

Royal Bank Action Direct Inc.- MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from the Suitability Requirements, as reflected in paragraph 1.5(1)(b) of OSC Rule 31-505, pursuant to section 4.1 of OSC Rule 31-505, subject to the terms and conditions set out in the Decision Document.

Decision pursuant to s.21.1(4) of the Act, that the IDA Suitability Requirements do not apply to the Filer, subject to the terms and conditions set out in the Decision Document.

Applicable Ontario Statute

Securities Act R.S.O. 1990, c.S.5, as amended, s.21.1(4).

Rules Cited

Ontario Securities Commission Rule 31-505 "Conditions of Registration" (1999) 22 O.S.C.B. 731.

IDA Regulations Cited

IDA Regulation 1300.1(b), 1800.5(b), 1900.4.

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA,
ALBERTA, SASKATCHEWAN, NEWFOUNDLAND
NOVA SCOTIA AND ONTARIO

AND

IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE
RELIEF APPLICATIONS

AND

IN THE MATTER OF ROYAL BANK ACTION DIRECT INC.
MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the **ADecision Maker@**) in each of the provinces of British Columbia, Alberta, Saskatchewan, Newfoundland, Nova Scotia and Ontario (collectively, the **AJurisdictions@**) has received an application from Royal Bank Action Direct Inc. (the **AFiler@**) regarding the operation of the separate division, Action Direct (the **ADivision@**), for:

1. a decision under the securities legislation of the Jurisdictions (the **ALegislation@**) that the requirements of the Legislation requiring the Division and its registered salespersons, partners, officers and directors (**ARegistered Representatives@**) to make inquiries of each client of the Division as are appropriate, in view of the nature of the client-s investments and of the type of transaction being effected for the client-s account, to determine (a) the general investment needs and objectives of the client and (b) the suitability of a proposed purchase or sale of a security for the client (such requirements, the **ASuitability Requirements@**) do not apply to the Division and its Registered Representatives; and
2. a decision under the Legislation, other than the securities legislation of Newfoundland and Nova Scotia, that the requirements of the Investment Dealers Association of Canada (the **AIDA@**), in particular IDA Regulation 1300.1(b), 1800.5(b) and 1900.4, requiring the Division and its Registered Representatives to make inquiries of each client of the Division as are appropriate, in view of the nature of the client-s investments and of the type of transaction being effected for the client-s account, to determine (a) the general investment needs and objectives of the client and (b) the suitability of a proposed purchase or sale of a security for the client (such requirements, the **AIDA Suitability Requirements@**) do not apply to the Division and its Registered Representatives;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the ASystem®), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer and the Division have represented to the Decision Makers that:

1. the Filer is a corporation incorporated under the *Canada Business Corporations Act* and is a wholly-owned subsidiary of the Royal Bank of Canada;
2. the Division is a distinct internal operating division of the Filer;
3. the head office of the Filer is located in Ontario and the Division has branch offices or call centres located in Richmond Hill, Ontario (servicing New Brunswick, Newfoundland, Nova Scotia, Prince Edward Island and Ontario, as well as electronic trading across Canada), Montréal, Quebec (serving Québec), Calgary, Alberta (servicing Manitoba, Saskatchewan, Alberta, the Northwest Territories and Nunavut) and Vancouver, British Columbia (servicing British Columbia and the Yukon);
4. the Filer is registered under the Legislation as an investment dealer or equivalent and is a member of the IDA;
5. Action Direct is a trade name of the Filer registered with each of the Jurisdictions;
6. the Division operates independently and operates using its own letterhead, accounts, Registered Representatives and account documentation;
7. the Division and its Registered Representatives do not and will not, except as provided in 14 below, provide advice or recommendations regarding the purchase or sale of any security and the Filer and the Division have adopted policies and procedures to ensure the Division and the Division's Registered Representatives do not and will not, with such exception, provide advice or recommendations regarding the purchase or sale of any security;
8. when the Division provides trade execution services to clients it would, in the absence of this Decision, be required to comply with the Suitability Requirements and IDA Suitability Requirements;
9. clients who request the Division or its Registered Representatives to provide advice or recommendations or advice as to suitability will be referred to another division of the Filer or another dealer;
10. the Division does not and will not compensate its Registered Representatives

on the basis of transactional values;

