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April 6, 2005

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 51-102, s. 13.1 *Continuous Disclosure Obligations* - An issuer wants relief from the requirement to file an annual information form - The issuer is a trust; the issuer's security holders receive fixed distributions guaranteed by a bank, trust company or insurance company; the continuous disclosure materials of the guarantor will be filed and provided to security holders of the trust

Applicable British Columbia Provisions

National Instrument 51-102 *Continuous Disclosure Obligations*, Part 6 and s. 13.1

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Manitoba, Nova Scotia,
Newfoundland and Labrador, Yukon, and Nunavut
(the Jurisdictions)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of
Royal Bank of Canada (the Bank) and RBC Capital Trust (the Trust, and
collectively with the Bank, the Filer)

MRRS Decision Document

Background

¶ 1 The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) that:

- the requirement under the Legislation to prepare and file an annual information form (an AIF) shall not apply to the Trust for financial years

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ending on or after December 31, 2004 (the Requested Relief), subject to certain terms and conditions.

Under the Mutual Reliance Review System (MRRS) for Exemptive Relief Applications

- (a) the British Columbia Securities Commission is the principal regulator for this application, and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 Definitions have the same meaning in this decision unless they are defined in this decision.

Representations

The decision is based on the following facts represented by the Filer:

Royal Bank of Canada

1. the Bank is a Schedule 1 Canadian chartered bank incorporated under the *Bank Act* (Canada) (the Bank Act) and such act is its charter and governs its operations;
2. the authorized capital of the Bank consists of an unlimited number of common shares (Bank Common Shares) and an unlimited number of first preferred shares (First Preferred Shares) and second preferred shares. As at February 28, 2005, 645,319,156 Bank Common Shares, 12,000,000 First Preferred Shares, Series N, 6,000,000 First Preferred Shares, Series O, 4,000,000 First Preferred Shares, Series P, 10,000,000 First Preferred Shares, Series S and 12,000,000 First Preferred Shares, Series W were outstanding;
3. the Bank Common Shares are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange and the Swiss Exchange; the Bank is a reporting issuer under the Legislation and is not in default of any requirement of the Legislation;

RBC Capital Trust

4. the Trust is a closed-ended trust established under the laws of the Province of Ontario by The Royal Trust Company (Royal Trust), as trustee, pursuant to an amended and restated declaration of trust made as of July 24, 2000 (the Declaration of Trust);
5. the beneficial interests of the Trust are divided into two classes of units, issuable in series, designated as Trust Capital Securities (RBC TruCS) and

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Special Trust Securities (Special Trust Securities and, collectively with RBC TruCS, Trust Securities);

6. the Trust was established solely for the purpose of effecting the Offerings (as defined below) and possible future offerings of securities in order to provide the Bank with a cost effective means of raising capital for Canadian bank regulatory purposes; the Trust does not and will not carry on any operating activity other than in connection with the Offerings and any future offerings;
7. the Trust is a reporting issuer under the Legislation and is not in default of any requirement of the Legislation;

RBC TruCS

8. the Trust distributed 650,000 Trust Capital Securities - Series 2010 (RBC TruCS - Series 2010) in all provinces and territories of Canada under a long form prospectus (the July Prospectus) dated July 17, 2000 (the First Offering); the July Prospectus also qualified certain other related securities for distribution, including the July Holder Exchange Right and the Automatic Exchange Right (both as defined below);
9. the Trust issued and sold 750,000 Trust Capital Securities - Series 2011 (RBC TruCS - Series 2011) in all provinces and territories of Canada under a long form prospectus (the November Prospectus) dated November 29, 2000 (the Second Offering); the November Prospectus also qualified certain other related securities for distribution, including the November Holder Exchange Right and the Automatic Exchange Right (both as defined below); the First Offering and the Second Offering are collectively referred to as the Offerings;
10. the RBC TruCS - Series 2010 and the RBC TruCS - Series 2011 are listed and posted for trading on the TSX;
11. the Trust also issued and sold an aggregate of 336,000 Special Trust Securities to the Bank in connection with the Offerings;
12. the business objective of the Trust is to acquire and hold assets (Trust Assets) primarily from the Bank or its affiliates which may consist of: (a) undivided co-ownership interests in one or more pools of Canada Mortgage and Housing Corporation (CMHC) insured first mortgages on residential property situated in Canada; (b) certain mortgage-backed securities; (c) CMHC - insured first mortgages on residential property; and (d) to the extent that the proceeds of the assets of the Trust are not invested in the assets referred to above in (a), (b) or (c), money and certain debt obligations that are qualified investments under

