



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

22nd Floor  
20 Queen Street West  
Toronto ON M5H 3S8

22e étage  
20, rue queen ouest  
Toronto ON M5H 3S8

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**FILE NO.:** 2019-32

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

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

August 30, 2019

**ORDER**

(Sections 127 and 127.1 of the *Securities Act*, RSO 1990, c S.5)

WHEREAS on August 30, 2019, the Ontario Securities Commission held a hearing at the offices of the Commission, to consider the Joint Request for a Settlement Hearing filed by Royal Bank of Canada (**RBC**) and Staff of the Commission (**Staff**) for approval of a settlement agreement entered into on August 26, 2019 (the **Settlement Agreement**);

ON READING the Statement of Allegations dated August 23, 2019 and the Settlement Agreement, and on hearing the submissions of the representatives for TD and Staff, and on considering the undertaking of RBC dated August 23, 2019 attached as Schedule "A" to this Order;

IT IS ORDERED THAT:

1. the Settlement Agreement is approved;
2. RBC's Internal Audit Group will conduct an internal audit of RBC's compliance with FX Global Code, and the practices and procedures relating thereto, including in relation to the disclosure of confidential customer information in its global FX business, and institute any necessary changes in accordance with the process set out in Schedule "B" to the Order, pursuant to paragraph 4 of subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the **Act**);
3. the funds received pursuant to the voluntary payment of \$13,552,000 are designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act; and

4. RBC shall pay costs in the amount of \$800,000, pursuant to section 127.1 of the Act.

<i>"Lawrence P. Haber"</i>	<i>"D. Grant Vingoe"</i>	<i>"Heather Zordel"</i>
_____	_____	_____
Lawrence P. Haber	D. Grant Vingoe	Heather Zordel

## Schedule "A"



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**IN THE MATTER OF THE *SECURITIES ACT*,  
R.S.O. 1990, c. S.5, AS AMENDED**

**- and -**

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

**UNDERTAKING TO THE ONTARIO SECURITIES COMMISSION**

1. This Undertaking is given in connection with the settlement agreement dated **[date]** (the "Settlement Agreement") between Royal Bank of Canada (the "Respondent") and Staff ("Staff") of the Commission. All terms shall have the same meanings in this Undertaking as in the Settlement Agreement.

2. The Respondent undertakes to the Commission to:

make a voluntary payment to be designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act, in the amount of \$13,552,000, by wire transfer to the Commission before the order approving the Settlement Agreement is made, which payment is conditional upon approval of the Settlement Agreement by the Commission.

**DATED** at Toronto, Ontario this 23<sup>rd</sup> day of August, 2019.

*“Sandra Dye”*

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Witness: Sandra Dye

**ROYAL BANK OF CANADA**

*“Jonathan Hunter”*

By: \_\_\_\_\_

Name: **Jonathan Hunter**

Title: Global Head, Fixed Income &  
Currencies

**Schedule “B” – REVIEW OF PRACTICES AND PROCEDURES**

1. Royal Bank of Canada (“RBC”) will conduct an internal audit of its compliance framework with the FX Global Code, and the practices and procedures relating thereto, including in relation to the disclosure of confidential customer information in its global FX business (the “FX Business Compliance System”) covering the period from February 1, 2020 to July 31, 2020 to ensure that:

- (a) the FX Business Compliance System fully complies with the FX Global Code;
- (b) In relation to its FX business, RBC’s culture, governance arrangements, policies, procedures, systems and controls are of a sufficiently high standard to effectively manage the following risks (‘the Specified Risks’):
  - 1. Attempts to manipulate (or control) fixes (including ‘building’);
  - 2. Application of ‘hard mark-ups’ to clients;
  - 3. Coordinated trading (e.g. instructions when to/not to trade);
  - 4. Performing ‘partial fills’ of client orders;
  - 5. Use of layering and/or wash trades;
  - 6. Triggering of client stop loss orders;
  - 7. Inappropriately trading ahead of client orders (e.g. front running);
  - 8. Inappropriately sharing or receiving confidential information with traders at other firms (including (i) the use of codes to identify clients, and (ii) the sharing of spreads);
  - 9. Inappropriately assigning ‘transaction window’ rates to client orders (e.g. assigning the client the worst rate available);

10. Inappropriate use of personal trading accounts (including spread betting); and

11. Other types of unacceptable behaviour, trader misconduct, breaches of client confidentiality and failure to manage conflicts of interest.

(i) The internal audit will include, but not be limited to:

1. front office culture;
2. the adequacy of the first line of defence (i.e. the risk and control environment relating to day to day operations, including monitoring of traders' activity and conduct);
3. the adequacy of compliance and risk in the first and second lines of defence;
4. the adequacy of the challenge of risk management by the second line of defence;
5. the role and appropriateness of financial incentives and performance management;
6. the adequacy of training for the specific relevant business area;
7. the adequacy of communications monitoring and surveillance;
8. the adequacy of the management of conflicts of interest; and
9. benchmarks, whether trading, judgement or submissions based, which fall within any of these business areas.

(c) the FX Business Compliance System is designed to prevent and identify non-compliance at an early stage, to allow for correction of the conduct in a timely manner, and to escalate breaches for appropriate action; and

- (d) all applicable RBC staff are trained on RBC's policies regarding the disclosure of confidential information including the specifics of permitted and non-permitted communications with third parties.
2. RBC shall deliver the internal audit report (the "Report") to a Manager in the Derivatives branch of the Commission (the "OSC Manager") by December 1, 2020;
  3. Within 6 months of the delivery of the Report to the OSC Manager, RBC shall have fully implemented any recommendations in the Report, and the Chief Compliance Officer of RBC (the "CCO") shall provide written confirmation to the OSC Manager that there has been full implementation of the recommendations in the Report (the "Confirmation Letter");
  4. Within 12 months of the provision of the Confirmation Letter to the OSC Manager, the CCO shall provide a letter (the "Attestation Letter") to the OSC Manager, stating that the recommendations of internal audit in the Report are being appropriately followed, administered and enforced by RBC.
  5. RBC shall immediately submit to Staff a direction giving consent for unrestricted access and permission for Staff and the RBC internal audit team to communicate with one another regarding the internal audit and RBC's progress with respect to the implementation of the recommendations in the Report.