

# 2021 U.S. Resolution Plan

*Royal Bank of Canada*

*Public Section*

December 2021



Public Section

## Caution Regarding Forward-looking Statements

From time to time, the Royal Bank of Canada (“RBC” or “we” or “us”) make written or oral forward-looking statements within the meaning of certain securities laws, including the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. We may make forward-looking statements in this 2021 165(d) U.S. Resolution Plan, in filings with Canadian regulators or the U.S. Securities and Exchange Commission (“SEC”), in reports to shareholders and in other communications. Forward-looking statements in this document include, but are not limited to, statements relating to our financial performance objectives, vision, strategic goals, and U.S.-specific Resolution Strategy. The forward-looking information contained in this document is presented for the purpose of assisting stakeholders in understanding our financial position as well as our financial performance objectives, vision, strategic goals, and U.S.-specific Resolution Strategy and may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as “believe”, “expect”, “foresee”, “forecast”, “anticipate”, “intend”, “estimate”, “goal”, “plan”, “project”, and similar expressions of future or conditional verbs, such as “will”, “may”, “should”, “could”, or “would”.

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties that give rise to the possibility that our predictions, forecasts, projections, expectations, or conclusions will not prove to be accurate; that our assumptions may not be correct; and that our financial performance objectives, vision, strategic goals, and U.S.-specific Resolution Strategy will not be achieved. We caution readers not to place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors – many of which are beyond our control and the effects of which can be difficult to predict – include: credit, market, liquidity and funding, insurance, operational, regulatory compliance, strategic, reputation, legal and regulatory environment, competitive and systemic risks, and other risks discussed in the risk sections of our Annual Report for the fiscal year ended October 31, 2020 (“2020 Annual Report”), including global uncertainty; Canadian housing and household indebtedness; information technology and cyber risk; regulatory changes; digital disruption and innovation; data and third-party related risks; climate change; the business and economic conditions in the geographic regions in which we operate; the effects of changes in government fiscal, monetary, and other policies; tax risk and transparency; and environmental and social risk. In addition, the scenario and associated assumptions set out in this 2021 165(d) U.S. Resolution Plan are hypothetical and do not necessarily reflect an event or events to which RBC is or may become subject. As a result, the outcomes of RBC’s U.S.-specific Resolution Strategies could differ, possibly materially, from those RBC has described.

We caution that the foregoing list of risk factors is not exhaustive, and other factors could also adversely affect our results. When relying on our forward-looking statements to make decisions with respect to us, investors, and others should carefully consider the foregoing factors and other uncertainties and potential events. Material economic assumptions underlying the forward-looking statements contained in this 2021 165(d) U.S. Resolution Plan are set out in the economic, market, and regulatory review and outlook section and for each business segment under the Strategic priorities and Outlook headings in our 2020 Annual Report. Except as required by law, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf. Additional information about these and other factors can be found in the risk sections of our 2020 Annual Report.



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# 1 Public Section

## 1.1 Introduction

### 1.1.1 Background and Overview

Globally, Royal Bank of Canada (“RBC”) has worked actively to reduce complexity and risk by increasing loss-absorbing capacity and simplifying the legal entity profile of the organization. RBC is pleased to submit this 2021 U.S. Targeted Resolution Plan (“2021 Plan” or “Targeted Plan”) and is committed to ensuring that in a significant stress event, idiosyncratic or market wide, the enterprise has sufficient resources to ensure that its resolution strategy could be implemented and that it would allow operating subsidiaries, including those located in the U.S., to remain well-capitalized and sufficiently solvent to avoid insolvency proceedings. RBC’s U.S. Resolution Strategy is consistent with the single point-of-entry (“SPOE”) preferred approach that has been developed by regulators and the industry over the past several years.

Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) mandates that a bank holding company (“BHC”) with assets of \$250 billion or more develop a resolution plan that describes its orderly resolution. The Resolution Plan Rule sets forth the specific requirements for resolution planning and requires any foreign banking organization (“FBO”) that is a Covered Company, under the rule, to submit a resolution plan for its U.S. operations. The resolution plan should provide a framework for a rapid and orderly resolution in the event that the Covered Company faces material financial distress or failure.

In adherence to established regulatory requirements,<sup>1</sup> this 2021 Plan provides a detailed analysis of how RBC’s combined U.S. operations (“RBC CUSO”) could be resolved in a rapid and orderly manner that would (i) not give rise to adverse effects on the U.S. financial system’s stability, (ii) provide continued access by depositors to their insured deposits, and (iii) minimize any cost to the Deposit Insurance Fund (“DIF”) of the Federal Deposit Insurance Corporation (“FDIC”). For this submission, information has been provided with an as-of date of December 31, 2020.<sup>2</sup>

On November 1, 2019, the Federal Reserve Board (“FRB”) and FDIC (together, the “Agencies”) approved revisions to the U.S. Resolution Plan final rule, which created three types of submissions (i.e., full, targeted, and reduced plans) and submission cycles (including waiver timelines) based on a firm’s categorization. RBC is considered a Category III firm and is alternating between a targeted and full plan submission on a three-year cycle. This 2021 Plan will serve as the firm’s first targeted plan submission, while its next full U.S. Resolution Plan submission is planned for July 2024.

Underpinning the 2021 Plan development is a rigorous governance framework that is built upon multi-level oversight that includes the following: (i) the U.S. Resolution Plan Team (“U.S. RPT”), (ii) various Subject Matter Experts (“SME”), (iii) the U.S. Resolution Plan Oversight Committee (“RPOC”), (iv) CUSO Risk Management Committee (“CUSO RMC”), (v) the Disclosure Committee, (vi) the Recovery and Resolution Planning Enterprise Steering Committee, (vii) the Risk Committee of the RBC US Group Holdings LLC (“RIHC”) Board (“RIHC Board”), and (viii) the RIHC Board.

<sup>1</sup> 12 CFR Part 243, Resolution Plans (Regulation QQ), and 12 CFR Part 381, Resolution Plans.

<sup>2</sup> Where feasible, information with more recent as-of dates may be provided.



## RBC's Resolution Enhancements

Since the submission of the 2018 U.S. Resolution Plan ("2018 Plan"), RBC has remained committed to the development of robust financial, operational, and structural capabilities to enhance its resolvability. To demonstrate this commitment, RBC has enhanced its capabilities in order to support RBC's resolvability and comply with regulatory guidance set forth in the Resolution Plan Rule and regulatory feedback. RBC has completed several initiatives to help ensure the strong foundation required for a credible and executable resolution strategy that stands independently without the need for external intervention and without disruption to the broader financial markets.

