



# RBC Capital Markets' Role in the Global Fixed Income, Currencies, Commodities and Secured Financing Markets

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## Overview

At Royal Bank of Canada, we are dedicated to the highest standards of integrity. We value our relationship with our clients and recognize that we need to earn the right to be your first choice. We believe that the best way to do this is to build long term relationships based on accountability, transparency, and an open two-way dialogue. This notice forms part of our ongoing relationship with you.

The aim of this notice is to provide you with enhanced transparency of the overarching standards and principles that apply to your trading relationship with RBC Capital Markets ("RBCCM")<sup>1</sup> in the fixed income, currencies and commodities ("FICC") and secured financing transaction ("SFT") markets. RBCCM provides a full range of products and services to institutional clients and counterparties, including, but not limited to, transactions in fixed income (rates, credit, futures, and municipal products), currencies ("foreign exchange" or "FX") (spot, forwards, swaps, and options), commodities, repo, reverse repo, total return swaps, and securities lending and borrowing.

The standards and principles outlined in this notice are provided for transparency and information purposes only, and are not intended to modify any applicable laws, regulations or rules ("Applicable Law"), or terms and conditions that govern your trading relationship with RBCCM or that may otherwise be relevant to a specific transaction. Subject to this, such standards and principles shall apply globally to all your FICC and SFT trading activities with RBCCM.

## Principal Trading and Market Making

- In global FICC and SFT markets, RBCCM may engage in price quoting, order taking, trade execution, and other related activities. Unless otherwise agreed, RBCCM engages in these activities as a principal and not as agent. RBCCM may trade prior to, alongside, or following the execution of client transactions and receipt of client requests for quotes or indicative prices. The reasons for such trading may include the execution of other client transactions, hedging or sourcing liquidity for market making purposes, management of RBCCM's risk, or as part of a previously commenced trading strategy. RBCCM and its clients may have divergent or conflicting interests in these activities and RBCCM will take reasonable steps to identify and manage conflicts of interests in accordance with Applicable Law.
- RBCCM's activities may affect a trigger, or the delay or prevention of a trigger, of stop loss orders, barriers, knock-outs, knock-ins, and other similar instruments which are dependent on market movements. RBCCM employs reasonably designed means to avoid undue market impact and to manage resulting conflicts of interest.
- RBCCM may utilize a number of internal and external sources of liquidity in order to provide bids and offers, and to facilitate transactions with clients.
- RBCCM does not act as a fiduciary or an advisor, or in another similar capacity on behalf of its clients, although RBCCM may have certain obligations to its clients under Applicable Law. Any statement provided by RBCCM should not be construed as a recommendation or as investment advice regarding the value or advisability of any trading activity, and is not based on or tailored to a client's particular circumstances or characteristics. A client is expected to evaluate the appropriateness of any transaction based on their own assessment of the transaction's risks and merits and all facts and circumstances in connection therewith, in consultation with its own independent advisers as appropriate.
- During periods of volatile markets, RBCCM endeavours to continue to serve its clients but may not be able to provide the

<sup>1</sup> RBCCM is the global brand name for the capital markets business of Royal Bank of Canada and certain of its subsidiaries.

product offering, level of execution, liquidity, or pricing as would be the case under more normal market conditions. As such, RBCCM is not responsible or liable for the impact that such constraints may present.

### Pre-Hedging

- RBCCM may trade prior to (including immediately before), concurrently with, or after (including immediately after) the execution of client transactions and/or receipt of client requests for quotes or indicative prices. The reasons for such trading may include the execution of other client transactions, hedging, sourcing liquidity for market making purposes, management of RBCCM's risk, or as part of a previously commenced trading strategy. Any of such reasons may conflict with client interests. As noted, RBCCM may choose to pre-hedge a client order or client transaction request to enable RBCCM to provide liquidity, manage its risk, execute client orders and transactions, or for other legitimate business reasons. The aforementioned RBC trades may impact the price of the underlying market and consequently the price of client transactions. In addition, and regardless of how RBCCM chooses to hedge or manage its risk, any profit or loss resulting from that activity will accrue to RBCCM. Such trading will occur in compliance with Applicable Law and any specifically agreed client terms.

