

# Trade Matching Policy and Procedures

## RBC Asset Management Inc. (RBC AM)

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### SUMMARY AND RATIONALE

National Instrument 24-101 ("NI 24-101") *Institutional Trade Matching and Settlement* mandates that all parties to an institutional trade must agree to the details of a trade on the day the trade is executed. In order to meet the timing and performance objectives, RBC AM and its counterparties (brokers and custodians) are required to agree on trade details required for the accurate clearing and settlement of an institutional trade. If RBC AM fails to meet prescribed trade matching rate targets, exception reports must be prepared and filed with the Ontario Securities Commission ("OSC") on a timely basis.

This policy establishes general principles to be followed in respect of RBC AM trade matching and settlement activities, and outlines the firm's monitoring process and exception reporting.

### POLICY

#### 1. General Trade Matching Principles

RBC AM is committed to match trade details as soon as practicable after trade execution, through cooperation with counterparties and in accordance with the following general principles:

- Communication of orders and allocations to brokers and custodians are made in a timely fashion via electronic data transfer means (currently FIX and FMCNet, respectively);
- RBC AM utilizes standard data elements as determined by the industry for reporting all trades to the brokers and custodians to ensure trade matching is completed timely;
- Discrepancies or disputed trades are identified and resolved as soon as possible through cooperation with counterparties to ensure that processing delays associated with clearing discrepancies are minimized;
- Trade details are recorded in the portfolio management system (currently FMC) the same day, and as soon as practicable following their receipt from counterparties; and
- Every effort is made to provide adequate lead time to other participants in the process to meet their requirements to complete the trade confirmation process.

#### 2. Trade Matching Targets and Exception Reporting

Trade matching requirements apply to all trades executed by RBC AM on behalf of its clients in those markets acknowledged by the OSC subject to NI 24-101.

NI 24-101 imposes the following phased-in trade matching targets with a view to achieving same day trade matching within a two-year period:

Threshold Amount	Details	Trade Match
80%	Trades executed after September 30, 2007, but before January 1, 2008	T+1
90%	Trades executed after December 31, 2007, but before July 1, 2008	T+1
70%	Trades executed after June 30, 2008, but before January 1, 2009	T
80%	Trades executed after December 31, 2008, but before July 1, 2009	T
90%	Trades executed after June 30, 2009, but before January 1, 2010	T
95%	Trades executed after December 31, 2009	T

In order to track RBC AM's progress, exception reporting statistics are prepared by the Trade Support Group on a regular basis, but at a minimum quarterly. RBC AM relies on custodians to provide trade matching statistic reporting. Where the percentage target of matched trades has not been achieved in a calendar quarter, the Trade Support Group will prepare an exception report and forward it to Compliance for filing with the OSC within 45 days of the end of the relevant quarter-end.

#### 3. Trade Execution Documentation

Before opening an account or executing a trade with a Canadian broker, RBC AM will verify that each counterparty has policies and procedures in place to achieve trade matching in accordance with NI 24-101.

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This will be accomplished through either obtaining a copy of the counterparty's industry standardized Trade Matching Statement or through entering into a trade matching agreement with the counterparties directly. Where possible, RBC AM will rely on the publicly available Trade Matching Statements unless it has knowledge that any statements or facts set out in the statements are incorrect.

### PROCEDURES

#### 4. Trade Matching Process

- i. Any trader executing a trade should submit to the executing broker a trade order, electronically where possible, using standard data elements for order initiation, including at a minimum quantity, security identifier, type of order, buy/sell indicator and any other special instructions.
- ii. On receipt of a notice of execution, the Trade Support Group will advise the broker and the custodian, electronically where possible, how the securities traded are to be allocated among the underlying accounts, using standard data elements for allocation at client level, such as corresponding account numbers, allocation amount, net settlement amount, settlement location, custodian information and any special instructions.
- iii. Trades in Canadian debt securities with a par value greater than \$50 million will be split into \$50 million or smaller increments to ensure compliance with the maximum debt trade amount established by the Canadian Depository for Securities Limited ("CDS").
- iv. Trade executions, matching and reporting to the custodians will be ongoing throughout the day where practicable, using available technology. Reconciliation of discrepancies and un-matched trades will also be performed throughout the day. The final trade extract will be established at 5:30 p.m. each day. RBC AM intends to meet minimum prescribed trade matching targets.
- v. After trade details are agreed between parties, the trades will be reported to the custodians to release funds or securities to the brokers through CDS.
- vi. Exception reporting provided by other participants will be actively monitored by the Trade Support Group to address any issues in cooperation with the counterparties.

#### 5. Monitoring and Reporting

Trade Support Group is responsible for monitoring of the trade matching process and preparing statistical reports on an aggregated quarterly basis. Such aggregated reporting must contain information provided by external sources and internally generated reports. The internal reports are comprised of key performance measures and may include such items as order entry rate (trades entered on T, T+1, etc.), order confirmation rate, failed trade rate, trade repair rate and number of trades processed without intervention as a percent of total trades. The report will also show brokers' performance relative to matching benchmarks. In addition, RBC AM will receive a Participant Report Card from the custodian on a quarterly basis.

If RBC AM fails to meet the prescribed trade matching rate targets in any calendar quarter, the Trade Support Group will prepare Form 24-101F1 and forward it to Compliance for filing with the OSC. The report must be filed within 45 days of the end of the relevant quarter end. The exception report will include information on the underlying causes that resulted in the failure to achieve the percentage target and the steps RBC AM is taking to resolve delays in the future. A hard copy of the exception report will be signed by the CFO & COO or CIO and maintained by Compliance.

**Approved By:**

**Publication Date:**

**Ownership/Responsibility for Policy:** Chief Financial Officer & Chief Operating Officer

**Review Schedule:**