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Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from certain continuous disclosure requirements granted to a trust, subject to certain conditions - security holder's return depends on the financial condition of the bank and not that of the trust - trust offered trust units to the public in order to provide the parent company with a cost-effective means of raising capital for Canadian bank regulatory purposes

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 91(1) and 119(2)

Securities Rules, B.C. Reg. 194/97, ss. 144, 145, 149 and 184

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUEBEC, NOVA SCOTIA AND NEWFOUNDLAND AND LABRADOR

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", and collectively the "Decision Makers") in each of the Provinces of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Nova Scotia and Newfoundland and Labrador (the "Jurisdictions") has received an application (the "Application") from 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 the requirements contained in the Legislation to:

- (a) file interim financial statements and audited annual financial statements (collectively, "Financial Statements") with the Decision Makers and deliver such statements to the security holders of the Trust;

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- (b) make an annual filing (an “Annual Filing”) with the Decision Makers in lieu of filing an information circular, where applicable;
- (c) file an annual report (an “Annual Report”) and an information circular with the Decision Maker in Quebec and deliver such report or information circular to the security holders of the Trust resident in Quebec; and
- (d) file an annual information form (“AIF”) and annual management’s discussion and analysis (“MD&A”) of the financial condition and results of operation of the Trust with the Decision Makers in Ontario, Saskatchewan and Quebec, an interim MD&A in Ontario and Saskatchewan and send such MD&A to security holders of the Trust, where applicable (collectively the “AIF and MD&A Requirements”);

shall not apply to the Trust, subject to certain terms and conditions;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the System), the Ontario Securities Commission is the Principal Regulator for this application;

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

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

The Bank

1. The Bank is a Schedule I bank under the *Bank Act* (Canada) and such act is its charter and governs its operations.
2. The authorized share capital of the Bank consists of an unlimited number of:
 - (i) common shares (“Bank Common Shares”); and
 - (ii) an unlimited number of First Preferred Shares and Second Preferred Shares (the “Bank Preferred Shares”).
3. The Bank Common Shares are listed on the Toronto Stock Exchange, the New York Stock Exchange and the Swiss Exchange.
4. The Bank is a reporting issuer in each province and territory of Canada that provides for a reporting issuer regime and is not, to its knowledge, in default

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of any requirement thereof. The Bank is qualified to use the short form prospectus system provided under National Instrument 44-101.

The Trust

5. The Trust is an open-end trust established under the laws of the Province of Ontario pursuant to a declaration of trust made as of June 23, 2003 of The Royal Trust Company (the “Trustee”), 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”). Upon completion of the Offering, the authorized capital of the Trust will consist of: (i) an unlimited number of Trust Capital Securities – Series 2013 (the “RBC TruCS - Series 2013”); and (ii) an unlimited number of Special Trust Securities. Following the issuance of a MRRS Decision Document evidencing receipts for the final prospectus (the “Prospectus”) in respect of the proposed public offering of RBC TruCS – Series 2013 (the “Offering”), the Trust will be a reporting issuer in each of the provinces of Canada that provides for a reporting issuer regime (or the equivalent).
6. Following completion of the Offering, the RBC TruCS – Series 2013 distributed pursuant to the Prospectus will be held by the public (although the Offering will be marketed only to institutional investors) and all outstanding Special Trust Securities will be held by the Bank (the Special Trust Securities and the RBC TruCS – Series 2013 being collectively referred to herein as the “Trust Securities”). The Trust may, from time to time, issue further series of trust capital securities of the Trust (the “Trust Capital Securities”) having terms substantially similar to the RBC TruCS – Series 2013.
7. The RBC TruCS – Series 2013 are non-voting securities of the Trust (except in limited circumstances where holders can vote if changes to the terms of the RBC TruCS – Series 2013 are made), which have the attributes described below under “Details of the Offering”. The Special Trust Securities are voting securities of the Trust.
8. 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 does not and will not carry on any operating

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activity other than in connection with the offering of the RBC TruCS – Series 2013 and any future offerings.

