

# RBC Investor & Treasury Services' Role in the Global Currencies Markets

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## Overview

At Royal Bank of Canada, which includes the entities operating as RBC Investor & Treasury Services (collectively, "RBC I&TS"), 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 I&TS in the currencies markets. RBC I&TS provides a full range of products and services to institutional clients and counterparties, including, but not limited to, transactions in currencies ("foreign exchange" or "FX") (spot, forwards and swaps) directly through our trading desks or, on a standing mandate basis, through standing instructions and/or currency overlay services.

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 RBC I&TS or that may otherwise be relevant to a specific transaction. Subject to this, such standards and principles shall apply globally to all your FX trading activities with RBC I&TS.

## Principal Trading and Market Making

- In global FX markets, RBC I&TS may engage in price quoting, order taking, trade execution, and other related activities. Unless otherwise agreed, RBC I&TS engages in these activities as principal and not as agent.
- RBC I&TS 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 RBC I&TS's risk, or as part of a previously commenced trading strategy. RBC I&TS and its clients may have divergent or conflicting interests in these activities and RBC I&TS will take reasonable steps to identify and manage conflicts of interests in accordance with Applicable Law.
- RBC I&TS' 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. RBC I&TS employs reasonably designed means to avoid undue market impact and to manage resulting conflicts of interest.
- RBC I&TS may utilize a number of internal and external sources of liquidity in order to provide bids and offers, and to facilitate transactions with clients.
- RBC I&TS does not act as a fiduciary or an advisor, or in another similar capacity on behalf of its clients, although RBC I&TS may have certain obligations to its clients under Applicable Law. Any statement provided by RBC I&TS 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, RBC I&TS endeavours to continue to serve its clients but may not be able to provide the product offering, level of execution, liquidity, or pricing as would be the case under more normal market conditions. As such, RBC I&TS is not responsible or liable for the impact that such constraints may present.

### Pre-Hedging

- RBC I&TS 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, sourcing liquidity for market making purposes, management of RBC I&TS's risk, or as part of a previously commenced trading strategy. Any of such reasons may conflict with client interests.
- Additionally, RBC I&TS may choose to pre-hedge a client order or client transaction request to enable RBC I&TS to provide liquidity, manage its risk, execute client orders and transactions, or for other legitimate business reasons. These activities can impact the price of the underlying market and consequently the price of client transactions. In addition, and regardless of how RBC I&TS chooses to hedge or manage its risk, any profit or loss resulting from that activity will accrue to RBC I&TS. Such trading will otherwise occur in compliance with Applicable Law and any specifically agreed client terms.

### Order and Transaction Management

- Where RBC I&TS accepts a client order at a price, RBC I&TS is agreeing to attempt to complete the order as principal for the price requested by the client. RBC I&TS 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.
- RBC I&TS's acceptance of a client order is not a guarantee that RBC I&TS will be able to complete the transaction at the order price level requested or that a tradeable market exists to execute at that level. RBC I&TS' 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.
- RBC I&TS 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.
- Where the trade is a limit order, RBC I&TS distributes it to its affiliate, RBC Capital Markets. RBC Capital Markets will use its professional judgment to determine whether a limit has been reached, including where a third-party pricing source is a determinant in establishing this reference price. There may be circumstances where RBC I&TS is unable to accept limit orders.
- Unless we have otherwise expressly agreed to different terms of execution, RBC I&TS 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.
- RBC I&TS will attempt to execute the full size of a client order subject to prevailing market conditions and client instructions.
- RBC I&TS will assume that partial fills are acceptable to clients unless mutually agreed otherwise.
- As noted above, whenever a client seeks to enter into a transaction, RBC I&TS may enter into transactions in relevant or related instruments for its own account and access internal and external sources of liquidity to facilitate the execution of the client transaction.
- There may be circumstances where RBC I&TS is unable to accept a client order or client

transaction request. Further, RBC I&TS' undertaking to work a client order or provide a quote does not create a contract between the client and RBC I&TS that commits RBC I&TS 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 RBC I&TS following RBC I&TS'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 RBC I&TS 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 RBC I&TS and the client from time to time (provided that any full or partial fill which has already been achieved by RBC I&TS prior to such cancellation will be effective against the client).

## Pricing

- Unless otherwise notified, RBC I&TS provides what is commonly referred to as “all-in” pricing for FX transactions. Accordingly, the price of any FX 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 RBC I&TS agrees to execute using its discretion (including, but not limited to, “at best” orders and orders executed over a specific period of time).
- RBC I&TS' 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) RBC I&TS'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 RBC I&TS or where otherwise required by Applicable Law.

## FX Fixing Orders

- Where RBC I&TS accepts a fixing order, RBC I&TS is agreeing to fulfill the client order at the rate established by the fix. RBC I&TS aggregates client orders and distributes them to external market counterparties or its affiliate, RBC Capital Markets, to execute at the published fix rate. To facilitate this, RBC I&TS has established a deadline of 30 minutes prior to the hour by which time all client fixing orders must be received in order for clients to be assured of receiving the relevant fix rate plus the pre-agreed margin. In the distribution of these fixing orders, RBC I&TS commits to executing these trades at the published fix rate. Post-execution, the external counterparties confirm the fix rate to RBC I&TS, and RBC I&TS confirms both the market fix rate and all-in rate back to the client.
- For orders receive directly from clients and not through standing orders or other agreements, 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 RBC I&TS, RBC I&TS 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. RBC I&TS 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 RBC I&TS 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 RBC I&TS. 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 RBC I&TS as a market maker to maintain tighter bid-offer spreads for its clients. Consistent with the FX Global Code, RBC I&TS 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 transaction request, or (iii) utilize trade information for trading purposes.

- Unless otherwise agreed, RBC I&TS 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 RBC I&TS.

#### Client Information

- Protecting client information is of fundamental importance to RBC I&TS. RBC I&TS has arrangements in place designed to protect and safeguard client information in accordance with Applicable Law.
- RBC I&TS makes use of certain client information contained in orders, transaction requests, and executed transactions. Subject to the terms in place between RBC I&TS and a client, and where permitted by Applicable Law, RBC I&TS 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.
- RBC I&TS may share client information outside the RBC group in accordance with Applicable Law or as otherwise set out in our applicable terms and conditions. RBC I&TS 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.
- RBC I&TS 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

- RBC I&TS 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 RBC I&TS continues to act in the trustworthy and responsible manner that our clients have come to expect.
- RBC I&TS’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 client manager. RBC I&TS 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. This notice is available at <https://www.rbcits.com/assets/rbcits/docs/disclaimers/rbc-its-fx-disclosure-notice.pdf>