

# Master Client Agreement for Business Clients Foreign Exchange Transactions Service Material



These are Service Materials for Royal Bank's electronic trading service relating to certain foreign exchange transactions which, together with the Rules of Operation for foreign exchange transactions (collectively, the "Rules of Operation") appended hereto as Appendix A, form part of the Master Client Agreement for Business Clients between Royal Bank and the Customer.

## 1. Definitions and Interpretation

All capitalized terms not defined in this Service Material have the meanings given in Part C – Glossary of the Legal Terms and Conditions of the Master Client Agreement for Business Clients, and the rules of interpretation prescribed by the Legal Terms and Conditions also apply.

## 2. Governing Law and Jurisdiction

If Customer is entering into foreign exchange transactions, irrespective of its location, this Service is being offered by Royal Bank of Canada, Toronto Branch, and the Agreement and all transactions entered into hereunder are governed by the laws of Ontario and the laws of Canada applicable therein. In each case, the courts of the jurisdiction whose laws govern the Agreement shall have exclusive jurisdiction for settling disputes arising from the Agreement and both parties irrevocably submit to that jurisdiction, provided that a judgment, once obtained, may be enforced in any appropriate jurisdiction. The Agreement, and any transactions entered into hereunder, will only enter into force and effect once accepted by Royal Bank in the jurisdiction of the relevant branch of Royal Bank.

## 3. Deal Confirmation

A valid and binding transaction will occur upon (i) the acceptance of a rate and the issuance of a payment by the Customer using Royal Bank's RBC Express Service, or (ii) where applicable, the issuance by Royal Bank of a deal confirmation number ("Deal Confirmation Number") for a transaction that Customer has sent to Royal Bank using the Service, and such transaction shall be governed by any applicable contractual arrangements, including the Agreement, entered into between Customer and Royal Bank as to transactions of such nature. Royal Bank is under no obligation to enter into any transaction.

## 4. Access to the Service Using RBC Express

If the Customer is using RBC Express to access the Service:

- a) Royal Bank will assign Customer user verification data for the purposes of accessing the Service, which may include security codes, passwords, smartcards or similar user security data ("User Codes"). Procedures and specifications may accompany User Codes, and Customer will comply with all such procedures and specifications.
- b) Customer shall have in place adequate security procedures to ensure that User Codes will not be disclosed to any Person other than its authorized representatives who have been authorized by Royal Bank to use the Service. Customer shall prevent access to the Service by all other Persons.
- c) Customer shall promptly notify Royal Bank in writing of any loss, unauthorized disclosure or theft of any User Codes, the termination of employment or change in authorization of any of its authorized representatives, or if it has reason to believe that any User Codes may have been compromised. Customer will remain liable for all transactions and communications in connection with the User Codes until Customer has advised Royal Bank in writing to cancel the User Codes, and Royal Bank has had a reasonable opportunity to make the requested change.

## 5. Transaction Information and Risks

Information made available through the Service, including information as to trading activities, prices or other terms relevant to the execution of a transaction between Royal Bank and Customer, may be outdated and/or contain errors. Such information is indicative only and is subject to change and shall not be regarded as an offer to execute a transaction with Customer or a solicitation of Customer to make an offer to Royal Bank.

For transactions where Deal Confirmation Numbers are to be used, Royal Bank utilizes certain pre-trade control mechanisms, including the device commonly referred to as "last look". "Last look" is utilized primarily to protect against certain trading practices (including trading on out-of-date prices), and acceptance by Royal Bank of a trade may be dependent on the trade price request falling inside Royal Bank's price tolerance for execution. Royal Bank provides all-in pricing for exchange rates. The price provided may include profit, fees, costs, charges or other mark ups as determined by Royal Bank in its sole discretion.