RBC TruCS - Series 2013

9. Holders of RBC TruCS - Series 2013 will be entitled to receive fixed, semi-annual non-cumulative distributions (each, an “Indicated Yield”) on the basis described below (the “Distributions”). Each semi-annual payment date for the Indicated Yield in respect of the RBC TruCS - Series 2013 (a “Distribution Date”) will be either a Regular Distribution Date or a Distribution Diversion Date. A Distribution Date will be a “Distribution Diversion Date”, with the result that the Indicated Yield will not be paid in respect of the RBC TruCS - Series 2013 but, instead, the Trust will pay the net distributable funds of the Trust to the Bank as holder of the Special Trust Securities, if: (i) the Bank has failed in the period described in the Prospectus to declare regular dividends on the Bank Preferred Shares of any series, or (ii) if no Bank Preferred Shares are then outstanding and the Bank has failed in the period described in the Prospectus to declare regular dividends on the Bank Common Shares. In all other cases, a Distribution Date will be a Regular Distribution Date, in which case holders of RBC TruCS - Series 2013 will be entitled to receive the Indicated Yield and the Bank as holder of the Special Trust Securities will be entitled to receive the net distributable income, if any, of the Trust remaining after payment of the Indicated Yield. The Bank Preferred Shares and Bank Common Shares are hereinafter referred to as the “Bank Dividend Restricted Shares”.
10. Under a Share Exchange Agreement entered into among the Bank, the Trust and a party acting as Exchange Trustee (the “Share Exchange Agreement”), the Bank has agreed, for the benefit of the holders of RBC TruCS - Series 2013, that in the event that the Trust fails on any Regular Distribution Date to pay the Indicated Yield on the RBC TruCS - Series 2013 in full, the Bank will not pay dividends on the Bank Dividend Restricted Shares until a specified period of time has elapsed, unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to holders of RBC TruCS - Series 2013. Accordingly, it is in the interest of the Bank to ensure, to the extent within its control, that the Trust complies with its obligation to pay the Indicated Yield on each Regular Distribution Date.
11. Pursuant to the terms of the RBC TruCS - Series 2013 and the Share Exchange Agreement, the RBC TruCS - Series 2013 may be exchanged, at the option of the holders of RBC TruCS - Series 2013, for newly issued First Preferred Shares Series U. The RBC TruCS - Series 2013 will be automatically exchanged, without the consent of the holder, for newly issued First Preferred

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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 in respect of the Bank (the “Automatic Exchange”).

12. The terms of the First Preferred Shares Series U and Series T provide, among other things, that such shares are convertible at the option of the holder into Bank Common Shares at certain times and in certain circumstances, but in any event the First Preferred Shares Series U and Series T are not convertible into Bank Common Shares until June 30, 2013. This exchange right is not operative at any time that an event giving rise to the Automatic Exchange in respect of the RBC TruCS - Series 2013 has occurred and is continuing.
13. The Trust may, subject to regulatory approval, on June 30, 2008 and on any Distribution Date thereafter, redeem the RBC TruCS - Series 2013. The price payable in respect of any such redemption will include an early redemption compensation component (such price being the “Early Redemption Price”) in the event of a redemption of RBC TruCS - Series 2013 prior to June 30, 2013 (the “Early Redemption Date”). The price payable in all other cases will be \$1,000 per RBC TruCS - Series 2013 together with any unpaid Indicated Yield thereon (the “Redemption Price”).
14. Upon the occurrence of certain regulatory or tax events affecting the Bank or the Trust, the Trust may, subject to regulatory approval, redeem at any time all but not less than all of the RBC TruCS - Series 2013 at the Early Redemption Price (if the RBC TruCS - Series 2013 are redeemed prior to the Early Redemption Date) and at the Redemption Price (if the RBC TruCS - Series 2013 are redeemed on or after the Early Redemption Date).
15. The Bank has covenanted, under the Share Exchange Agreement, that the Bank will maintain direct ownership of 100% of the outstanding Special Trust Securities. As a result, the financial results of the Trust will be consolidated with those of the Bank. Subject to regulatory approval, the RBC TruCS - Series 2013 constitute Tier 1 Capital of the Bank.
16. As long as any RBC TruCS - Series 2013 are outstanding and are held by any person other than the Bank, the Trust may only be terminated with the approval of the Bank as holder of the Special Trust Securities and with the approval of the Superintendent: (i) upon the occurrence of a Special Event (as defined in the Prospectus) prior to June 30, 2008; or (ii) for any reason on June 30, 2008 or any Distribution Date thereafter. Holders of each series of outstanding Trust Securities will rank *pari passu* in the distribution of the property of the Trust in the event of a termination of the Trust, after the discharge of any creditor claims. As long as any RBC TruCS - Series 2013

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are outstanding and held by any person other than the Bank, the Bank will not approve the termination of the Trust unless the Trust has sufficient funds to pay the Early Redemption Price in the case of a termination prior to the Early Redemption Date, or the Redemption Price in the case of a termination at any other time.