### Order and Transaction Management<sup>2</sup>

- Where RBCCM accepts a client order at a price, RBCCM is agreeing to attempt to complete the order as principal for the price requested by the client. RBCCM will use its professional judgment to determine whether the relevant price has been reached, including where a third-party pricing source is a determinant in establishing such price. RBCCM's acceptance of a client order is not a guarantee that RBCCM will be able to complete the transaction at the order price level requested or that a tradeable market exists to execute at that level. RBCCM's ability or willingness to execute such an order may be impacted by a number of factors, including, without limitation, its client exposure, market exposure, and overall market strategy. RBCCM retains discretion regarding the manner in which it may satisfy such orders, which shall be exercised and appropriately timestamped in accordance with Applicable Law. FX orders will be timestamped when they are accepted, and when they are triggered/executed or cancelled.
- RBCCM will decide, at its discretion, whether to work an order, and when and how to execute the order. This includes determining whether to (i) aggregate or net the order with other orders, (ii) execute all or part of the order, and (iii) execute the order electronically or manually (unless we have otherwise expressly agreed to different terms of execution).
- RBCCM will attempt to execute the full size of a client order subject to prevailing market conditions and client instructions. RBCCM will assume that partial fills are acceptable to clients unless mutually agreed otherwise. There may be circumstances where RBCCM is unable to accept a client order or client transaction request. Further, RBCCM's undertaking to work a client order or provide a quote does not create a contract

between the client and RBCCM that commits RBCCM to execute any or all of the order or to execute the client transaction request on the terms provided. Market risk shall only transfer to RBCCM following RBCCM's determination that an order has been filled or a request for quote has been accepted, at which point it will create an agreement between RBCCM and the client on the terms and conditions specified between the parties. Prior to this determination, either party may cancel the order or request for quote subject to any existing arrangements agreed between RBCCM and the client from time to time (provided that any full or partial fill which has already been achieved by RBCCM prior to such cancellation may be effective against the client).

- Where RBCCM provides algorithmic trading services, RBCCM determines internal routing preferences based on various factors including (but not limited to) applicable best execution obligations and ongoing liquidity analysis.

### Pricing

- Unless otherwise notified, RBCCM provides what is commonly referred to as "all-in" pricing for FICC and SFT transactions. Accordingly, unless we notify you otherwise, the price of any FICC or SFT transaction may include what we believe to be a reasonable bid-ask spread and/or a mark-up. Such "all-in" pricing also applies to orders that RBCCM agrees to execute using its discretion (including, but not limited to, "at best" orders and orders executed over a specific period of time).
- RBCCM's pricing is based on a number of factors, including, but not limited to, (i) the type of instrument and transaction involved, (ii) prevailing market conditions, (iii) the accessibility of quotations and other pricing information, (iv) the transparency of the market, (v) RBCCM's rate of return, (vi) hedging and market risk, (vii) credit risk, (viii) operational costs, (ix) applicable regulatory requirements, and (x) other internal and external factors.
- Pricing may vary for different clients for the same or substantially similar transaction. This is for a number of reasons, including, but not limited to (i) the client's trading volumes, (ii) the service provided to the client by the sales team and other support services, (iii) credit quality, and (iv) the client's overall relationship with the RBC group. Execution metrics may be provided at the discretion of RBCCM or where otherwise required by Applicable Law.

### FX Fixing Orders

- On acceptance of an FX fixing order, RBCCM is exposed to market risk to the extent that it must fulfill the client order at whatever price is established by the relevant fix. In order to manage this risk, RBCCM may offset exposures derived from different client fixing orders, or may transact as principal, directly in the relevant market and with other market participants before, during, or after the relevant fixing window, including but not limited to, via matching platforms and using RBCCM's algorithmic execution tools. As a trading participant on a number of trading platforms that provide trading data to the fixing administrators (who utilize such data to calculate the fix price), RBCCM's trading activity during the fixing window may be

<sup>2</sup> RBCCM's SFT business operates solely on a request-for-quote basis

taken into account for such fix price calculation.

- RBCCM's trading activity before and during the relevant fixing window may affect the price of the underlying market and consequently the fix price. RBCCM's trading activity in this period may be at prices different to the relevant fix price and may result in a profit or loss on such trading relative to the relevant fix price. Any profit or loss resulting from that activity will accrue to RBCCM. Any such trading will occur in compliance with Applicable Law.
- RBCCM may apply an FX fixing fee to transact at the fix. This fee will be negotiated bilaterally with clients.
- In the event of the unavailability of a third party pricing source, materially adverse market conditions, or other exceptional circumstances outside of the control of RBCCM, RBCCM reserves the right to either suspend taking FX fixing orders or use an alternative reference price that would be determined at the time of such circumstance. RBCCM will endeavor to notify clients of any such course of action as soon as reasonably practicable.

