

Partial redemption of callable securities

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RBC Capital Markets, LLC (“RBC CM”) is registered as a broker-dealer and investment adviser with the U.S. Securities and Exchange Commission (SEC). You may receive services from RBC CM as a client of its RBC WM division or as a client of another broker-dealer or registered investment adviser for which RBC CM provides custody and clearing services through its RBC Clearing & Custody division.

Securities with call features may be called in whole or in part. The following information describes the partial redemption procedures established at RBC CM. Clients that are employees of RBC WM may be subject to additional restrictions as detailed in RBC WM policies and procedures.

Partial redemptions — In a partial redemption, the issuer elects to exercise or call only a portion of the par value of the security outstanding. In such a case, some investors may have all or a portion of their position redeemed, while others may not have any portion of their position redeemed. It should also be noted that the issuer, not the investor, has the right to exercise a call or redemption.

Description of partial redemptions allocation process

— The redemption process begins when an issuer notifies the Depository Trust Company (“DTC”) that it will exercise a partial call of the securities outstanding for a specific issue. DTC provides depository services to approximately 3.5 million security issues located in the United States and other countries. The issuer provides the specific security and the amount to be redeemed. After receiving a redemption notice from the issuer, DTC, using an impartial, random lottery system, allocates security positions to broker-dealers that hold securities in “street name.” In a partial call, participants may not receive an allocation from DTC because of the random lottery process.

Upon notification of a partial call by an issuer, a third-party vendor of RBC CM conducts a lottery to allocate the calls in a fair and impartial manner among RBC CM’s customers holding the specific security.

Partial redemption lottery system — FINRA Rule 4340 requires, among other things, that RBC CM have procedures that are fair and impartial to allocate securities to be redeemed or selected in the event of a partial redemption or call. When a partial call is offered on terms favorable to owners of the security, the member firm must take measures to prohibit the allocation of the call to its proprietary accounts or those

of an affiliate or certain associated persons, before all of its customers’ security positions have been redeemed. Likewise, if a redemption or call is made on unfavorable terms, a firm may not exclude its position from those that may be called or put itself ‘last in line.’

RBC WM engages a third-party vendor to administer its lottery system for partial calls. The lottery system is designed to allocate calls for redeemed securities in a fair and impartial manner, and is consistent with regulatory guidance, including, among others, FINRA’s Regulatory Notices 14-05 and 08-21, FINRA Rule 4340, and MSRB Rule G-17. Specifically and as described in the rule, RBC CM uses a type of lottery system that ensures that the probability of any unit held by a customer included in a partial call is proportional to the holdings of all customers for the specific security. It should be noted that the lottery system used by RBC CM’s third-party vendor does not allocate the securities to customers on a pro-rata basis.

The lottery performed by RBC CM’s third-party vendor begins with the identification of the number of units in each customer’s account for the specific security called. Each unit is entered in the lottery process. Units per customer are determined by dividing the total par value of the customer’s position by the unit of trade for the redemption. As an example, a customer with a \$40,000 position in the security when the unit of trade for the partial call is \$20,000 would have two units entered into the lottery. Similarly, a customer who owns \$200,000 would have 10 units in the lottery. Although each unit has the same probability in the lottery, the chance of a customer receiving a partial redemption is based on the number of units each customer has entered in the lottery.

The firm’s lottery procedures for callable securities may be found in the “Partial Redemption of Callable Securities Disclosure” on our websites at rbcwm.com/disclosures or www.rbcclearingandcustody.com/disclosures. A printed copy of these procedures may be requested from the customer’s financial professional.

Client rights — If a security is eligible for registration in a client’s name, the client reserves the right to withdraw uncalled, fully paid securities or excess margin securities (provided the account is not subject to a Regulation T restriction or such withdrawals will not cause a Rule 4210 under-margined condition) from the account at any time prior to the issuer making notification of redemption.

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