



**Conditional Approval #1140
November 2015**

October 9, 2015

Gregory J. Lyons, Esq.
Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022

Re: Application by Royal Bank of Canada, Montreal, Canada, to establish a limited Federal Branch with Fiduciary Powers at 30 Hudson Street, Jersey City, New Jersey
OCC Control Numbers: 2014-NE-FBA-AddEst-139834
2014-NE-FBA-Fiduciary-145047

Dear Mr. Lyons:

The Office of the Comptroller of the Currency (OCC) hereby grants preliminary approval of the application by Royal Bank of Canada (RBC or Bank) to establish a limited Federal branch with fiduciary powers, with the title of “Royal Bank of Canada, Hudson Branch”, to be located at 30 Hudson Street, Jersey City, New Jersey, 07302 (Hudson Branch).

This preliminary conditional approval is granted based on a thorough review of all information available, including the representations and commitments made in the application by RBC during the application process. As a limited Federal branch, the Hudson Branch shall operate in accordance with 12 CFR 28.11(s), which by definition permits the Hudson Branch to “receive only those deposits permissible for an Edge Corporation to receive.” *See* 12 CFR 211.6 (Permissible Activities of Edge Corporations).

Background

On September 11, 2014, RBC filed an application with the OCC to establish an additional Federal branch with fiduciary powers in Jersey City, New Jersey. Notice of the application was published on September 12, 2014. The OCC did not receive any comments from the public. RBC amended its application on August 31, 2015 to establish instead, a limited Federal branch with fiduciary powers at the same location.

Limited Federal Branch Establishment

In accordance with the International Banking Act (IBA), Regulation K, and the OCC's Regulations, the Board of Governors and the OCC must approve the establishment of the interstate de novo limited Federal branch.¹

Section 5(a)(7) of the IBA, as amended by the Gramm-Leach-Bliley Act of 1999, permits a foreign bank to establish an interstate branch or agency in New Jersey if: (a) New Jersey law permits the establishment and operation of a branch or agency of a foreign bank in its state; and (b) the branch's deposit-taking activities are limited in the same manner as that of an Edge corporation.

For purposes of the IBA, New Jersey law allows the establishment of branches and agencies.² New Jersey state law does not prohibit or limit the establishment by foreign banks of federal branches or agencies in New Jersey, unless the foreign bank has already established a state branch or agency. RBC does not have a state branch or agency in New Jersey. Thus, RBC's proposal satisfies the first prong of 12 USC 3103(a)(7).

The proposed Federal branch also meets the second prong of section 3103(a)(7), that a Federal branch established under this section may only receive such deposits that are permissible for an Edge corporation.³ By definition, the deposit-taking activities of a "limited Federal branch" are restricted in this manner.⁴ Accordingly, the proposed establishment satisfies the applicable requirements under the IBA and is legally permissible.

Fiduciary Powers

Pursuant to 12 USC 3102(b), 24(Seventh) and 92a, a foreign bank may exercise fiduciary powers at a Federal branch.⁵ Under the principle of national treatment, a Federal branch or agency shall be conducted with the same rights and privileges and subject to the same duties, restrictions, penalties, liabilities, conditions, and limitations as a national bank at the same location. The

¹ Refer to 12 USC 3103(a)(7)(A) and 3105(d), 12 CFR 28.12 and 211.24

² See N.J. Stat. 17:9A-418-17:9A-467 (Operation of Foreign Banks).

³ See 12 CFR 211.6(a)(1) for definition of permissible Edge corporation deposits.

⁴ See 12 CFR 28.11(s).

⁵ Subpart B of part 28 includes the application and licensing requirements for the establishment of a Federal branch as well as for exercising "fiduciary powers at a Federal branch," See 12 CFR 28.12(a)(1). By definition, these references to a Federal branch include a limited Federal branch. See 12 CFR 28.11(h) "Unless otherwise provided, the references in this subpart B of part 28 to a Federal branch include a limited Federal branch."

OCC may grant approval for a national bank to exercise fiduciary powers pursuant to its authority in 12 USC 92a provided the proposed activities are not in contravention of the laws of the state where the bank will be acting in a fiduciary capacity.

RBC requested OCC's approval to exercise fiduciary powers at its Hudson Branch. The OCC may legally authorize RBC to exercise fiduciary powers at its Hudson Branch. The fiduciary powers RBC proposes to exercise are not in contravention of applicable state law. New Jersey permits its state banks to engage in a wide range of fiduciary activities.⁶

Accordingly, the establishment of the Hudson Branch with fiduciary powers is legally permissible, subject to the Federal Reserve Board's (Board) approval. The Board approved the application on October 7, 2015. As required by the IBA and Regulation K, RBC provided the Board with an application seeking the Board's approval to establish the Hudson Branch pursuant to 12 USC 3105(d)(1) and 12 CFR 211.24(a)(1).