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the *Income Tax Act* (Canada) for trusts governed by certain deferred income plans;

13. subject to paragraph 14, each RBC TruCS - Series 2010 and RBC TruCS - Series 2011 entitles the holder (RBC TruCS Holders) to receive a fixed cash distribution (a Distribution) payable by the Trust on the last day of June and December of each year (each such day, a Distribution Date and each period from and including the Distribution Date to but excluding the next Distribution Date (a Distribution Period));
14. RBC TruCS Holders are not entitled to receive Distributions in respect of a particular Distribution Date if the Bank has not declared regular cash dividends on its preferred shares or, if no such shares are then outstanding, on the Bank Common Shares (in accordance with the Bank's ordinary dividend practice in effect from time to time) in the most recent month in which the Bank ordinarily declares dividends from time to time in respect of such shares occurring prior to the commencement of the Distribution Period ended on such Distribution Date;
15. the Bank has covenanted, pursuant to the July and November Bank Share Exchange Agreements (as defined below) that, if on the Distribution Date the Trust fails to pay in full Distributions on the RBC TruCS - Series 2010 or RBC TruCS - Series 2011 to which the RBC TruCS Holders are entitled, the Bank will not declare dividends of any kind on its preferred shares until a specific period of time has elapsed from the Distribution Date;
16. upon the occurrence of certain adverse tax events or events relating to the treatment of RBC TruCS for capital purposes prior to December 31, 2005, RBC TruCS Series - 2010 and RBC TruCS - Series 2011 will be redeemable, at the option of the Trust and with the approval of the Superintendent of Financial Institutions (Canada) (the Superintendent), in whole (but not in part) for a cash amount;
17. on December 31, 2005 and on any subsequent Distribution Date, the RBC TruCS - Series 2010 and RBC TruCS - Series 2011 will be redeemable in whole (but not in part) for a cash amount, at the option of the Trust and subject to the approval of the Superintendent;
18. on December 31, 2010, and on any subsequent Distribution Date, each RBC TruCS - Series 2010 will be exchangeable (the July Holder Exchange Right), at the option of the holder (RBC TruCS - Series 2010 Holders), for forty non-cumulative redeemable first preferred shares, Series Q of the Bank (Preferred Shares Series Q), in accordance with the terms set forth in a Bank Share

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Exchange Trust Agreement made as of July 24, 2000, (the July Bank Share Exchange Agreement) between the Bank, the Trust and Royal Trust, as trustee for the RBC TruCS - Series 2010 Holders;