- **COVID-19 Impacts-** The COVID-19 pandemic has fundamentally changed the way business is conducted not just for RBC, but across the entire finance industry as well as other industries. The experience to-date and lessons learned have served to strengthen RBC's overall resolution capabilities, with the firm better positioned today to execute upon its U.S. Resolution Strategy, including in a remote or hybrid working environment, through a potential future crisis situation.
- **Total Loss Absorbing Capacity ("TLAC") Implementation** - In compliance with the FRB's U.S. TLAC Rule,<sup>3</sup> RBC has implemented a TLAC funding structure which further strengthens RBC's resolvability and improves the firm's ability to execute its resolution strategy at the firm and enterprise level.
- **Governance** - RBC established resolution-related protocols in its business-as-usual ("BAU") capital and liquidity management practices, providing critical steps and stakeholders responsible for the timely escalation and decision-making in a resolution scenario. These protocols have been documented into local capital and liquidity management policies.
- **Payment, Clearing and Settlement Capabilities ("PCS")** - RBC CUSO completed several initiatives around the identification, monitoring, and reporting of its material financial market utilities ("FMU") and Agent Bank activity in the U.S. These capabilities have been incorporated into BAU routines and will continue to be evaluated by U.S. operations teams for effectiveness and the ongoing ability to meet evolving regulatory requirements.
- **Shared and Outsourced Services ("SOS")** - RBC CUSO has enhanced its SOS capabilities to support operational readiness amongst its U.S. material entities ("U.S. ME")<sup>4</sup> and core business lines ("CBL"). Most notably RBC has worked to incorporate resolution-resilient provisions on new and existing critical third-party contracts.
- **Management Information Systems ("MIS")** - Since the 2018 U.S. Resolution Plan, RBC CUSO has enhanced its MIS capabilities to support operational continuity amongst U.S. MEs and CBLs. Key capability enhancements center around upgrades to the firm's technology infrastructure in adapting to a remote working environment.

### 1.1.2 About Royal Bank of Canada

#### Overview of RBC

RBC is a global financial institution and one of North America's leading diversified financial services companies. RBC employs approximately 86,000 employees who serve more than 17 million clients in Canada, the U.S., and 36 other countries. For the fiscal year ending on October 31, 2020, RBC closed with consolidated total assets of

<sup>3</sup> Total Loss-Absorbing Capacity, Long-Term Debt, and Clean Holding Company Requirements for Systemically Important U.S. Bank Holding Companies and Intermediate Holding Companies and Intermediate Holding Companies of Systemically Important Foreign Banking Organizations, 82 Fed. Reg. 8266, 8289 (Jan. 24, 2017).

<sup>4</sup> U.S. material entities ("U.S. ME") include (i) RBC US Group Holdings LLC ("RIHC"), (ii) RBC USA Holdco Corporation ("RBC USA Holdco"), (iii) RBC Capital Markets, LLC ("CM LLC"), (iv) City National Bank ("CNB"), and (v) Three World Financial Center ("WFC Branch").



approximately CAD 1,624.5bn, total revenues of approximately CAD 47.2bn, and a market capitalization of approximately CAD 132.5bn.<sup>5</sup>

Globally, RBC is composed of six main business segments:

- **Personal & Commercial Banking** (“P&CB”) provides a broad suite of financial products and services in Canada, the Caribbean, and the U.S. RBC’s commitment to building and maintaining meaningful relationships with its clients is underscored by the breadth of its products, depth of expertise, and the features of digital solutions.
- **Wealth Management** (“WM”) serves affluent, high net worth (“HNW”), and ultra-high net worth (“UHNW”) clients from its offices in key financial centers, mainly in Canada, the U.S., the United Kingdom, Europe, and Asia. WM offers a comprehensive suite of investment, trust, banking, credit, and other wealth management solutions and also provides asset management products to institutional and individual clients through its distribution channels and third-party distributors.
- **Insurance** offers a wide range of life, health, home, auto, travel, wealth, annuities, and reinsurance advice and solutions, as well as creditor services and business insurance solutions, to individual, business, and group clients.
- **Investor & Treasury Services** (“I&TS”) acts as a specialist provider of asset services, a leader in Canadian cash management and transaction banking services, and a provider of treasury services to institutional clients worldwide.
- **Capital Markets** (“CM”) provides expertise in banking, finance, and capital markets to corporations, institutional investors, asset managers, governments, and central banks around the world. The business serves clients from 58 offices in 14 countries across North America, the United Kingdom, Europe, Australia, Asia, and other regions.
- **Corporate Support** provides support to RBC’s business segments and consists of Technology & Operations (“T&O”) and Functions. T&O provides the technological and operational foundation required to effectively deliver products and services to clients, while Functions includes finance, human resources, risk management, internal audit, and other functional groups.

Figure 1-1 below details RBC’s global business segments and associated business lines.

<sup>5</sup> Based on Toronto Stock Exchange closing market price at period-end.

**Figure 1-1: RBC Business Lines and Business Segments**



### Business Model

RBC employs a diversified business model and a disciplined approach to controlling costs, deploying capital, and managing risk through capital and resolution planning cycles. Revenue breakdown by geography (as of October 31, 2020) was approximately 59% Canada, 25% U.S., and 16% Other / International. RBC views the U.S. as its second home market, and the U.S. represents the largest financial services revenue pool for RBC globally. It is also RBC’s largest market outside of Canada and its most attractive market for further expansion and capability extension.

RBC has a focused strategy that targets high-growth client segments within priority markets of Canada, the U.S., and select global financial centers. Across geographies, RBC continues to deepen its relationships with clients and work to bring the strength, breadth, and depth of its capabilities to meet the following strategic goals:

- In Canada, to be the undisputed leader in financial services;
- In the U.S., to be the preferred partner to corporate, institutional, and HNW clients and their businesses; and
- In select global financial centers, to be a leading financial services partner valued for RBC’s expertise.

### Overview of RBC’s Activities in the U.S.

In the U.S., RBC engages in activities through subsidiaries, branches, agencies, and representative offices. As of December 31, 2020, RBC CUSO had approximately \$281.3bn in assets and generated approximately \$8.9bn in revenue.

