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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief from registration and prospectus requirements for securities underlying trust units being qualified by prospectus – underlying securities to be issued by another issuer – relief granted for first trades of underlying securities, subject to certain conditions

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 34(1)(a), 48, 61 and 76

**IN THE MATTER OF THE SECURITIES LEGISLATION OF NOVA
SCOTIA, BRITISH COLUMBIA, MANITOBA, NEWFOUNDLAND AND
LABRADOR, PRINCE EDWARD ISLAND AND NEW BRUNSWICK**

AND

**IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS**

AND

**IN THE MATTER OF ROYAL BANK OF CANADA AND RBC CAPITAL
TRUST II**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of Nova Scotia, British Columbia, Manitoba, Newfoundland and Labrador, Prince Edward Island and New Brunswick (collectively, the “Jurisdictions”) has received an application (the “Application”) on behalf of Royal Bank of Canada (the “Bank”) and RBC Capital Trust II (the “Trust”) for a decision pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that certain trades in securities of the Bank are exempt from the dealer registration requirement and the prospectus requirement, subject to certain conditions;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the Nova Scotia Securities Commission is the principal regulator for the Application;

AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

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AND WHEREAS the Bank and the Trust have represented to the Decision Makers that:

1. The Trust is an open-end trust established under the laws of Ontario by The Royal Trust Company (the “Trustee”), as trustee, pursuant to a declaration of trust made as of June 23, 2003, which shall be amended and restated prior to the completion of the Offering (as defined below) (as so amended and restated, the “Declaration of Trust”). The Trust has its head office in Ontario.
2. Following completion of the Offering, the authorized capital of the Trust will consist of an unlimited number of (i) Special Trust Securities (the “Special Trust Securities”); and (ii) Trust Capital Securities – Series 2013 (the “RBC TruCS – Series 2013”). The Special Trust Securities and the RBC TruCS – Series 2013 are collectively referred to herein as the “Trust Securities”.
3. The Trust was established solely for the purpose of effecting the Offering and possible future offerings of securities in order to provide the Bank with a cost effective means of raising capital for Canadian financial institutions regulatory purposes by means of: (i) creating and selling the Trust Securities; and (ii) acquiring and holding assets, which, on completion of the Offering, will consist primarily of a senior deposit note issued by the Bank (the “Bank Deposit Note”) to be acquired by the Trust with the proceeds of the Offering. The Bank Deposit Note will generate income for distribution to holders of the Trust Securities. The Trust is a special purpose vehicle that has no independent business activities other than to acquire and hold the Bank Deposit Note for the purpose of generating income for distribution to holders of the Trust Securities.
4. Subject to regulatory approval, the RBC TruCS – Series 2013 will qualify as Tier 1 Capital of the Bank.
5. The Bank is a bank under the *Bank Act* (Canada) and such act is its charter and governs its operations. The Bank has its head office in Quebec.
6. The Bank is a reporting issuer or the equivalent in each of the provinces and territories of Canada that provides for a reporting issuer regime and is not in default of any reporting requirement under the Legislation.
7. The authorized share capital of the Bank consists of an unlimited number of (i) common shares (the “Bank Common Shares”); and (ii) First Preferred Shares and Second Preferred Shares (the “Bank Preferred Shares”), issuable in series.

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8. The Bank Common Shares are listed for trading on The Toronto Stock Exchange, the New York Stock Exchange and the Swiss Exchange.
9. The Trust proposes to issue and Sell to investors pursuant to a final prospectus (the “Prospectus”) transferable trust units, being the RBC TruCS – Series 2013 (the “Offering”), to be issued at a price of \$1,000 per RBC TruCS – Series 2013.
10. Pursuant to the terms of the RBC TruCS – Series 2013 and a Share Exchange Agreement (the “Share Exchange Agreement”) to be entered into among the Bank, the Trust and CIBC Mellon Trust Company acting as exchange trustee, the RBC TruCS – Series 2013 may be exchanged, at the option of the holders of RBC TruCS – Series 2013 (the “Holder Exchange Right”) for First Preferred Shares Series U of the Bank (the “First Preferred Shares Series U”). The RBC TruCS – Series 2013 will be automatically exchanged, without the consent of the holder, for First Preferred Shares Series T of the Bank (the “First Preferred Shares Series T”) upon the occurrence of certain stated events relating to the solvency of the Bank or actions taken by the Superintendent of Financial Institutions (the “Superintendent”) in respect of the Bank (the “Automatic Exchange”). The First Preferred Shares Series U and T are collectively referred to herein as the “Bank Exchange Preferred Shares”.
11. The Bank Deposit Note will be convertible at any time at the option of the holder into First Preferred Shares Series U (such right of conversion being referred to herein as the “Conversion Right”), exercisable by the Trust in circumstances in which holders of RBC TruCS – Series 2013 exercise the Holder Exchange Right, to enable the Trust to satisfy its obligation to deliver First Preferred Shares Series U to holders of RBC TruCS – Series 2013 in connection with the Holder Exchange Right.
12. Pursuant to the Share Exchange Agreement, the Bank will grant to the Trust the right to subscribe (the “Subscription Right”) for Bank Exchange Preferred Shares of the appropriate series in order to enable the Trust to redeem the RBC TruCS – Series 2013 (if any remain outstanding) in circumstances (i) where the Holder Exchange Right is exercised following maturity of the Bank Deposit Note (in which case, the Trust would not have the benefit of the Conversion Right), or (ii) where the Automatic Exchange is triggered and, for any reason, does not result in the exchange of all of the RBC TruCS – Series 2013 for First Preferred Shares Series T.
13. The Holder Exchange Right will be effected through the conversion by the Trust of the corresponding principal amount of the Bank Deposit Note into First Preferred Shares Series U, or the acquisition by the Trust of such shares