Exchange rates fluctuate, at times significantly, and Customer accepts all risks that may result from such fluctuations. If Royal Bank assigns an exchange rate to a transaction, that exchange rate will be determined by Royal Bank in its sole discretion based upon such factors as it determines to be relevant, including without limitation, market conditions, exchange rates charged by other parties, desired rate of return, market risk, credit risk and other market, economic and business factors. Exchange rates for retail and commercial transactions, and for transactions effected after regular business hours and on weekends, may be different from the exchange rates for large inter-bank transactions effected during the business day. Exchange rates offered by other dealers may be different from Royal Bank's exchange rates. The exchange rate offered to the Customer may be different from, and likely inferior to, the rate paid by Royal Bank to acquire the underlying currency.

## **6. Hedging**

In connection with our market making and other activities, we may engage in hedging, including pre-hedging, to facilitate customer transactions and hedge the associated market risk. Such activities may include trading ahead of order execution. These transactions will be designed to be reasonable in relation to the risks associated with the potential transaction with Customer. These transactions may affect the price of the underlying currency, and consequently, Customer cost or proceeds. Royal Bank bears no liability for these potential price movements. When Royal Bank's pre-hedging and hedging activity is completed at prices that are superior to the agreed upon execution price or benchmark, Royal Bank keeps the positive difference as a profit in connection with the transactions. Customer will have no interest in any profits associated with this activity. Royal Bank also may take proprietary positions in certain currencies. Customer should assume Royal Bank has an economic incentive to be a counterparty to any transaction with Customer.

## **7. No Warranty**

The service, and any market information and content contained in, obtained through, or derived from the service, is provided "as is" and Royal Bank and its affiliates disclaim any and all warranties of any kind, either express, implied or statutory (including, without limitation, any warranty of merchantability, fitness for a particular purpose, timeliness, truthfulness, sequence, completeness, accuracy, freedom from interruption, freedom against interference with customer's enjoyment and freedom from infringement) relating to the service or any part thereof to the fullest extent permissible pursuant to applicable law.

## **8. Customer Representation**

Customer represents and warrants that on each date that it enters into a transaction with Royal Bank:

- (i) it has the requisite power and authority and is duly authorized to execute and deliver the Agreement, to use the Service and to enter into and execute each transaction on the Service;
- (ii) it is knowledgeable about the currencies traded or routed or referred to by use of the Service and understands and accepts the terms, conditions and the risks relating to electronic trading and the use of the Service or any portion thereof;
- (iii) it has obtained, or will prior to entering into any transaction obtain, all regulatory and other consents and all necessary exchange control permissions to enable it to enter into and fulfill its obligations in respect of such transaction;
- (iv) the execution, delivery and performance of the Agreement and the execution of each transaction shall not violate any applicable law, regulation, rule, authority or ordinance, by-law or internal policy applicable to Customer;
- (v) it understands that Royal Bank or its affiliates may be active participants in the markets for the foreign currencies that are the subject of transactions executed through the Service;
- (vi) it understands that the prices or rates posted on the Service are not to be used for valuation purposes and should not be relied upon for such purposes;
- (vii) that it is acting for its own account, and has made its own independent decision to enter into the Agreement and any transaction using the Service based upon its own judgment and upon the advice of any advisors as it has deemed necessary;
- (viii) it understands that Royal Bank is not acting as principal and not as an agent, fiduciary or advisor, and Customer is not relying on any communication (written or oral) of Royal Bank as investment advice, a recommendation to enter into a transaction or an assurance of expected results of a transaction; and
- (ix) if it is located in the European Economic Area, then it understands that Royal Bank will not be providing "best execution" (as set out in the Markets in Financial Instruments Directive 2004/39/EC); and
- (x) if it is located in Australia or is dealing with Royal Bank of Canada, Sydney Branch,
  - (a) it is a wholesale client, as defined in the Corporations Act 2001 (as amended from time to time),
  - (b) it will remain a wholesale client for as long as it uses the Service and
  - (c) it acknowledges that should it cease to be a wholesale client, or be unable at any time to produce evidence to the satisfaction of Royal Bank to show that it is or remains a wholesale client, then Royal Bank may immediately terminate Customer's use of the Service.

## **RULES OF OPERATION**

### **A) When Does a Foreign Exchange Deal Exist?**

A valid and binding transaction will exist upon the acceptance of a rate and the issuance of a payment by the Customer using Royal Bank's RBC Express Service or, where applicable, the issuance by Royal Bank of a Deal Confirmation Number for a transaction as described in section 2 of the Agreement.

