

Notice of Variation to the Terms of Business for Royal Bank of Canada Investment Management (U.K.) Limited

Effective date: 3 January 2018



**Wealth
Management**

SECTION 1 – DEFINITIONS AND OVERVIEW

Where practical we have added information to our defined terms so that it is no longer necessary for you to cross reference the Financial Conduct Authority's (FCA) Rules and we hope that this will make the New Terms easier to understand. We have also clarified that where information must be provided in writing this includes email as we recognise that this is the basis on which most of our clients communicate with their Relationship Managers.

SECTION 2 – OUR SERVICES

This section of the New Terms describes the range of services that we are able to provide.

Where we have agreed to provide you with investment advice, either under our Advisory Investment Service or under our Wealth Structuring Advisory Service we will provide you with what is known as restricted advice. This is because our advice is limited to advice on investments from a limited number of providers that we have selected, or because our advice is restricted to a limited number of products. Further information about what this means for you is set out in New Terms 2.1 and 2.3.

Under our New Terms we will no longer receive Legacy Payments, as described in our Current Terms, from third parties, such as fund managers and investment product providers. We have removed the provisions from our Current Terms which allowed this. The reason we have made this change is that MiFID II prohibits firms from accepting inducements, such as commission from an investment product provider. Although we are no longer allowed to accept most inducements we are still allowed to receive minor non-monetary benefits from third parties, for example, training on the benefits and features of an investment product. Section 6 of the New Terms provides further detail on third party benefits and the limited circumstances when we can accept them.

Where we provide you with an Execution-only Service we will still assess whether a complex instrument is appropriate for you and we will warn you if we do not think that the transaction is appropriate for you. However, if you instruct us to proceed, even though we have warned you against this, we reserve the right not to do so. Please see New Terms 2.2.1 and 2.2.2 for more information.

SECTION 3 – THE BASIS ON WHICH WE PROVIDE OUR SERVICES

We have clarified in New Term 3.3 the documents that make up our Agreement with you and, in particular, have specified that this may include any side-letters we have agreed with you.

We have supplemented New Term 3.11 (Term 2.11 in the Current Terms) to emphasise that it is important for you to keep us up to date on any changes to the information that you have provided us with. This is because we will rely on this information when assessing the suitability or appropriateness of an investment for you and so that we are able to act in your best interests.

SECTION 4 – SUITABILITY

Our obligation to assess the suitability of an investment for you remains largely unchanged under MiFID II. However, this section of the New Terms clarifies that we will also take into account your ability to bear losses as part of our suitability assessment and that we will rely on the information that you provide to us to do this.

If we have agreed to treat you as a Professional Client, we are entitled to assume that you have the relevant experience and knowledge to understand the risks involved in transactions or the management of your portfolio and, where we provide you with investment advice, that you are financially able to bear investment risks that are consistent with your investment objective. We have set this out in New Term 4.4.

For Advisory Investment Service clients and Wealth Structuring Advisory Service clients we will provide you with a suitability report which outlines our advice to you and why we think an investment or transaction is suitable for you. If we are unable to provide you with our suitability report before a transaction is concluded, we will, in certain circumstances, give you the option to delay that transaction. If we give you this option you agree that we can provide you with the report after the transaction has been carried out.

MiFID II requires us to let you know if we will provide you with a periodic assessment of the suitability of a recommendation about an investment that we have made to you. We will do this where we provide you with our Advisory Investment Service or our Discretionary Investment Management Service. New Term 4.6 confirms that we will reassess the suitability of our advice on an annual basis, or sooner, if your circumstances have changed materially and you have told us that this is the case.

SECTION 5 – COMMUNICATIONS BETWEEN US (INCLUDING HOW YOU CAN INSTRUCT US)

MiFID II requires us to record telephone calls and electronic communications with you. You may request a copy of the recording of our conversations for a period of up to five years and the FCA may ask for these recordings for up to seven years.

In New Term 5.6 we have clarified that if you would like us to communicate with you by email that you must provide us with a valid email address and that in doing so you agree that we may communicate with you by email for any purpose set out in the New Terms.

New Term 5.8 sets out information that is relevant where you provide us with instructions by email or fax. In particular, we do not recommend that urgent or confidential messages be sent by these methods. We also suggest that if you have not heard back from us within two Business Days after sending us an instruction that you telephone us to ensure that we received the instruction.

New Term 5.15 is a new provision indicating that we will not act on any instruction provided by a social networking account or SMS text.