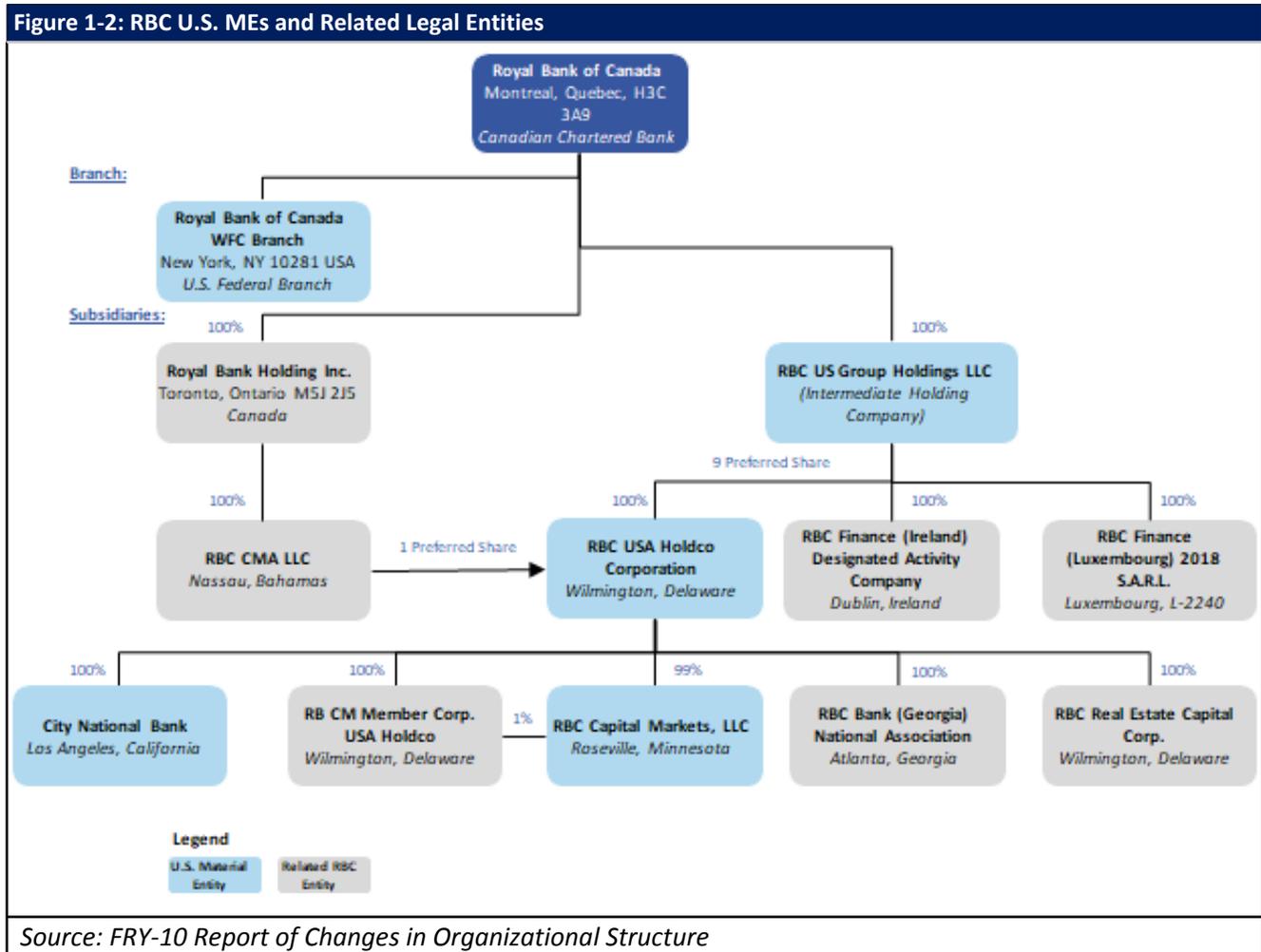
### 1.1.2.1 U.S. Material Entities

A material entity is defined as a subsidiary or foreign office of the Covered Company (under the Resolution Plan Rule) that is deemed to be significant to the activities of a critical operation or CBL. Identification of U.S. MEs is based on both quantitative and qualitative criteria. For the 2021 Plan, RBC CUSO has designated the following as U.S. MEs:

- **RBC US Group Holdings LLC** - a Delaware corporation, a wholly-owned subsidiary of RBC, and, as of June 29, 2018, pursuant to an internal U.S. holding company reorganization, RBC's top-tier U.S. intermediate holding company ("IHC"). RIHC is domiciled in the U.S. but considered a Canadian resident for tax purposes. RIHC is a bank holding company ("BHC"), a financial holding company, and the direct holder of the following entities: (i) RBC USA Holdco Corporation ("RBC USA Holdco"), (ii) RBC Finance (Luxembourg) 2018 S.à r.l. ("Lux Finco"), and (iii) RBC Finance (Ireland) Designated Activity Company ("Irish Finco"). RIHC's primary regulator is the FRB. As a BHC, RIHC does not have any employees. RIHC meets U.S. regulatory requirements applicable to IHCs and BHCs, including Regulation YY, by largely leveraging existing governance, management, and operational practices originally developed through RBC USA Holdco.
- **RBC USA Holdco Corporation** - a Delaware corporation and a wholly-owned subsidiary of RIHC, RBC USA Holdco is a BHC located in New York, New York and the parent of RBC Capital Markets, LLC ("CM LLC"), City National Bank ("CNB"), and several other RBC subsidiaries. As a non-operating BHC, RBC USA Holdco does not engage directly in any line of business or operation and does not have any employees. RBC USA Holdco's primary regulator is the FRB.
- **RBC Capital Markets, LLC** - a Minnesota limited liability company and subsidiary of RBC USA Holdco. CM LLC is a (i) registered broker-dealer with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended, (ii) registered investment advisor with the SEC under the Investment Advisers Act of 1940, as amended, (iii) Futures Commission Merchant ("FCM") with the Commodity Futures Trading Commission ("CFTC") under the Commodity Exchange Act of 1936, and (iv) member of the New York Stock Exchange ("NYSE") and other securities and commodities exchanges. Primary regulators include the SEC, the Financial Industry Regulatory Authority ("FINRA"), and the CFTC. CM LLC offers full-service brokerage and investment banking services to individual, institutional, corporate, and governmental clients, and provides asset management services for its customers and clearing services to unaffiliated correspondent firms and affiliated broker-dealers. Although CM LLC has branch offices in Canada, the Caribbean, Japan, Hong Kong, and Australia, its principal place of business is located in New York, New York.
- **City National Bank** - a national banking association chartered by the U.S. Office of the Comptroller of the Currency ("OCC") that is FDIC insured and a member of the Federal Reserve System. CNB offers a complete suite of financial services to HNW and commercial clients in major metropolitan areas. Through its subsidiaries, including City National Rochdale, LLC, City National Securities, Inc., First American Equipment Finance, and other affiliated companies, CNB also provides access to wealth management, brokerage, and leasing services, among others. CNB has two primary business segments: (i) Commercial and Private Banking and (ii) Wealth Management. The Commercial and Private Banking segment provides banking products and services, including commercial and mortgage lending, lines of credit, equipment lease financing, deposits, cash management services, international trade finance, and letters of credit. CNB's broker-dealer, City National Securities, Inc., City National Rochdale, LLC, and other wealth management service providers are included in the Wealth Management segment.