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through the exercise of the Subscription Right. Holders of RBC TruCS – Series 2013 exercising the Holder Exchange Right will, upon surrendering the RBC TruCS – Series 2013 to be exchanged, receive from the Trust 40 First Preferred Shares Series U in respect of each RBC TruCS – Series 2013 so exchanged and the RBC TruCS – Series 2013 surrendered for exchange will be cancelled.

14. The Automatic Exchange will be effected through the terms of the Share Exchange Agreement and the Declaration of Trust. As of the time of the exchange, each holder of RBC TruCS – Series 2013 shall be deemed to have exchanged and transferred to the Bank all of such holder's right, title and interest in and to its RBC TruCS – Series 2013 in exchange for 40 First Preferred Shares Series T for each RBC TruCS – Series 2013 and: (i) such holder shall cease to be a holder of any RBC TruCS – Series 2013; (ii) all rights of such holder as a securityholder of the Trust will cease; and (iii) such person shall therefrom be deemed to be and shall be for all purposes a holder of First Preferred Shares Series T. If, for any reason, the Automatic Exchange does not result in the exchange of all outstanding RBC TruCS – Series 2013 for First Preferred Shares Series T, the Automatic Exchange will be effected through the exercise by the Trust of the Subscription Right pursuant to which the Trust will acquire First Preferred Shares Series T and the Trust will subsequently redeem each RBC TruCS – Series 2013 not so exchanged for 40 First Preferred Shares Series T.
15. The terms of the Bank Exchange Preferred Shares provide that the Bank Exchange Preferred Shares are convertible at the option of the holder into Bank Common Shares at certain times and in certain circumstances, except where an event giving rise to the Automatic Exchange in respect of the RBC TruCS – Series 2013 has occurred and is continuing (the "Bank Common Share Conversion Right"). The Bank Exchange Preferred Shares are not convertible into Bank Common Shares until June 30, 2014.
16. In addition, the Bank may redeem the Bank Exchange Preferred Shares and pay the redemption price thereof by delivering cash or Bank Common Shares to holders of redeemed Bank Exchange Preferred Shares (the entitlement of the Bank to issue Bank Common Shares for such purpose being the "Bank Preferred Share Redemption Right"). The Bank Exchange Preferred Shares are not redeemable until December 31, 2008, subject to Superintendent approval and certain other terms and conditions.
17. In addition to qualifying the RBC TruCS – Series 2013 for distribution, the Prospectus will also qualify the Holder Exchange Right, the Automatic Exchange, the Conversion Right, the Subscription Right, the Bank Preferred

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Share Redemption Right and the Bank Common Share Conversion Right (collectively, the “Conversion and Exchange Rights”). Information concerning the Trust and the Bank will be included, or incorporated by reference, in the Prospectus.

18. There may be no registration or prospectus exemptions available under the Legislation for certain of the trades contemplated by the Conversion and Exchange Rights (the “Trades”).

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each of the Decision Makers (collectively, the “Decision”);

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the dealer registration requirement and the prospectus requirement shall not apply to the Trades provided that the first trade in Bank Exchange Preferred Shares and Bank Common Shares acquired pursuant to the Decision, other than a trade by the Trust or the Bank pursuant to the Conversion and Exchange Rights, shall be deemed to be a distribution or a primary distribution to the public under the Legislation of the Jurisdiction in which the trade takes place (the “Applicable Legislation”) unless:

- (a) the Bank has filed and obtained a receipt for the Prospectus under the Applicable Legislation;
- (b) the Bank is a reporting issuer or the equivalent under the Applicable Legislation at the time of the trade, to the extent that the Applicable Legislation provides a reporting issuer regime; and
- (c) the trade is not a control distribution as defined in Multilateral Instrument 45-102 Resale of Securities.

DATED this 16th day of July, 2003.

H. Leslie O’Brien