For transactions where Deal Confirmation Numbers are to be used, Royal Bank will only issue a Deal Confirmation Number for a transaction where:

1. The transaction remains within the daily settlement limit and/or foreign exchange credit limit established for this purpose by Royal Bank and specified to Customer from time to time; and
2. There are no internal or external restrictions on Customer's account or the currency of the transaction.

### **B) Buying Foreign Currencies from Royal Bank**

Where Customer is buying foreign currency from Royal Bank, Royal Bank will, on the value date agreed by the parties, proceed as follows:

1. Receive from Customer, as per the settlement instructions provided by Customer, the settlement currency for the amount agreed to for the purchase of the foreign currency; and
2. Deliver to Customer the amount of foreign currency agreed to as per the settlement instructions provided by the Customer.

Customer's instructions must be received in accordance with the Cut-Off Times specified by Royal Bank.

### **C) Selling Foreign Currencies to Royal Bank**

Where Customer is selling foreign currency to Royal Bank, the parties will, on the value date, proceed as follows:

1. Customer will deliver to Royal Bank's account at a designated financial institution the amount of foreign currency agreed to, at Customer's cost (for the purposes of the foregoing sentence, a designated financial institution is one so advised by Royal Bank, where Royal Bank has an account denominated in the foreign currency being received from Customer); and
2. Upon delivery of the foreign currency to Royal Bank's account, Royal Bank will deliver to Customer the agreed amount of settlement currency as per the settlement instructions provided by Customer.

Customer's instructions must be received in accordance with the Cut-Off Times specified by Royal Bank.

### **D) Settlement of Foreign Exchange Deals**

In order for Royal Bank to settle a transaction, the transaction must meet the following conditions:

1. Customer has submitted to Royal Bank, before the Cut-Off Times specified by Royal Bank, authorized standard settlement instructions or has completed under the "Wire Payments" or "Account Transfers", the minimum information required to make a payment;
2. Customer has sufficient funds or sufficient credit facilities available to cover the amount of the transaction; and
3. There are no internal or external restrictions on Customer's account or on the currency of the transaction, which preclude the settlement of the transaction.

### **E) Reliance on Settlement Information**

Royal Bank is entitled to rely on all settlement information provided by Customer and is therefore under no obligation to check for accuracy, sufficiency, inconsistency or timeliness of any information provided to it. Customer is responsible for all input errors and is obligated to inform Royal Bank promptly of any disputed transactions or settlement thereof.

Where Customer has instructed Royal Bank to direct funds to a third party beneficiary in respect of a transaction, payment by Royal Bank in accordance with such direction shall discharge all obligations of Royal Bank in respect of such transaction.

## **F) Modification of Settlement Instructions**

Customer may not modify the financial particulars of an FX transaction once a payment is sent or a Deal Confirmation Number is issued for that transaction, as applicable. Financial particulars consist of the currency codes, currency amounts, exchange rate, and the value date.

If Customer wishes to modify its settlement instructions, notification must be given to Royal Bank within the Cut-Off Times specified by Royal Bank. Upon receipt of the modifying instructions, Royal Bank will at its sole option endeavor to implement them, but Royal Bank will not be liable to the Customer for any failure to do so. Customer discharges and will indemnify Royal Bank from and against any losses, expenses, claims, actions, damages or liabilities incurred by Royal Bank as a result of the implementation of, or the failure to implement, such modifying instructions.

## **G) Cancellation of a Deal**

If Customer advises Royal Bank that a specific transaction for which a Deal Confirmation Number has been issued is to be cancelled, Royal Bank may attempt to reverse the transaction, but Royal Bank does not have any obligation to do so. Customer must pay Royal Bank's cost for complying with the cancellation request together with any service charge, as determined by Royal Bank. However, failure to cancel the specific transaction will not constitute a breach of Royal Bank's responsibilities. Customer will be responsible for all such transactions that are settled and not cancelled.