- **Three World Financial Center Branch (“WFC Branch”)** - a Federal Branch licensed by the OCC with full banking and fiduciary powers. The primary regulators for WFC Branch are the OCC and the FRB. WFC Branch provides corporate banking services to companies primarily located in the U.S., including a full range of corporate banking products such as revolving and term credit facilities, foreign exchange and risk management products, trade lines, and structured finance capabilities. The primary business divisions include Fixed Income, Currencies and Commodities (“FICC”), Corporate and Investment Banking (“C&IB”), Global Equities, Central Funding Group (“CFG”), and Global Credit. WFC Branch primarily supports capital markets business activities.

Figure 1-2 below illustrates the hierarchical structure of significant RBC U.S. entities.



### 1.1.2.2 Core Business Lines

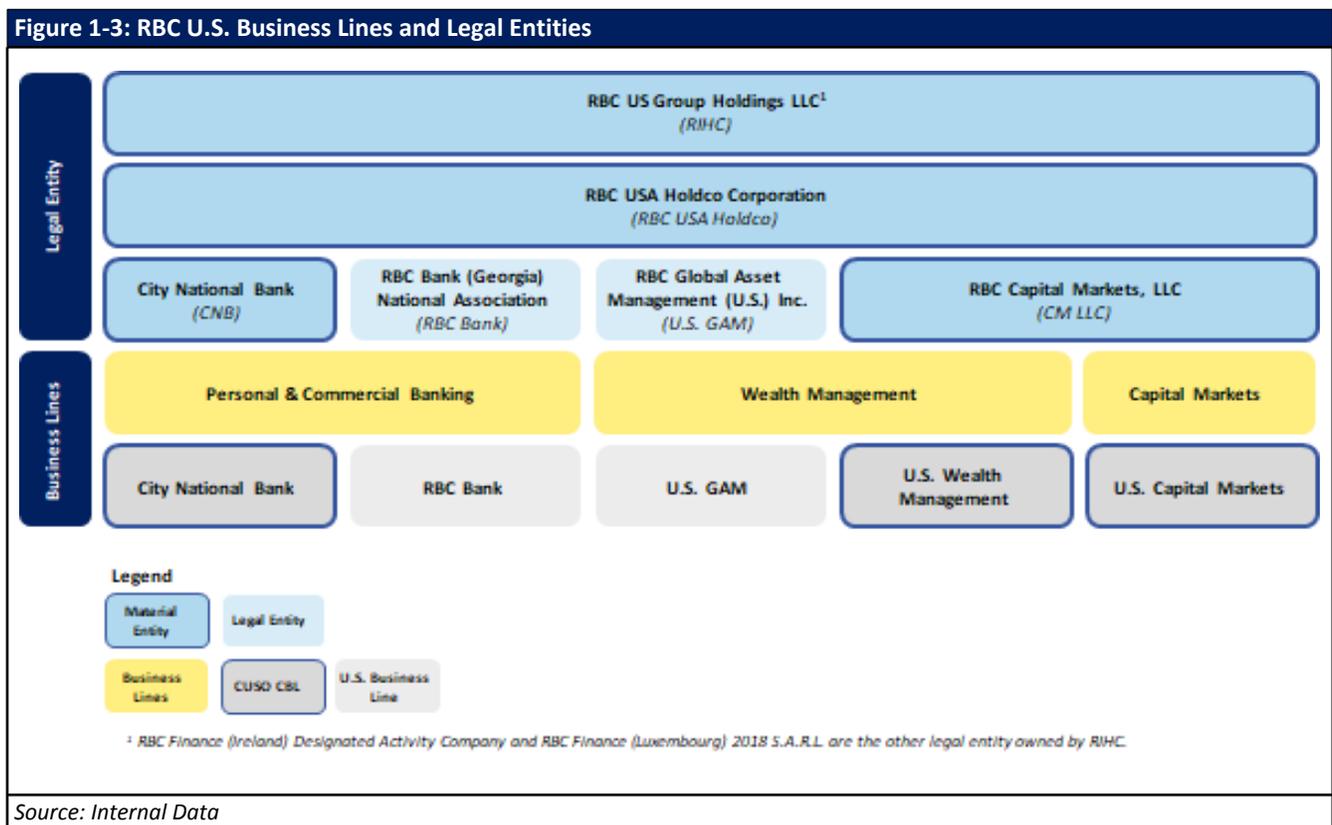
CBLs, as defined in the Resolution Plan Rule, are those business lines of the Covered Company, including associated operations, services, functions, and support that, in the view of the Covered Company, upon failure would result in a material loss of revenue, profit or franchise value. For purposes of RBC’s U.S. Resolution Plan, RBC CUSO identified: (i) U.S. Capital Markets (“U.S. CM”), (ii) U.S. Wealth Management (“U.S. WM”), and (iii) CNB as CBLs.

**U.S. CM** provides products and services, including equity and debt origination, distribution, structuring, and trading, to public and private companies, institutional investors, governments, and central banks. In the U.S., RBC has solidified its U.S. CM business to become the 12th-largest investment bank with a reputation for industry expertise and sound execution.

**U.S. WM** serves affluent, HNW, and UHNW clients with a wide-ranging group of investment, trust, banking, credit, and other wealth management solutions. U.S. WM also offers asset management products and services directly to institutional and individual clients through distribution channels and third-party distributors. U.S. WM serves its clients through two main LoBs: (i) Private Client Group (“PCG”) and (ii) Clearing and Custody (“C&C”).

**CNB** provides a complete suite of banking, trust, and investment services to HNW and commercial clients in major metropolitan areas that have high concentrations of affluent, HNW, and UHNW individuals (e.g., Southern California, San Francisco, New York). The target client segments are wealthy clients, entrepreneurs, and small to mid-sized businesses. CNB also creates synergies with RIHC’s other businesses and opens growth opportunities in new geographies, segments, and products for both CNB and RIHC.

Figure 1-3: RBC U.S. Business Lines and Legal Entities, below, shows the CUSO’s business lines and legal entities and highlights U.S. MEs and CBLs.<sup>6</sup>



### 1.1.2.3 Critical Operations

Critical operations were not an input to U.S. ME or CBL criteria, as RBC does not have designated critical operations for purposes of the 2021 Plan. The Resolution Plan Rule defines “critical operations” as “those

<sup>6</sup> Excludes corporate other/support.

operations within the covered company, including associated services, functions, and support, the failure or discontinuance of which, in the view of the covered company or as jointly directed by the Board of Governors and FDIC, would pose a threat to the financial stability of the United States”.

As the term is defined, after evaluating its operations, services, and functions, RBC has determined that it conducts no critical operations.

## 1.2 Resolution Strategy

### 1.2.1 Global Resolution Strategy

Based on the overall objective of minimizing risks to the global financial system, RBC has developed an enterprise-wide resolution strategy, which is RBC’s compatible, well-supported, and achievable within the key jurisdictions in which RBC operates. An SPOE approach, led by the Canada Depository Insurance Corporation (“CDIC”), RBC’s home jurisdiction resolution authority, is generally well-supported in light of RBC’s legal, operational, and financial structure.

