



January 10, 2022

RBC Response to OSC Staff Notice 33-753

This submission provides the response of Royal Bank of Canada ("RBC") to the request by the Ontario Securities Commission ("OSC") for submissions with respect to OSC Staff Notice 33-753 - OSC Consultation on Tied Selling and other Anti-Competitive Practices in the Capital Markets dated November 30, 2021 ("Staff Notice"). RBC appreciates the opportunity to respond to the OSC's request, and appreciates the OSC's initiatives designed to ensure that Ontario's legislative, regulatory and policy framework is responsive to market and investor needs and operates in an effective manner.

While we agree that competition fosters fair and efficient capital markets which helps grow Ontario's economy, RBC is of the view that the issues raised in the Staff Notice (and similarly by the Capital Markets Modernization Taskforce ("Taskforce")) relating to tied selling are already adequately addressed by multiple rigorous legal regimes currently in place, including the *Bank Act* (Canada) ("Bank Act"), National Instrument 31-103 - *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103"), and the *Competition Act* (Canada) (collectively, "Applicable Law"). Tied selling is defined within and prohibited by Applicable Law, and is further acknowledged by RBC as being inappropriate and not in furtherance of fair and efficient capital markets. Sanctions for prohibited tied selling are already available to be pursued under Applicable Law. Introducing an additional, duplicative, regulatory burden for dealers seems counter to the OSC's broader efforts to streamline and modernize regulation.

RBC is of the view that it is important to distinguish between acts that are prohibited by Applicable Law (such as tied selling), and those, as the OSC notes in the Staff Notice, that are specifically contemplated and permitted by Applicable Law (including in the Bank Act and NI 31-103), in particular, the offering of multiple products or services to consumers (often referred to as "bundling"). When multiple products or services are made available to consumers by one company or a group of related companies (whether in banking, capital markets, or many other industries), the costs of providing more than one product or service are often lower than would be the case where each product or service is provided on its own. Such cost savings can then be passed along to consumers by way of reduced pricing (often referred to as "relationship pricing"), that can in turn foster further down-stream market efficiencies.

RBC believes that the existing framework set out in Applicable Law ensures that dealers are precluded from requiring that issuers purchase one product or service as a condition for the sale of another. The existing framework's allowance for bundling is consistent with regulation in other sectors and allows for important benefits for consumers, such as opportunities for pricing flexibility. Modification of this existing framework, including the adoption of recommendations of the Taskforce regarding bans on certain commercial clauses in arm's length negotiated agreements, and mandating issuers' use of certain select dealers, is likely to lead to negative consequences, including restrictions on issuer choice, increased cost of capital and domestic advantages flowing to foreign market participants that are not subject to domestic Applicable Law. As such, RBC is of the view that existing regulations under Applicable Law strike an appropriate balance of fostering competition and providing consumer benefits without the requirement for further material amendments.