17. As set forth in the Declaration of Trust, the RBC TruCS - Series 2013 are non-voting except in limited circumstances and Special Trust Securities entitle the holders to vote.
18. Except to the extent that the Distributions are payable to RBC TruCS - Series 2013 holders, and other than in the event of termination of the Trust (as set forth in the Declaration of Trust), RBC TruCS - Series 2013 holders have no claim or entitlement to the income of the Trust or the assets held by the Trust.
19. Pursuant to an Administration Agreement entered into between the Trustee and the Bank, the Trustee has delegated to the Bank certain of its obligations in relation to the administration of the Trust. The Bank, as administrative agent, will provide advice and counsel with respect to the administration of the day-to-day operations of the Trust and other matters as may be requested by the Trustee from time to time.
20. The Trust has not requested relief for the purposes of filing a short form prospectus pursuant to National Instrument 44-101 *Short Form Prospectus Distributions* (NI44-101) (including, without limitation, any relief that would allow the Trust to use the Bank's AIF as a current AIF of the Trust) and no such relief is provided by this Decision Document from any of the requirements of NI44-101.
21. The Trust may, from time to time, issue further series of Trust Capital Securities, the proceeds of which would be used to acquire additional deposit notes from the Bank.
22. Because of the terms of the RBC TruCS - Series 2013, the Share Exchange Agreement and the various covenants of the Bank, information about the affairs and financial performance of the Bank, as opposed to that of the Trust, is meaningful to holders of RBC TruCS - Series 2013. The Bank's filings and the delivery of the same material delivered to shareholders of the Bank will provide holders of RBC TruCS - Series 2013 and the general investing public with all information required in order to make an informed decision relating to an investment in RBC TruCS - Series 2013. Information regarding the Bank is relevant both to an investor's expectation of being paid the Indicated Yield

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on the RBC TruCS - Series 2013 as well as the return of the investor's principal.

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

AND WHEREAS the Decision Makers are satisfied that the tests contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision have been met;

THE DECISION of the Decision Makers under the Legislation is that the requirement contained in the Legislation:

- (a) to file Financial Statements with the Decision Makers and deliver such statements to holders of Trust Securities;
- (b) to make an Annual Filing, where applicable, with the Decision Makers in lieu of filing an information circular; and
- (c) to file an Annual Report and an information circular with the Decision Maker in Quebec and deliver such report or information circular to holders of Trust Securities resident in Quebec;

shall not apply to the Trust for so long as:

- (i) the Bank remains a reporting issuer under the Legislation;
- (ii) the Bank files with the Decision Makers, in electronic format under the Trust's SEDAR profile, the documents listed in clauses (a) to (c) above of this Decision, at the same time as they are required under the Legislation to be filed by the Bank;
- (iii) the Trust pays all filing fees that would otherwise be payable by the Trust in connection with the filing of the documents referred to in clauses (a) to (c) above of this Decision;
- (iv) the Bank sends its Financial Statements and Annual Filing, where applicable, to holders of Trust Securities and its Annual Report to holders of Trust Securities resident in the Province of Quebec at the same time and in the same manner as if the holders of Trust Securities were holders of the Bank Common Shares;

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- (v) all outstanding securities of the Trust are either Trust Capital Securities or Special Trust Securities;
- (vi) the rights and obligations (other than the economic terms thereof) of holders of additional series of Trust Capital Securities are the same in all material respects as the rights and obligations of the holders of RBC TruCS - Series 2013 at the date hereof; and
- (vii) the Bank is the beneficial owner of all Special Trust Securities,

and provided that this Decision shall expire 30 days after the date a material adverse change occurs in the affairs of the Trust.

Dated: August 18, 2003

P.M. Moore

R.L. Shirriff

AND THE FURTHER DECISION of the Decision Makers in Ontario, Saskatchewan and Quebec is that the AIF and MD&A Requirements shall not apply to the Trust for so long as:

- (i) the conditions set out in clause (i), (v), (vi) and (vii) of the Decision above are complied with;
- (ii) the Bank files its AIF and its annual and interim MD&A with the Decision Makers, as applicable, in electronic format under the Trust's SEDAR profile at the same time as they are required under the Legislation to be filed by the Bank;
- (iii) the Trust pays all filing fees that would otherwise be payable by the Trust in connection with the filing of the documents referred to in clauses (a) to (c) above of this Decision;
- (iv) the Bank sends its annual and interim MD&A and its AIF, as applicable, to holders of Trust Securities at the same time and in the same manner as if the holders of Trust Securities were holders of Bank Common Shares;

and provided that this Decision shall expire 30 days after the date a material adverse change occurs in the affairs of the Trust.

Dated: August 18, 2003

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Cameron McInnis