RBC is predominantly Canada-based, both in terms of enterprise material entities (entities in scope for the Enterprise Resolution Plan based on their materiality to RBC, with respect to quantitative and qualitative factors) and critical functions. For entities and businesses with an international presence, the regulatory frameworks in those jurisdictions are generally consistent with the enterprise SPOE<sup>7</sup> approach.

Similar to past submissions, the 2021 Resolution Plan has been developed in keeping with the CDIC’s 2019 Resolution Plan Guidance for Domestic Systemically Important Banks (“D-SIB”) and the Financial Stability Board’s (“FSB”) 2011 Key Attributes of Effective Resolution Regimes for Financial Institutions, in addition to ongoing dialogue in partnership with the CDIC and guidance from global regulators that are part of RBC’s Crisis Management Group.

#### *Canadian Bail-in Resolution Tool*

The Canadian bail-in legislative framework provides a credible tool for recapitalization through conversion of prescribed shares and liabilities to common shares. Under Canadian bank resolution powers, the CDIC may, in circumstances where RBC has ceased or is about to cease to be viable, assume temporary control or ownership of RBC and may be granted broad powers by one or more orders of the Governor in Council (Canada), including the power to sell or dispose of all or a part of the assets of RBC and the power to carry out or cause RBC to carry out a transaction or a series of transactions the purpose of which would be to restructure the business of RBC.

As part of Canadian bank resolution powers, certain provisions of and regulations under the Bank Act (Canada), CDIC Act, and certain other Canadian federal statutes pertaining to banks, the bail-in regime provides recapitalization framework for banks designated by the Office of the Superintendent of Financial Institutions (“OSFI”) as D-SIBs of which RBC is included. Among the orders that can be made, a vesting order or receivership order is one directing the CDIC to carry out a conversion, by converting or causing RBC to convert, in whole or in part – by means of a transaction or series of transactions and in one or more steps – prescribed shares and liabilities of RBC into common shares of RBC or any of its affiliates (a “Conversion Order”).

<sup>7</sup> RBC’s U.S. Resolution Plan assumes the failure of RBC’s U.S. IHC, RIHC; whereas RBC’s Enterprise Plan contemplates only RBC being put into resolution under the authority of the CDIC and funding the continued viability of all of its material entities, including RIHC.

Upon the making of a Conversion Order, prescribed shares and liabilities under the bail-in regime that are subject to that Conversion Order will, to the extent converted, be converted into common shares of RBC or any of its affiliates, as determined by the CDIC. Subject to certain exceptions discussed below, senior debt issued on or after September 23, 2018, with an initial or amended term to maturity (including explicit or embedded options) greater than 400 days that is unsecured or partially secured and that has been assigned a Committee on Uniform Securities Identification Procedures (“CUSIP”), international securities identification number (“ISIN”), or similar identification number will be subject to a bail-in conversion. Preferred shares and subordinated debt of RBC will also be subject to a bail-in conversion unless they are non-viability contingent capital (“NVCC”), which must be converted prior to bail-in.

### 1.2.2 U.S.-Specific Resolution Strategy

As described in RBC’s 2018 U.S. Resolution Plan, on June 29, 2018, RBC created a new top-tier BHC, RIHC, and designated it as RBC’s U.S. IHC. This new corporate structure has further promoted RBC’s ability to implement a U.S. SPOE strategy. Most significantly, RIHC has issued substantial amounts of total loss-absorbing capacity-eligible long-term debt (“TLAC eLTD”) that could absorb losses and be used to recapitalize RIHC in a resolution scenario. Consistent with RBC’s U.S. SPOE strategy and the required assumptions in the Resolution Plan Rule, this 2021 Plan contemplates a Chapter 11 filing by RIHC.

RBC’s preferred resolution strategy (the Global Resolution Strategy) remains as set forth above and does not contemplate the filing of a Chapter 11 proceeding in the U.S. The FRB and the FDIC have provided regulatory guidance to RIHC that its U.S. Resolution Plan must address a scenario where RBC “is unable or unwilling to provide sufficient financial support for the continuation of U.S. operations” and “at least RIHC files for Chapter 11 bankruptcy”. Pursuant to regulatory guidance, RIHC’s 2021 Plan addresses such a scenario and contemplates the filing of a Chapter 11 proceeding by RIHC.

As noted above, a key goal of the transactions contemplated under the U.S. Resolution Strategy and RIHC’s Chapter 11 Case is the sale and/or orderly wind down of the U.S. Operations. RBC’s U.S. Resolution Plan strategy contemplates: (i) the resolution of RIHC under Chapter 11 of the U.S. Bankruptcy Code, (ii) the solvent, orderly wind-down of RBC CM LLC’s Capital Markets business and the WFC Branch, and (iii) the sale of RBC CM LLC’s Wealth Management business and CNB, each as a going concern, to a third party. In the event that a solvent sale of CNB is unavailable, RBC’s U.S. Resolution Plan strategy illustrates that CNB could alternatively be sold through a purchase and assumption (“P&A”) transaction in FDIC receivership. The U.S. Resolution Plan provides for the resolution of RBC’s U.S. MEs and CBLs in a rapid and orderly manner while mitigating any risk to the U.S. financial system.

## 1.3 Financial Data

### 1.3.1 Assets and Liabilities

The following summary financial information for RBC was prepared in compliance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board, and as reported in the audited consolidated financial statements included in RBC’s 2020 Annual Report. All figures are stated in Canadian dollars, unless otherwise noted.



**Figure 1-4: RBC's Consolidated Balance Sheet as of October 31, 2020 in CAD (\$ millions)**

<b>Assets</b>	
<b>Cash &amp; Due from banks</b>	<b>118,888</b>
<b>Interest-bearing deposits with banks</b>	<b>39,013</b>
<b>Securities</b>	<b>275,814</b>
Trading	136,071
Investment, net of applicable allowance	139,743
<b>Assets purchased under reverse repurchase agreements and securities borrowed</b>	<b>313,015</b>
<b>Loans</b>	<b>660,992</b>
Retail	457,976
Wholesale	208,655
Allowance for loan losses	(5,639)
<b>Segregated fund net assets</b>	<b>1,922</b>
<b>Other</b>	<b>214,904</b>
Customers' liability under acceptances	18,507
Derivatives	113,488
Premises and equipment	7,934
Goodwill	11,302
Other intangibles	4,752
Other assets	58,921
<b>Total Assets</b>	<b>\$1,624,548</b>
<b>Liabilities and Equity</b>	
<b>Figure 1-4: RBC's Consolidated Balance Sheet as of October 31, 2020 in CAD (\$ millions)</b>	
<b>Deposits</b>	<b>1,011,885</b>
Personal	343,052
Business and government	624,311
Bank	44,522
<b>Segregated fund net liabilities</b>	<b>1,922</b>
<b>Other</b>	<b>514,107</b>
Acceptances	18,618
Obligations related to securities sold short	29,285
Obligations related to assets sold under repurchase agreements and securities loaned	274,231
Derivatives	109,927
Insurance claims and policy benefit liabilities	12,215
Other liabilities	69,831
<b>Subordinated debentures</b>	<b>9,867</b>
<b>Total Liabilities</b>	<b>\$1,537,781</b>
Equity attributable to shareholders	<b>86,664</b>
Preferred shares	5,945
Common shares (shares issued - 1,452,534,303 and 1,484,234,375)	17,499
Retained earnings	59,806
Other components of equity	3,414
<b>Non-controlling interests</b>	<b>103</b>