11. each client of the Division will be advised of the Decision of the Decision Makers and requested to acknowledge that:
 - (a) no advice or recommendation will be provided by the Division or its Registered Representatives regarding the purchase or sale of any security, and
 - (b) the Division and its Registered Representatives will no longer determine the general investment needs and objectives of the client or the suitability of a proposed purchase or sale of a security for the client; (both (a) and (b) shall constitute the AClient Acknowledgement®);
12. the Client Acknowledgement will provide the client with sufficient detail and will explain to each client the significance of not receiving either investment advice or a recommendation from the Filer, including the significance of the Filer not determining the general investment needs and objectives of the client or the suitability of a proposed purchase or sale of a security for the client;
13. each client of the Division will be advised that he or she has the option of transferring his or her account or accounts to another division of the Filer or another dealer at no cost to the client if the client does not wish to provide a Client Acknowledgement (the AAccount Transfer Option®);
14. the Division and its Registered Representatives will continue to comply with the Suitability Requirements and IDA Suitability Requirements for client accounts for which no Client Acknowledgement is received until June 30, 2001;
15. commencing June 30, 2001, the Division will not permit a transaction in an account for which a Client Acknowledgement has not been received unless the transaction is a sale for cash or a transfer of assets to another account;
16. all prospective clients of the Division will be advised and required to acknowledge that:
 - (a) no advice or recommendations will be provided by the Division or its Registered Representatives regarding the purchase or sale of any security, and
 - (b) the Division and its Registered Representatives will not determine the general investment needs and objectives of the client or the suitability of a proposed purchase or sale of a security for the client, (both (a) and (b) shall constitute the AProspective Client Acknowledgement®),

prior to the Division opening an account for such prospective client;

17. the Prospective Client Acknowledgement will provide the client with sufficient detail and will explain to each client the significance of not receiving either investment advice or a recommendation from the Filer, including the significance of the Filer not determining the general investment needs and objectives of the client or the suitability of a proposed purchase or sale of a security for the client;
18. the Filer and the Division have adopted policies and procedures to ensure:
 - (a) that evidence of all Client Acknowledgements, Prospective Client Acknowledgements and Account Transfer Options is established and retained pursuant to the record keeping requirements of the Legislation and the IDA,
 - (b) all client accounts of the Division are appropriately designated as being a client account to which a Client Acknowledgement or Prospective Client Acknowledgement has been received or being a client account to which a Client Acknowledgement has not been received, and
 - (c) for any client of the Division who does not provide a Client Acknowledgement and chooses to exercise the client's Account Transfer Option, the Division will transfer the client's account in an expeditious manner and at no cost to the client; and
19. the Filer has adopted policies and procedures to ensure that:
 - (a) the Division operates separately from any other division of the Filer,
 - (b) Registered Representatives of the Division are clearly employed by the Division and do not handle the business or clients of any other division of the Filer, and
 - (c) a list of Registered Representatives of the Division is maintained at all times;

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the [ADecision@](#));

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the Suitability

Requirements contained in the Legislation shall not apply to the Division and its Registered Representatives so long as:

1. except as permitted by 6 below, the Division and its Registered Representatives do not provide any advice or recommendations regarding the purchase or sale of any security;
2. clients who request the Division or its Registered Representatives to provide advice or recommendations or advice as to suitability are referred to another division of the Filer or another dealer;
3. the Division operates independently and operates using its own letterhead, accounts, Registered Representatives and account documentation;
4. the Division does not compensate its Registered Representatives on the basis of transactional values;
5. each client of the Division is advised of the Decision of the Decision Makers and requested to make a Client Acknowledgement or transfer his or her account to another division of the Filer or another dealer if the client does not wish to make a Client Acknowledgement;
6. the Division and its Registered Representatives continue to comply, until June 30, 2001, with their Suitability Requirements and IDA Suitability Requirements for client accounts for which no Client Acknowledgement is received;
7. commencing June 30, 2001, the Division will not permit transactions in an account for which a Client Acknowledgement has not been received unless the transaction is a sale for cash or a transfer of assets to another account;
8. each prospective client of the Division is advised of the Decision of the Decision Makers and required to make a Prospective Client Acknowledgement prior to the Division or its Registered Representation servicing such prospective client;
9. evidence of all Client Acknowledgements, Prospective Client Acknowledgements and Account Transfer Options is established and retained pursuant to the record keeping requirements of the Legislation and the IDA;
10. for any client who elects to exercise the client's Account Transfer Option, the Division transfers such account or accounts to another division of the Filer or another dealer in an expeditious manner and at no cost to the client;
11. the Division accurately identifies and distinguishes client accounts for which a Client Acknowledgement or Prospective Client Acknowledgement has been

provided and client accounts for which no Client Acknowledgement has been provided;

12. the Filer has in force policies and procedures to ensure that:
 - (a) the Division continues to operate separately from any other division of the Filer,
 - (b) Registered Representatives of the Division are clearly employed by the Division and do not handle the business or clients of any other division of the Filer, and
 - (c) a list of Registered Representatives of the Division is maintained at all times; and
13. if an IDA rule addressing the IDA Suitability Requirements comes into effect, the Decision with respect to the Suitability Requirements will terminate one year following the date such rule comes into force, unless the Decision Maker determines otherwise.

ADecember 8, 2000"

AWilliam R. Gazzard@

THE DECISION of the Decisions Makers, other than Newfoundland and Nova Scotia, is that the IDA Suitability Requirements do not apply to the Division and its Registered Representatives so long as:

1. except as permitted by 6 below, the Division and its Registered Representatives do not provide any advice or recommendations regarding the purchase or sale of any security;
2. clients who request the Division or its Registered Representatives to provide advice or recommendations or advice as to suitability are referred to another division of the Filer or another dealer;
3. the Division operates independently and operates using its own letterhead, accounts, Registered Representatives and account documentation;
4. the Division does not compensate its Registered Representatives on the basis of transactional values;

5. each client of the Division is advised of the Decision of the Decision Makers and requested to make a Client Acknowledgement or transfer his or her account to another division of the Filer or another dealer if the client does not wish to make a Client Acknowledgement;
6. the Division and its Registered Representatives continue to comply, until June 30, 2001, with their Suitability Requirements and IDA Suitability Requirements for client accounts for which no Client Acknowledgement is received;
7. commencing June 30, 2001, the Division will not permit transactions in an account for which a Client Acknowledgement has not been received unless the transaction is a sale for cash or a transfer of assets to another account;
8. each prospective client of the Division is advised of the Decision of the Decision Makers and required to make a Prospective Client Acknowledgement prior to the Division or its Registered Representation servicing such prospective client;
9. evidence of all Client Acknowledgements, Prospective Client Acknowledgements and Account Transfer Options is established and retained pursuant to the record keeping requirements of the Legislation and the IDA;
10. for any client who elects to exercise the client's Account Transfer Option, the Division transfers such account or accounts to another division of the Filer or another dealer in an expeditious manner and at no cost to the client;
11. the Division accurately identifies and distinguishes client accounts for which a Client Acknowledgement or Prospective Client Acknowledgement has been provided and client accounts for which no Client Acknowledgement has been provided;
12. the Filer has in force policies and procedures to ensure that:
 - (a) the Division continues to operate separately from any other division of the Filer,
 - (b) Registered Representatives of the Division are clearly employed by the Division and do not handle the business or clients of any other division of the Filer, and
 - (c) a list of Registered Representatives of the Division is maintained at all times; and
13. if an IDA rule addressing the IDA Suitability Requirements comes into effect, the Decision with respect to the Suitability Requirements will terminate one year following the date such rule comes into force, unless the Decision Maker

determines otherwise.

ADecember 8, 2000"

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