



Ontario
Securities
Commission

Commission des
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de l'Ontario

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Citation: Royal Bank of Canada (Re), 2019 ONSEC 30

Date: 2019-08-30

File No. 2019-32

**IN THE MATTER OF
ROYAL BANK OF CANADA**

**ORAL REASONS FOR APPROVAL OF SETTLEMENT
(Subsections 127 and 127.1 of the *Securities Act*, RSO 1990, c S.5)**

Hearing: August 30, 2019

Decision: August 30, 2019

Panel: D. Grant Vingoe Vice-Chair and Chair of the Panel
Lawrence Haber Commissioner
Heather Zordel Commissioner

Appearances: Cullen Price For Staff of the Commission
Alexandra Matushenko
Kai Olson
Ryan Lapensee

Lawrence E. Ritchie For Royal Bank of Canada
Robert Carson
Mark Sheeley
Andrew Basso

ORAL REASONS FOR APPROVAL OF SETTLEMENT

The following reasons have been prepared for publication in the Ontario Securities Commission Bulletin, based on the reasons delivered orally in the hearing as edited and approved by the panel, to provide a public record of the oral reasons.

[1] This is a hearing to consider a settlement agreement entered into by Royal Bank of Canada (**RBC**) with Staff of the Ontario Securities Commission (**Staff**), dated August 23, 2019 (the **Settlement Agreement**) regarding allegations described in the Statement of Allegations, dated August 26, 2019.

[2] Staff alleges that RBC, over a period of at least three years, from 2011 to 2013 (the **Material Time**), failed to have sufficient supervision and controls in its FX trading business. In addition, Staff alleges that RBC did not promote a culture of compliance in its FX trading business during the Material Time, which allowed FX traders to behave in a manner which put RBC's economic interests ahead of the interests of its customers, other market participants and the integrity of the capital markets. I refer to these circumstances as the "Supervisory Inadequacies".

[3] Staff further alleges that the Supervisory Inadequacies allowed RBC's FX traders to inappropriately share confidential customer information with its competitors' FX traders through electronic chat rooms on a regular basis during the Material Time.

[4] In the Statement of Allegations, Staff alleges that this conduct was contrary to the public interest.

[5] Staff and RBC have entered into a settlement agreement in which the facts underlying these allegations have been acknowledged and agreed to by RBC. RBC also acknowledges and admits that this conduct was contrary to the public interest. As a result, RBC failed to meet the high standards of conduct expected of a market participant, which potentially put its customers at risk.

[6] The Settlement Agreement is the result of extensive negotiations between Staff and RBC, and the Commission affords significant deference to negotiated agreements reached by parties. As such, the Panel's consideration of the settlement before us is based only on the facts described by Staff and Staff's conclusions as set out in the Settlement Agreement, as agreed to by RBC. However, we must be satisfied that the measures called for in the Settlement Agreement are within a reasonable range and in the public interest.

[7] This Panel had the opportunity to meet with Staff and counsel for RBC in a confidential settlement conference. We reviewed the proposed settlement agreement and heard submissions from Staff and RBC. We have also heard submissions from Staff and RBC at today's hearing.

[8] The role of the Panel in reviewing a settlement agreement is to determine whether the terms of the settlement as a whole are fair and reasonable in the circumstances and whether the approval of the settlement is in the public interest. In making a determination of what is in the public interest, the Panel must have regard to the purposes of the *Securities Act*¹, described in section 1.1, namely, to provide protection to investors from

¹ RSO 1990, c S.5

unfair, improper or fraudulent practices, to foster fair and efficient capital markets and confidence in capital markets and to contribute to the stability of the financial system and the reduction of systemic risk.

[9] The Panel ultimately finds that it is in the public interest to approve the Settlement Agreement between Staff and RBC.

[10] In determining that it is in the public interest to approve the Settlement Agreement, we consider the following factors to be particularly relevant:

- a. RBC has, since the Material Time, engaged in significant continuing compliance remediation efforts by enhancing its system of supervision and controls over its FX trading business, including (i) prohibiting, shutting down, and disabling multi-dealer chatrooms, (ii) adoption of the FX Global Code (the **Code**), (iii) developing and implementing a training program on the requirements of an FX Global Policy, and (iv) enhancing electronic communication surveillance and first line of defence supervision and controls;
- b. RBC's Internal Audit Group will conduct an internal audit of its compliance with the Code and related practices and procedures, including provisions related to the disclosure of confidential customer information in its global FX business, and RBC will institute any necessary changes in accordance with a process appended to the Settlement Agreement;
- c. RBC has made a voluntary payment of \$13,552,000 to the Commission for the benefit of third parties or for investor education and has paid \$800,000 to reimburse the Commission for costs incurred; and
- d. RBC provided cooperation to Staff in its investigation and with respect to the completion of the settlement agreement. This level of cooperation and early settlement during the investigation resulted in a 12% reduction in the voluntary payment sought by Staff. The calculation itself, appended to the Settlement Agreement, reflects a significant amount of transparency regarding the calculation of the voluntary payment to be made by RBC.

[11] For all the reasons stated above, this Panel finds that it is in the public interest to approve the Settlement Agreement. We will issue an order substantially in the form of the order in Schedule "A" to the Settlement Agreement.

Dated at Toronto this 30th day of August, 2019.

"D. Grant Vingoe"

D. Grant Vingoe

"Lawrence P. Haber"

Lawrence P. Haber

"Heather Zordel"

Heather Zordel