**Figure 1-4: RBC's Consolidated Balance Sheet as of October 31, 2020 in CAD (\$ millions)**

Total Equity	\$86,767
Total Liabilities and Equity	\$1,624,548

The following financial information for U.S. MEs is provided for the purposes of the Resolution Plan Rule. As required by U.S. regulatory filing requirements, the following information is provided on a standalone basis for RIHC, RBC USA Holdco and a consolidated basis for CM LLC, CNB, and WFC Branch as of December 31, 2020 in U.S. generally accepted accounting principles ("U.S. GAAP"):

**RIHC** - As of December 31, 2020, RIHC held (\$26.9bn) of standalone assets, comprised mainly of investment in subsidiaries and intergroup receivables. RIHC standalone liabilities primarily consist of (\$8.7bn) in intergroup borrowings from RBC, which are outstanding internal TLAC-eligible debt.

**RBC USA Holdco** - As of December 31, 2020, RBC USA Holdco held standalone assets of (\$22.4bn) which were primarily comprised of investment in subsidiaries, intergroup receivables, and reverse repos. RBC USA Holdco held (\$5.1bn) of standalone liabilities, primarily consisting of intergroup borrowings.

**CM LLC** - As of December 31, 2020, CM LLC held (\$61.6bn) of consolidated assets, comprised mainly of reverse repos, trading assets, loans, and other assets. CM LLC held consolidated liabilities of (\$54.9bn), predominately consisting of repos, other liabilities, other borrowed money, and trading liabilities.

**CNB** - As of December 31, 2020, CNB had total consolidated assets of (\$76.3bn), consisting primarily of loans and investments securities, inclusive of AFS/HTM securities and trading assets. CNB had total consolidated liabilities of (\$69.9bn) primarily consisting of deposits and other liabilities.

**WFC Branch** - As of December 31, 2020, WFC Branch had consolidated total assets of (\$108.1bn), consisting primarily of reverse repos, loans, cash due from banks, and trading assets. WFC Branch had (\$108.1bn) of consolidated liabilities consisting of repos, deposits, other borrowed money, and other liabilities.

### 1.3.2 Material Entity Funding and Capital Sources

RIHC is not an operating entity and, as a result, only holds internal TLAC-eligible debt and equity against its assets which are generally viewed as stable sources of funding.

Similar to RIHC, RBC USA Holdco is not an operating entity and, as a result, only holds long-term loans and equity capital against its assets.

CM LLC's funding sources include a mix of intergroup and third-party sources. CM LLC's sources of existing and contingent funding are secured wholesale funding, intergroup funding, and liquidity sources, and uncommitted bank lines of credit with a non-affiliated bank.

CNB primarily sources its funding through deposits from retail, small enterprise, and corporate clients, and subordinated debt issued for capital purposes, while also providing liquidity.

WFC Branch's assets, which are largely composed of loans and HLA, are financed through wholesale certificates of deposit and deposits and term deposits from RBC.

RBC has established and maintains a set of principles to measure, monitor, and determine the capital levels and management practices of its U.S. MEs and CBLs in a manner consistent with RBC's risk profile and risk appetite. The U.S. Capital Management Policy is approved by the RIHC Board of Directors ("RIHC Board") and is consistent with capital management requirements mandated by the FRB.

## 1.4 Operational Data

### 1.4.1 Derivatives and Hedging Activities

RBC's U.S. MEs primarily use derivatives on sales and trading activities. Sales activities include the structuring and marketing of derivative products to clients to enable clients to transfer, modify or reduce current or expected risks. Trading includes market-making activities, which involves quoting bid and offer prices to other market participants with the intention of generating revenue based on spread and volume.

In addition to sales and trading activities, RBC's U.S. MEs use derivatives for risk management purposes to hedge interest rate, credit, equity, and foreign exchange risk related to its funding, lending, investment management activities and asset or liability management. For example, interest rate swaps are used to manage RBC U.S. MEs' exposure to interest rate risk by modifying the repricing or maturity characteristics of existing and/or projected assets and liabilities, including funding and investment activities. Purchased options are used to hedge redeemable deposits and other options embedded in consumer products. Cross-currency swaps and foreign exchange forward contracts are used to manage exposure to foreign currency risk. RBC predominantly uses credit derivatives to manage its credit exposures, such as mitigating industry sector concentrations and single name exposures related to RBC's credit portfolio.

In connection with these derivatives and trading activities, RBC has installed exposure limits for each of its U.S. MEs, based on risk appetite and market risk principles and manages counterparty credit risk through the establishment of strict limits based on home country, inventory, trading settlement, and term. RBC also established enterprise-wide default procedures to reduce the financial impact in the event a counterparty fails.

### 1.4.2 Financial Market Utility Relationships

RBC is a member of a variety of FMUs and maintains relationships with agent banks. These arrangements facilitate the clearing and settlement of securities and cash transactions and allow for greater risk management and operational efficiencies in the trading of financial instruments worldwide.

All U.S. MEs, with the exception of RIHC and RBC USA Holdco, maintain direct memberships across various FMUs, including systemically important FMUs ("SIFMU")<sup>8</sup> such as Depository Trust & Clearing Corporation ("DTCC"), National Securities Clearing Corporation ("NSCC"), Fixed Income Clearing Corporation ("FICC"), and Chicago Mercantile Exchange ("CME"). For certain FMUs, direct membership is held by multiple RBC legal entities. Additionally, an FMU may be accessed indirectly, where the legal entity with a direct membership provides access to another entity in order to facilitate payment, clearing or settlement activities.

Figure 1-5 provides a mapping of the direct and indirect FMU and agent bank relationships by U.S. ME and CBL.

<sup>8</sup> SIFMU designation by the Financial Stability Oversight Council ("FSOC").