SECTIONS 7, 8 AND 9 – CUSTODY SERVICE, THIRD PARTY CUSTODY SERVICE AND CLIENT MONEY

The key changes we have made to Sections 7, 8 and 9 are to make the New Terms easier to read.

Normally we will provide you with custody services. However, on occasion, we may agree to allow you to use your own custodian. Section 8 is a new section that we have included that sets out the provisions that will apply to you where we have allowed you to use a third party custodian. If you do use a third party custodian you should read Section 8 carefully since, by accepting our New Terms:

- you authorise us to give instructions to your custodian;
- you must ensure that your custodian will act in accordance with our instructions and that your custodian will provide us with the information specified in New Term 8.3;
- we will not be responsible for relying on any inaccuracies or incompleteness in the information your custodian provides to us; and
- you must ensure that your custodian settles transactions effected by us.

You should also be aware that, by accepting our New Terms, you expressly consent, under New Term 9.1, that where we hold client money, for you we may place your money in a money market fund rather than holding it for you as trustee.

We do not provide overdraft facilities under the New Terms. However, there may be occasions where, in order to settle a trade for you as part of our Discretionary Investment Management Service, your client money account may become temporarily overdrawn. New Term 9.6 allows us to do this.

New Terms 9.7 and 9.8 provide that we can pay unclaimed money held in accounts to a registered charity where there has been no movement (other than charges or interest) for at least six years and we have been unable to contact you. If you later contact us we will make good any valid claim made by you provided that the sum you are owed is more than £25 (or more than £100 if you are a professional client).

SECTION 10 – CONFLICTS OF INTEREST AND MATERIAL INTERESTS

MiFID II allows us to enter into transactions in which there may be an actual or potential conflict of interest so long as we have ensured that you will not be disadvantaged. We have put in place a Conflicts of Interest Policy which sets out how we identify potential conflicts and how we prevent and manage them. As a last resort, where our procedures are not sufficient to ensure that we can manage a specific conflict, we will disclose the conflict to you before undertaking the business for you. A summary of our Conflicts of Interest Policy is included in Schedule 2 of the New Terms.

SECTION 11 – CARRYING OUT TRANSACTIONS

MiFID II applies new rules in relation to our duty to provide best execution to you when performing the services and we have amended New Term 11.1 to reflect this. We have also updated our execution policy in line with the new rules and a summary of this is set out at Schedule 1. In particular, under the Current Terms you agreed to our execution policy and gave us consent to execute trades outside a regulated market and a multi-lateral facility. MiFID II has introduced a new type of trading venue, an organised trading facility, and the New Terms extend our consent to allow us to execute trades outside an organised trading facility.

MiFID II also requires us to comply with detailed transaction reporting obligations and we highlight at New Term 11.3 that certain information regarding transactions executed on your behalf will be provided to the FCA and third parties.

SECTION 13 – MARKET ABUSE

We have updated this section to reflect the FCA's regulatory rules in this area. The changes have clarified that you must let us know of any investment or listed company where you might be considered to be an insider and that you must obtain all necessary clearances before you ask us to deal in such investments for you.

SECTION 14 – VALUATIONS AND REPORTING

We have made certain changes to our provision of valuation reports in relation to our Discretionary Investment Management Service under New Term 14.2. We will continue to provide you with reports every three months, however, if you have authorised us to use leverage these reports will be provided on a monthly basis.

Additionally, under the New Terms, where we provide you with our Discretionary Investment Management Service we will let you know if the overall value of your portfolio, (as evaluated at the beginning of each reporting period) has fallen by 10%. We will also report to you on this basis, rather than on an instrument-by-instrument basis, where we provide you with other investment services and your portfolio includes leveraged financial instruments or contingent liability transactions. Further details on these reporting requirements are set out in New Terms 14.3 and 14.4.

TERM 22 - FEES

We are also required to provide you with information about the fees that you will be charged and the fees you have incurred for our services so that you are able to understand the overall cost and cumulative effect of the costs on the return of your investments. New Term 22 sets out the information we will provide to you on our fees.

TERM 24 – TERMINATION

Under the Old Terms, we asked you to give us 30 days' notice to terminate our agreement with you. In practice we normally waive this notice period so we have changed the New Terms to allow you to terminate our agreement at any time. Other than in the specific circumstances described in New Term 24.3, we will still have to give you 30 days' notice to terminate our agreement with you.

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