### Precious Metals Fixing Orders

- On acceptance of a precious metals fixing order, RBCCM is exposed to market risk to the extent that it must fulfill the client order at whatever price is established by the relevant fix. RBCCM will look to manage its market risk by hedging its exposure with third party auction participants. Precious metals fixing orders are filled at the published auction fixing price, plus or minus an execution fee. This fee will be negotiated bilaterally with clients.
- In the event of the unavailability of a third party pricing source, materially adverse market conditions, or other exceptional circumstances outside of the control of RBCCM, RBCCM reserves the right to either suspend taking precious metals fixing orders or use an alternative reference price that would be determined at the time of such circumstance. RBCCM will endeavor to notify clients of any such course of action as soon as reasonably practicable.

### Electronic FX Trading – “Last Look”

- “Last Look” generally describes the FX trade acceptance process in which RBCCM checks message validity, operational validity and credit limits, and compares the rate at which clients are attempting to trade versus the latest price available to RBCCM. Trade requests are then accepted or rejected based on a set of tolerances. All electronic FX trades are subject to a Last Look check. Implementing Last Look functionality can allow RBCCM as a market maker to maintain tighter bid-offer spreads for its clients. Consistent with the FX Global Code, RBCCM does not, during the Last Look window, (i) apply a Last Look hold period, (ii) engage in pre-hedging activity in relation to the relevant trade, or (iii) utilize trade information for trading purposes.
- Unless otherwise agreed, RBCCM will apply “symmetrical last

look” to electronic FX trading. “Symmetrical last look” refers to circumstances where client trade requests are rejected if the requested rate is outside of the deal acceptance parameter threshold, regardless of whether the rate is positive or negative to RBCCM. Clients have the option (upon their prior written consent) to opt-out of “symmetrical last look” and have “asymmetrical last look” applied to their trading. “Asymmetrical last look” refers to circumstances where client trade requests are rejected if the requested rate is outside the deal acceptance parameter threshold and is negative to RBCCM. If the client trade request is outside of the deal acceptance parameter threshold and is positive to RBCCM, then the deal would still be accepted.

### Client Information

- Protecting client information is of fundamental importance to RBCCM. RBCCM has arrangements in place designed to protect and safeguard client information in accordance with Applicable Law.
- RBCCM makes use of certain client information contained in orders, transaction requests, and executed transactions. Subject to the terms in place between RBCCM and a client, and where permitted by Applicable Law, RBCCM may use the economic terms of orders, transaction requests, and executed transactions to manage its risk and to test or source liquidity, as well as to evaluate and implement its risk mitigation strategies and transactions.
- RBCCM may share client information outside the RBC group in accordance with Applicable Law or as otherwise set out in our applicable terms and conditions. RBCCM may also disseminate aggregated and anonymized information regarding transactions and other client processes for certain purposes, including financial reporting, data contribution, and production of market colour.
- RBCCM may share client information within the RBC group for internal purposes, including for client relationship management, risk management, and business management purposes.

### Our Culture of Integrity

- RBCCM is committed to adhering to the highest expected standards of behavior, acting with integrity, and complying with Applicable Law and published industry best practices. We are focused on ensuring that RBCCM continues to act in the trustworthy and responsible manner that our clients have come to expect.
- RBCCM's staff receive regular training on relevant policies and procedures, including Royal Bank of Canada's Code of Conduct (the “Code”). The Code sets out the ethical principles to which all Royal Bank of Canada employees are required to abide by, including how we deal with clients and how we conduct our business. The full text of the Code is available [here](#).

If you have any questions regarding this notice, we encourage you to contact your account representative or [regulatorycommunications@rbccm.com](mailto:regulatorycommunications@rbccm.com). RBCCM believes that the cornerstone of a long-term relationship is an open, two-way dialogue, and we look forward to continuing this with you.

The contents of this notice may be updated from time to time. The latest version of this notice is available on our [Policies, Disclaimers and Disclosures webpage](#).