**Figure 1-5: Material FMU Mapping to Material Entities and Core Business Lines as of December 31, 2021**

FMUs		Material Entities					Core Business Lines		
		RIHC	RBC USA HoldCo	RBC CM LLC	CNB	WFC Branch	U.S. CM	U.S. WM	CNB
Payment	Fedwire	-	-		Direct	Direct	X		X
	SVPCO	-	-		Direct				X
	ACH	-	-		Direct	Direct	X		X
Clearing	CME <sup>(i)</sup>	-	-	Direct		Indirect <sup>(ii)</sup>	X		
	OCC	-	-	Direct			X		
	ICE Clear Europe	-	-	Direct			X		
	FICC <sup>(i)</sup>	-	-	Direct		Direct <sup>(ii)</sup>	X	X	
Settlement	DTC / NSCC <sup>(i)</sup>	-	-	Direct			X	X	
Agent Banks	BONY <sup>(i)</sup>	-	-	Direct		Direct	X	X	
	US Bank	-	-	Direct			X	X	
	JPMorgan Chase	-	-	Direct		Direct	X	X	
	BMO Harris Bank	-	-	Direct			X		
	Wells Fargo	-	-	Direct	Direct		X	X	X

<sup>(i)</sup> = Material FMUs with the most significant qualitative dependencies for U.S. operations and associated crisis management plans (“playbooks”) in the 2018 Resolution Plan  
<sup>(ii)</sup> = WFC Branch accesses CME via RBC CM LLC and is a direct Member in GSD only

Source: Capital Markets Operations

### 1.4.3 Management Information Systems

RBC maintains a catalog of MIS around risk management, financial data, funding and liquidity, regulatory, and operations. The Resolution Plan focuses on key MIS associated with risk management, accounting, financial, and regulatory reporting functions. RBC has compiled inventories identifying the systems or applications and has mapped those systems to U.S. MEs and CBLs. In addition, RBC has identified the scope, content, and frequency of key internal reports that are critical to RBC’s governance of resolution planning.

### 1.4.4 Foreign Operations

RBC employs a diversified business model and a disciplined approach to controlling costs, deploying capital, and managing risk through capital and resolution planning cycles. Revenue breakdown by geography (as of October 31, 2020) was approximately 59% Canada, 25% U.S., and 16% Other / International. RBC views the U.S. as its second home market, and the U.S. represents the largest financial services revenue pool for RBC globally. It is also RBC’s largest market outside of Canada and its most attractive market for further expansion and capability extension.

RBC has a focused strategy that targets high-growth client segments within priority markets of Canada, the U.S., and select global financial centers. Across geographies, RBC continues to deepen its relationships with clients and work to bring the strength, breadth, and depth of its capabilities to meet the following strategic goals:

- In Canada, to be the undisputed leader in financial services;
- In the U.S., to be the preferred partner to corporate, institutional, and HNW clients and their businesses; and
- In select global financial centers, to be a leading financial services partner valued for RBC’s expertise.

## 1.5 Governance

RBC is committed to its corporate governance program, consistent with regulatory expectations and evolving best practices aligned with RBC's strategy and risk appetite. RBC's Board of Directors adopts governance policies and practices designed to align the interests of the Board of Directors and management with those of shareholders and other stakeholders and to promote the highest standards of ethical behavior and risk management at every level of RBC Group.

### 1.5.1 Corporate Governance

RBC's U.S. Governance framework is composed of the RIHC Board of Directors, its three Board Committees, eight Management Committees, as well as ten Management Sub-Committees. The RIHC Board's role consists of decision making and oversight functions, and each Board Committee, Management Committee and Sub-Committee has a written mandate that sets out its responsibilities.

RBC's governance framework monitors the risk and overall outlook of the business through a system of review and escalation of potential issues. Monitoring of risk and overall outlook are performed at the business, senior management, and Board of Directors levels. If these monitoring activities produce data that shows a deterioration in the capital or liquidity position of RIHC, various risk management-focused escalation channels are in place to escalate deterioration in early warning indicators ("EWI") and other metrics that may forewarn financial stress and trigger prompt associated management or RIHC Board action.

RBC has established a corporate governance framework and practices surrounding resolution planning. As RBC begins to experience stress moving from business-as-usual to a stress scenario, the RIHC Board will begin coordinating and consulting, as required, with the Financial Crisis Management Team ("FCMT"), the Enterprise Crisis Management Team ("ECMT") and the Reputational Crisis Management Team ("RCMT"). In a severe stress scenario, RIHC Board provides approval of key crisis response actions and has the ultimate authority with respect to deciding whether RIHC will file for Chapter 11 bankruptcy.

### 1.5.2 Plan Governance

In accordance with regulatory expectations, RBC has established a governance structure to support the development, implementation, review and approval of RBC Group and local required recovery and/or resolution plans. Recovery and resolution planning at both the RBC Group and local levels is led by RBC's Group Risk Management ("GRM"). To develop the U.S. Resolution Plan, RBC used a formal project approach for streamlined decision-making, escalations, and progress reporting. The U.S. Resolution Plan development, maintenance, and filing is overseen by the U.S. Chief Risk Officer, the Global Enterprise Recovery and Resolution Plan Coordinator, the U.S. Resolution Plan Lead, various subject matter experts, and others. The governance forums responsible for oversight of the U.S. Resolution Plan include the Enterprise Recovery and Resolution Planning Executive Steering Committee, Disclosure Committee, RIHC Board, Risk Committee of RIHC Board, CUSO Risk Management Committee, and U.S. Resolution Plan Oversight Committee.

As required by the Resolution Plan Rule, the Resolution Plan of a foreign-based Covered Company must be approved by its Board of Directors or by another governance body under express delegation by the Covered Company Board of Directors. RBC's Board of Directors, as permitted by the Resolution Plan Rule, delegated



authority to the RIHC Board to review and approve RBC's 2021 U.S. Targeted Resolution Plan. The RIHC Board approved the U.S. Targeted Resolution Plan on December 7, 2021.

## 1.6 Supporting Information

### 1.6.1 Material Supervisory Authorities

#### Canada

RBC is a "Schedule I" Bank under the Bank Act (Canada), and, as such, is a federally regulated financial institution in Canada. It is regulated primarily by OSFI, which reports to the Minister of Finance for the supervision of RBC, as well as its Canadian federally-regulated trust, loan, and insurance subsidiaries.

RBC and its Canadian trust, loan, and insurance subsidiaries are also subject to regulation under the Financial Consumer Agency of Canada Act ("FCAC Act"). The Financial Consumer Agency of Canada ("Agency"), among other things, enforces consumer-related provisions of the federal statutes which govern these financial institutions. The Commissioner of the Agency must report to the Minister of Finance on all matters connected with the administration of the FCAC Act and consumer provisions of other federal statutes, including the Bank Act, Trust and Loan Companies Act (Canada), and Insurance Companies Act (Canada).

RBC and its trust and loan company subsidiaries (Royal Trust Corporation of Canada, The Royal Trust Company, Royal Bank Mortgage Corporation, and RBC Investor Services Trust) are member institutions of the CDIC, which insures certain deposits held at the member institutions.