Capital Equivalency Deposit

The Hudson Branch's Capital Equivalency Deposit (CED) shall be maintained in a U.S. member bank, consistent with 12 USC 3102(g) and 12 CFR 28.15, and pursuant to an agreement in such form and containing such limitations and conditions as prescribed by 12 CFR 28.15. The minimum required CED for the Bank is five percent of each Federal branch's total third-party liabilities (*see* 12 USC 3102(g); 12 CFR 28.15) as computed in accordance with the above-cited authorities. The minimum CED required for the Hudson Branch is \$1 million.

Conditions of Approval

The OCC has granted preliminary conditional approval only. Final approval will not be granted until all other pre-opening requirements have been met, and the OCC determines that the Hudson Branch is ready to commence operations. Until final approval is granted, the OCC has the right to alter, suspend, or revoke this preliminary conditional approval should the OCC deem any interim development to warrant such action.

This preliminary conditional approval is subject to the following conditions:

1. In addition to compliance with other applicable requirements under United States law, RBC and its Branches shall make available to the OCC such information on the operations and activities of RBC, its Branches, and any of RBC's affiliates (hereinafter "Affiliates") that the OCC deems necessary to determine and enforce compliance by the Branches with the IBA and other applicable federal laws. If the disclosure of any required information is prohibited by law or otherwise, RBC and its Branches shall cooperate with the OCC including seeking timely waivers for exemptions from any

⁶ *See* N.J. Stat. Ann. 17:9A-28.

applicable confidentiality or secrecy restrictions or requirements in order to enable RBC, its Branches, and Affiliates to make such information available to the OCC.

2. RBC and its Branches consent to the jurisdiction of the federal courts of the United States and of all United States government agencies, departments and divisions for purposes of any and all claims made by, proceedings initiated by, or obligations to, the United States, the OCC and any other United States government agency, department or division, in any matter arising under the National Bank Act, the International Banking Act, and other applicable federal laws.
3. During its first three (3) years of operation, the Hudson Branch: (i) shall give the OCC's International Banking Supervision Office at least sixty (60) days prior written notice of its intent to significantly deviate or change from its business plan or operations and (ii) shall obtain the OCC's written determination of no objection before the Hudson Branch either engages in any significant deviation or change from its business plan or operations. The OCC may impose additional conditions it deems appropriate in a written determination of no objection to the Hudson Branch's notice.
4. RBC and its Hudson Branch must comply with all understandings and commitments contained in any approval order or letter issued by the Federal Reserve Board in connection with the proposed Hudson Branch.

These conditions of approval are conditions imposed in writing by a Federal banking agency in connection with any action on any application, notice or other request within the meaning of 12 USC 1818 (b). As such, the conditions are enforceable under 12 USC 1818 (b).

Procedural Requirements to Establish a Branch

In connection with this preliminary conditional approval to establish the Hudson Branch, final approval will not be granted until RBC has met the following procedural requirements and the OCC determines that the Hudson Branch is ready to commence operations as a Federal branch.

- The Hudson Branch must have adequate fidelity insurance coverage.
- The Hudson Branch must open within eighteen (18) months of the date of this preliminary conditional approval; otherwise, the approval is withdrawn.
- The Hudson Branch will maintain its accounts, books, and records as prescribed by 12 CFR Part 28 and in such a manner as to facilitate the complete and accurate presentation of financial statements and other reports in form and content as required by the OCC.
- Management must ensure applicable policies and procedures are established and approved by the board of directors before the Hudson Branch commences business.

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(Please refer to the enclosed minimum policies and procedures for guidance.)

Also, enclosed are standard requirements that must be met, as applicable, before the Hudson Branch will be allowed to commence business.

Please notify our office at least 45 days prior to the date the Hudson Branch will open for business so that we may schedule a pre-opening examination and issue the license granting final approval for its establishment and operation.

The OCC poses no objection to the following individuals serving in their respective positions as proposed in the application:

- Mr. Roger Blissett - Proposed General Manager
- Mr. Kevin Haggerty - Proposed Director, Branch Operations
- Mr. Matthew DeMonte - Proposed Head, U.S. Capital Markets Operations

You are reminded that for a period of two years after the Hudson Branch is opened for business, the OCC must review and approve the appointment of any new executive officer *prior* to that person assuming such position.

This preliminary conditional approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our preliminary conditional approval is based on the bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have questions, please contact Licensing Analyst Laurie Powell at (917) 344-3432 or via email at powella@occ.treas.gov.

Sincerely,

signed

Marva V. Cummings
Director for District Licensing

Enclosures: Minimum Policies and Procedures
Standard Requirements