBC CM, RBC GAM-US and City National Bank are wholly-owned subsidiaries of RBC USA Holdco Corporation, which is a wholly-owned indirect subsidiary of Royal Bank of Canada.



RBC Global Asset Management (UK) Limited (“GAM UK”), BlueBay Asset Management LLP (“BlueBay LLP”) and BlueBay Asset Management USA LLC (“BlueBay LLC”) are wholly owned indirect subsidiaries of RBC and affiliates of RBC CM. GAM UK, BlueBay LLP and BlueBay LLC serve as investment sub-advisers to certain U.S. registered mutual funds for which RBC GAM-US or other third-parties serve as the investment adviser. BlueBay LLP also manufactures and manages certain alternative investment funds and strategies available to Advisory Program clients.

Royal Bank of Canada indirectly owns a majority interest in LMCG Investments, LLC (“LMCG”). LMCG is a privately owned, federally registered investment adviser that provides investment management services to institutional and high net worth individuals, consulting services for private equity and venture capital and portfolio management services for wrap fee accounts and model portfolios offered by other providers.

Royal Bank of Canada owns a minority interest in Matthews International Capital Management, LLC (“MICM”). MICM is a privately owned, federally registered investment adviser that provides investment services to institutional clients, pension and profit sharing plans, insurance companies, endowments and foundations and other business entities. MICM also serves as an investment adviser or sub-adviser to mutual funds.

Royal Bank of Canada owns a minority interest in O’Shaughnessy Asset Management (“O’Shaughnessy”), a registered investment adviser, but Royal Bank of Canada does not control O’Shaughnessy for regulatory purposes.

Client may select RBC Trust Company (Delaware) Limited, a Delaware chartered trust company and a division of RBC or City National Bank, a nationally chartered bank and trust company and an affiliate of RBC CM, as a professional trust and estate settlement service provider. RBC WM and your Financial Advisor are prohibited from serving as trustees.

Client may select TrustCorp America (TCA), a Washington DC chartered trust company, as a professional trust and estate settlement service provider. RBC CM has a controlling interest in TCA.

## ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### Code of Ethics

Our Investment Adviser Code of Ethics, summarized below, is available separately at the request of a client or prospective client:

We are committed to ensuring that in our capacity as an investment adviser as well as a broker-dealer we:

- Act in the best interests of our clients and not allow personal interests of those of the organization to take precedence over the interests of our clients;
- Act with due skill, care and diligence in conducting our business and all transactions and trading activities;
- Preserve client confidentiality at all times;
- Respect the intellectual property rights of others;
- Prevent and/or fully disclose any perceived or real conflicts of interest;
- Protect and promote the integrity of the market; and
- Preserve honesty, integrity and trust in all communications with clients, employees and shareholders.

### *Objectives of the RBC CM Investment Adviser Code of Ethics*

- To encourage and foster an organization and work environment that prompts the internal reporting through a defined escalation path regarding violations of the Investment Adviser Code of Ethics as related to securities transactions, personal trading activities of employees and supervisory personnel, employee behavior, and the RBC Code of Conduct;
- To promote compliance with applicable securities laws, rules, and regulations through leveraging an ethically-based approach;
- To promote honest and ethical conduct by all employee, Financial Advisors, and executives including the ethical management of actual or apparent conflicts of interest between external, personal and professional relationships;
- To promote full, fair, accurate, and understandable disclosure in reports, documents, and client communications that we create, submit, and disseminate; and
- To establish accountability on the part of employees, Financial Advisors, and executives regarding adherence to the Investment Adviser Code of Ethics.

### Participation or Interest in Client Transactions and Personal Trading

Many of the conflicts related to participation or interest in client transactions and personal trading may not apply in the context of financial planning because the financial plan does not make specific investment recommendations or analyze particular securities. Moreover, we do not require you to purchase products or otherwise transact business with us. Nevertheless, we attempt to address potential conflicts of interest through this and other disclosure documents.

In addition to sponsoring the Advisory Programs, RBC CM sponsors other investment advisory programs and engages in a broad range of brokerage and other financial services. These include public and private investment banking and underwriting, retail and institutional brokerage and trading, institutional research and numerous other brokerage, advisory and financial services. Clients of RBC CM may

include investment managers and overlay managers under RBC WM Programs. Our broker-dealer activities are our principal business and account for the vast majority of our time, energies and resources.

As a full service broker-dealer, on an ongoing basis and as permitted by applicable law, we may, when appropriate:

- act as principal, buy securities from, or sell securities to you;
- act as broker or agent, effect securities transactions for compensation for you;
- act as broker or agent for any person other than an advisory client, effect transactions in which an advisory client's securities are sold to or bought from a brokerage client;
- recommend to you that you buy or sell securities or investment products in which we or a related person or a family member of an employee has some financial interest;
- buy or sell for ourselves securities that we also recommend to you; or
- sell or convert mutual fund shares or other unbilled assets, which will subject proceeds to program fees.

We have adopted and enforce internal policies and procedures with respect to conflicts of interest between us and our clients. Pursuant to these policies and procedures, we, when engaging in the activities enumerated above, treat your orders fairly and do not give our own orders preference over your orders. Where required by applicable law or exchange rules, we obtain the consent of affected clients in advance of any transactions in which we will be engaging in the activities referenced above. When we engage in the activities referenced above, all statements and/or confirmations of such transactions contain the disclosures required by applicable law and exchange rules. Securities activities are monitored daily to detect and prevent employees from trading ahead of client accounts.