The activities of RBC's Canadian subsidiaries engaged in broker-dealer and/or investment management activities (RBC Dominion Securities Inc., RBC Direct Investing Inc., Royal Mutual Funds Inc., Phillips, Hager & North Investment Funds Ltd., RBC Global Asset Management Inc., and RBC Phillips, Hager & North Investment Counsel Inc.) are regulated in Canada under provincial and territorial securities laws and, in some cases, by rules of self-regulatory organizations.

In Canada, RBC is subject to resolution by OSFI and the CDIC.

#### United States

In the United States, RBC is characterized as a foreign banking organization ("FBO") and is subject to a variety of regulatory authorities. RBC is both a bank holding company and a financial holding company under the Bank Holding Company Act, and thus is subject to the supervision and regulation by the FRB.

RIHC is both a bank holding company and financial holding company and subject to supervision and regulation by the FRB.

CM LLC, as a registered broker-dealer, Future Commissions Merchant, Swap Dealer, and swap firm, is subject to regulation by the SEC, NFA, and CFTC. In addition, CM LLC is a member of FINRA and NYSE and is subject to their respective rules.

WFC Branch is a federal branch licensed and supervised by the OCC.

CNB is a national banking associations and insured depository institution and is subject to broad federal regulation and oversight by the OCC, as the prudential regulator, the FDIC and the Consumer Financial



Protection Bureau (“CFPB”), as the regulator for consumer protection regulations. CNB’s non-bank subsidiaries are also subject to regulation by the FRB and other federal and state agencies, including for those non-bank subsidiaries that are investment advisors, by the SEC. CNB’s registered broker-dealers are regulated by the SEC, FINRA, CFTC, and various state securities regulators.

In the U.S., resolution authorities include the FRB, FDIC, OCC, FINRA, NFA, the SEC, and other market regulators.

### Other Jurisdictions

In addition to Canada and the U.S., RBC operates in 35 other countries through a network of branches, local branches, and non-bank subsidiaries, and those activities are subject to supervision in most cases by a local regulator or central bank.

### 1.6.2 Principal Officers

Figure 1-6: Principal Officers of RBC below lists the principal officers of RBC, including the members of the Group Executive of RBC, as of December 31, 2020. The Group Executive is responsible for the day-to-day operational management of RBC and develops and implements the strategic business plans for RBC overall as well as for the principal businesses, subject to approval by the RBC Board of Directors. The Group Executive further reviews and coordinates significant initiatives, projects and business developments in the divisions, regions and in the RBC functions and established enterprise-wide policies.

Figure 1-6: Principal Officers of RBC	
Name	Title
Bolger, Rod	Chief Financial Officer
Dobbins, Mike	Group Head, RBC Ventures & Corporate Development
Gottschling, Helena	Chief Human Resources Officer
Guzman, Doug	Group Head, Wealth Management, Insurance and Investor & Treasury Services
Hepworth, Graeme	Chief Risk Officer
Knoess, Christoph	Chief Administrative & Strategy Officer
Nelder, Derek	Group Head, Capital Markets
McKay, David	President & Chief Executive Officer
McLaughlin, Neil	Group Head, Personal & Commercial Banking (P&CB)
Ross, Bruce	Group Head, Technology and Operations
<i>Source: RBC Corporate Secretary's Office</i>	

### 1.6.3 Glossary

<b>Figure 1-7: Glossary</b>	
<b>Term</b>	<b>Description</b>
2018 Plan	2018 U.S. Resolution Plan
2021 Plan	2021 U.S. Targeted Resolution Plan
Agency	Financial Consumer Agency of Canada
BAU	Business-As-Usual
BHC	Bank Holding Company
C&C	Clearing and Custody
C&IB	Corporate and Investment Banking
CBL	Core Business Line
CDIC	Canada Deposit Insurance Corporation
CFG	Central Funding Group
CFPB	Consumer Financial Protection Bureau
CFTC	Commodity Futures Trading Commission
CM	Capital Markets
CME	Chicago Mercantile Exchange
CMT	Crisis Management Team
CNB	City National Bank
CO	Critical Operation
CUSIP	Committee on Uniform Securities Identification Procedures
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DIF	Deposit Insurance Fund
D-SIB	Domestic Systemically Important Bank
DTCC	Depository Trust & Clearing Corporation
ECMT	Enterprise Crisis Management Team
EWI	Early Warning Indicators
FBO	Foreign Banking Organization
FCAC Act	Financial Consumer Agency of Canada Act
FCM	Futures Commission Merchant
FCMT	Financial Crisis Management Team
FDIC	Federal Deposit Insurance Corporation
FICC	Fixed Income, Currencies, and Commodities
FINRA	Financial Industry Regulatory Authority
FMU	Financial Market Utility
FRB	Board of Governors of the Federal Reserve System
FSB	Financial Stability Board
FSOC	Financial Stability Oversight Council
GRM	Group Risk Management
GSD	Government Securities Division
GSIB	Global Systemically Important Bank



**Figure 1-7: Glossary**

<b>Term</b>	<b>Description</b>
HNW	High Net Worth
I&TS	Investor & Treasury Services
IFRS	International Financial Reporting Standards
IHC	Intermediate Holding Company
Irish Finco	RBC Finance (Ireland) Designated Activity Company
ISIN	International Securities Identification Number
Lux Finco	RBC Finance (Luxembourg) 2018 S.à.r.l.
ME	Material Entity
MIS	Management Information Systems
NFA	National Futures Association
NSCC	National Securities Clearing Corporation
NVCC	Non-Viability Contingent Capital
NYSE	New York Stock Exchange
OCC	Office of the Comptroller of the Currency
OSFI	Office of the Superintendent of Financial Institutions
P&A	Purchase and Assumption
P&CB	Personal & Commercial Banking
PCG	Private Client Group
PCS	Payments, Clearing, and Settlement
RBC	Royal Bank of Canada
RBC CM LLC	RBC Capital Markets, LLC
RBC CUSO	RBC's combined U.S. operations
RBC Group	Royal Bank of Canada, together with its affiliates
RBC USA Holdco	RBC USA Holdco Corporation
RCMT	Reputational Crisis Management Team
Regulation YY	Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations
RIHC	RBC's Intermediate Holding Company
RPOC	U.S. Resolution Plan Oversight Committee
SEC	U.S. Securities and Exchange Commission
SIFMU	Systemically Important FMU
SME	Subject Matter Expert
SOS	Shared and Outsourced Services
SPOE	Single Point of Entry
T&O	Technology & Operations
TLAC	Total Loss-Absorbing Capacity
TLAC eLTD	Total Loss-Absorbing Capacity - Eligible Long-Term Debt
UHNW	Ultra-High Net Worth
U.S. GAAP	U.S. Generally Accepted Accounting Principles
U.S. RPT	U.S. Resolution Plan Team
WFC Branch	Royal Bank of Canada, World Financial Center Federal Branch
WM	Wealth Management