19. on December 31, 2011, and on any subsequent Distribution Date, each RBC TruCS - Series 2011 will be exchangeable (the November Holder Exchange Right), at the option of the holder (the RBC TruCS - Series 2011 Holders), for forty non-cumulative redeemable first preferred shares, Series R of the Bank (Preferred Shares Series R), in accordance with the terms set forth in a Bank Share Exchange Trust Agreement made as of December 6, 2000, (the November Bank Share Exchange Agreement) between the Bank, the Trust and Royal Trust, as trustee for the RBC TruCS - Series 2011 Holders;
20. each RBC TruCS will be automatically exchanged (the Automatic Exchange Right) without the consent of the holder, for forty Preferred Shares Series Q in the case of each RBC TruCS - Series 2010 and forty Preferred Shares Series R in the case of each RBC TruCS - Series 2011 if: (i) an application for a winding-up order in respect of the Bank pursuant to the Winding-up and Restructuring Act (Canada) is filed by the Attorney General of Canada or a winding-up order in respect of the Bank pursuant to that Act is granted by a court; (ii) the Superintendent has taken control of the Bank or its assets pursuant to the Bank Act; (iii) the Superintendent advises the Bank in writing that the Superintendent is of the opinion that the Bank has a risk-based Tier 1 Capital ratio of less than 5.0% or a risk-based total Capital ratio of less than 8.0%; or (iv) the Superintendent directs the Bank pursuant to the Bank Act to increase its capital or to provide additional liquidity and the Bank elects to cause the exchange as a consequence of the issuance of such direction or the Bank does not comply with such direction to the satisfaction of the Superintendent within the time specified in such direction;
21. the Preferred Shares Series Q and the Preferred Shares Series R will be convertible after specified dates, at the option of the Bank and subject to regulatory approvals, into Bank Common Shares;
22. beginning on December 31, 2010, and on each subsequent Distribution Date, the Preferred Shares Series Q will be convertible, at the option of the holder, into Bank Common Shares, except under certain circumstances;
23. beginning on December 31, 2011, and on each subsequent Distribution Date, the Preferred Shares Series R will be convertible, at the option of the holder, into Bank Common Shares, except under certain circumstances;

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24. as set forth in the Declaration of Trust, RBC TruCS are non-voting except in certain limited circumstances and Special Trust Securities entitle the holders to vote;
25. except to the extent that Distributions are payable to RBC TruCS Holders and, other than in the event of termination of the Trust (as set forth in the Declaration of Trust), RBC TruCS Holders have no claim or entitlement to the income of the Trust or the Trust Assets;
26. in certain circumstances (as described in paragraph 20 above), including at a time when the Bank's financial condition is deteriorating or proceedings for the winding-up of the Bank have been commenced, the RBC TruCS Series 2010 or RBC TruCS Series 2011 will be automatically exchanged for preferred shares of the Bank without the consent of RBC TruCS Holders; as a result, RBC TruCS Holders will have no claim or entitlement to the Trust Assets, other than indirectly in their capacity as preferred shareholders of the Bank;
27. RBC TruCS Holders may not take any action to terminate the Trust;
28. disclosure with respect to the Trust is provided in a note to the Bank's audited annual financial statements and the Bank's Financial Statements are sent to holders of RBC TruCS at the same time and in the same manner as if the holders of RBC TruCS were holders of Bank Common Shares;
29. by an MRRS Decision Document dated May 8, 2001 (the Previous Decision), the Trust is exempt from certain continuous disclosure requirements of the Legislation, subject to certain conditions;
30. since the date of the Previous Decision, the Trust has become subject to the requirement contained in National Instrument 51-102 *Continuous Disclosure Obligations* to prepare and file an AIF, which requirement did not exist in the Jurisdictions at the time the Previous Decision was issued.

Decision

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, effective March 31, 2005, the Requested Relief is granted, for so long as:

- (a) the Bank remains a reporting issuer under the Legislation;

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- (b) the Bank prepares and files an AIF with each of the Decision Makers under the Legislation on an annual basis;
- (c) all outstanding securities of the Trust are either RBC TruCS or Special Trust Securities;
- (d) the rights and obligations of holders of additional RBC TruCS are the same in all material respects as the rights and obligations of the holders of RBC TruCS at the date hereof;
- (e) the Bank or its affiliates are the beneficial owners of all Special Trust Securities;

and provided that if a material change occurs in the affairs of the Trust, this Order shall expire 30 days after the date of such change.

Martin Eady, CA
Director, Corporate Finance
British Columbia Securities Commission