In certain situations, investment managers may execute trades through us. It is the duty of the investment manager to seek the best net price and execution on securities trades for their clients. In the event that we sell a security to you or buy a security from you, we will use all reasonable efforts to assure that you obtain the best net price and execution on the purchase or sale based on prevailing inter-dealer market prices. In some circumstances, the change in market price may result in a financial benefit to us. We may consider it appropriate to use our own execution services to effect purchases and sales of securities for investment advisory clients. We may receive brokerage commissions in connection with such transactions and, in accordance with Section 11(a) of the Securities Exchange Act of 1934, may execute transactions for investment advisory accounts over which we have discretion on the floors of securities exchanges of which we are a member. Mark-ups and mark-downs charged by a dealer unaffiliated with us may be included in the price of certain transactions.

From time to time, we may incur trade errors. In these instances, we may profit from the error or may incur a loss. Regardless, your transaction will not be affected. We may from time to time receive compensation from executing transactions for securities for which we have also received compensation as a result of providing research services.

We and our affiliates may give advice and take action in performing our duties to other clients that differs from advice given, or the timing and nature of action taken, with respect to you. In the course of our respective investment banking activities or otherwise, we and our affiliates may from time to time acquire material nonpublic or other information about corporations or other entities or their securities. We and our affiliates are not obligated and may not be permitted to divulge any such information to or for the benefit of clients, or otherwise act on the basis of any such information in providing services to clients. We, our related persons and affiliates may purchase for our own accounts securities that are recommended to clients.

We have no control over where investment managers execute its trades; however, in situations where investment managers execute trades through us, a financial incentive may exist for us and we may recommend investment managers or model portfolios with lower portfolio turnover rates. This arrangement may also create a financial incentive for investment managers or overlay managers to refrain from searching as actively among other securities brokers and dealers for best execution.

## **ITEM 12: BROKERAGE PRACTICES**

Our financial planning services do not include the review or recommendation of broker-dealers for client transactions.

## **ITEM 13: REVIEW OF ACCOUNTS**

The Business Supervision Group or their delegates are responsible for the supervision and review of financial planning reports generated by the Financial Advisors in accordance with our supervisory guidelines. The current procedures require the Business Supervision Group or their delegates to review every executive summary and supporting materials prepared for clients. The guidelines provide steps for the Business Supervision Group or their delegates to follow to review the content of the plans and document any variations from the standards. The financial plan consists of various sections pre-determined by the Financial Advisor and the client. Each section includes static text that cannot be changed or modified by the individual users.

In addition, when a fee is charged for financial planning services the Financial Advisor is required to document the advice specific to the client and related to the analysis in an executive summary and present the executive summary to the client. When a financial plan is delivered to the client, the

financial planning service terminates. Our financial planning services do not include ongoing advice or reporting.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Through our Advisory Referral Program, we provide investment advisory services to individuals, institutions, and other persons who have been referred to us by an independent third-party ("Solicitor"). We enter into an agreement with the Solicitor whereby the Solicitor will refer potential clients to us. We will share a portion of the advisory fee we receive from clients (generally about 25% of the client fee) for successful referrals that result in the opening of one of our sponsored advisory program accounts. We may pay a fee greater or less than 25% depending on the facts and circumstances of the relationship.

We receive referral fees from third-party investment advisers, third-party professional trust and estate settlement service providers, third-party lending institutions, or an affiliate of ours for successful client referrals made by our Financial Advisors. The professional trust and estate settlement service provider or lending institution pays a referral fee pursuant to a referral agreement between us and the professional trust and estate settlement service provider or lending institution. The investment adviser or affiliate shares a portion of the advisory fee it receives from the client with us pursuant to a referral agreement between us and the investment adviser. In the case where a Financial Advisor refers a client to an affiliate, there is a monetary incentive for us to recommend an affiliate over other qualified and suitable non-affiliated advisors. The client acknowledges the referral fee arrangement by signing the investment adviser's consent and disclosure document.

An RBC CM employee or an affiliate may also refer a client to an RBC CM Financial Advisor. As an incentive, the referring employee may receive a percentage or a portion of the fees paid by the client for selected services. In addition, RBC WM FAs are eligible to receive a one-time payment to refer existing client accounts to the RBC Advantage team. The referring employee's role in the ongoing client relationship, if any, may vary depending on each client's particular situation. The amount of the referral fee paid to us by a third-party investment adviser or by us to an employee providing a referral varies depending on the facts and circumstances.

## **ITEM 15: CUSTODY**

We do not require you to custody your assets with RBC CM to participate in RBC Financial Planning. However, if you do custody your assets with us, we will send you periodic account statements reflecting the details in your account. We urge you to carefully review your statements upon receipt.

## **ITEM 16: INVESTMENT DISCRETION**

Our financial planning services do not involve the delegation or exercise of discretion on our part over your assets. However, your Financial Advisor may offer discretionary portfolio management services which are described in a separate brochure. Please contact your Financial Advisor with questions.

## **ITEM 17: VOTING CLIENT SECURITIES**

Our financial planning services do not include proxy voting services.

## **ITEM 18: FINANCIAL INFORMATION**

We are not required to include a balance sheet in this disclosure document because we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We do not have any financial conditions that are reasonably likely to impair our ability to meet our contractual commitments to clients.

RBC CM and its predecessors has not been the subject of a bankruptcy petition during the past 10 years.