



2012 ANNUAL REPORT

OFFICE OF THE OMBUDSMAN

Our Role

The RBC Ombudsman helps RBC clients with unresolved financial services disputes. We offer an impartial, voluntary, and private forum to ensure clients are treated fairly, ethically and in accordance with best business practices. Our dispute resolution specialists are trained in listening, fact-finding and mediation skills. We provide an objective perspective, independent of the business units of RBC, enabling each party in a dispute to present their interests in seeking solutions. Our dispute resolution services are offered to all RBC clients globally and across all RBC businesses. We also make recommendations to RBC to improve operations, products and services that enrich the client experience.

Please refer to our website at www.rbc.com/ombudsman for more information.

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Our Accountability

The RBC Ombudsman service is accountable to provide an impartial avenue of appeal for unresolved concerns and recommend changes to improve client and employee experiences. The RBC Ombudsman reports annually to the Risk Committee of RBC's Board of Directors on the adherence of RBC to effective complaint-handling procedures.

The RBC Ombudsman service:

- › operates under the principles of ethics, independence and fairness.
- › is objective and impartial and does not serve as an advocate for any person or entity.
- › champions accurate and fair processes, practices, and fair administration in dispute resolution.
- › considers the concerns of all parties known to be involved in a dispute and maintains a standard of efficiency with regular contact to all parties.
- › provides all parties involved in a dispute with the opportunity to respond to the claims and concerns of each other.
- › informs and reports our independent conclusions to all parties to a dispute without influence by any party.
- › respects that only the parties to a dispute will determine the fate of their relationship together.

The Office has established four internal accountabilities to guide our practice:

- › **Stewardship** – guide our work by the spirit of the standards and code of ethics of the International Ombudsman Association and International Standards Organization (ISO) guidelines for complaint handling.
- › **Operational efficiency** – ensure the service we offer is effective, efficient and conducted in a confidential, transparent and impartial manner.
- › **Strategist** – identify systemic gaps and propose solutions, provide leadership and navigate ambiguity.
- › **Catalyst** – stimulate conflict resolution, disciplined execution and facilitate positive change.

RBC's Office of the Ombudsman services are available to approximately 15 million personal, business, public sector and institutional clients and 80,000 full and part-time employees of RBC globally.

How we help you and RBC address an unresolved complaint

RBC offers a three step complaint resolution process. This process is outlined in the RBC *How to Make a Complaint* brochure and at this website link: www.rbc.com/customer-care

In order to best assist you in making a complaint, please refer to the RBC's *Make a Complaint* website at www.rbc.com/customer-care. This site provides an online complaint submission process.

If you do not have Internet access, please direct your complaint in writing to our address as noted on Page 10 of this report.

We value the opportunity to help you find a solution and your feedback helps us provide suggestions to RBC to improve its products and services for you, its client.

- › Most complaints are effectively resolved through your first point of contact with a banking, investment or insurance representative.
- › If you contact our Office before being provided a final response from RBC, we will refer you or your complaint to RBC. If we believe an early resolution may be possible through additional discussion with RBC, we will refer your complaint to RBC senior management and inform you. Referrals to RBC are essential as they provide RBC with a final opportunity to resolve a complaint and ensure senior management input. Only in unusual circumstances will the Ombudsman open an investigation into a client complaint without RBC having provided a response to you.
- › We encourage you to contact us shortly after receiving your response from RBC if your complaint is unresolved. We will confirm receipt of your complaint

within 5 working days. Acknowledgement is generally provided through the channel you choose to send us your complaint, i.e. our online complaint form, email, surface mail, or fax. (We do not respond to communications that appear to be mass mailing of general society issues.)

- › If your complaint is within our mandate, it will be assigned to a case manager to undertake a review.
- › After our initial acknowledgement, we generally communicate through surface mail and telephone only. We will not communicate personal or account details via e-mail as we are unable to guarantee confidentiality of this communication channel.
- › We will review and respond to most complaints we receive within 4 – 6 weeks of our initial acknowledgement. More complex disputes, such as those concerning investment advice, authorized/ unauthorized client card transactions, or servicing issues may require a lengthier investigation period.
- › If we require more than 60 days to fully investigate your complaint, we will inform you and provide you with an estimated time frame. Taking the necessary time to fully review your issue is a critical step to assist you in finding a resolution and our experience has shown this increases resolution and satisfaction rates.

Annually, approximately 42,000 client questions are logged at the RBC Client Care Centre (Step 2 of complaint resolution); 99% were resolved within 30 days with the vast majority being resolved in less than 3 to 5 days (80% within 2 business days). If complaints remain unresolved after the second point of contact, clients may escalate their concerns to our Office.

What we need to know to assist you

If your concern remains unresolved after receiving a final response from the RBC business, subsidiary or affiliate with which you are dealing, you may refer your complaint to our office by using the online resource link described below or in writing via surface mail or fax. Before assessing your concern, we will require the following information:

- › Name, surface mail address, telephone contact number (including postal and area codes).
- › Complaint Summary - be specific with respect to dates, monetary claim amounts, individuals involved, noting who you communicated with and when. Attach documentation as necessary.
- › The response you received from RBC, including a copy of any written communication you may have been provided.
- › Your requested resolution or what you are seeking to resolve the issue. Please note the mandate of the Ombudsman does not include the awarding of punitive damages or damages for stress. Where warranted, the Ombudsman may recommend reversal of certain costs, reimbursement of certain quantifiable financial expenses, or other resolution alternatives.

Upon receipt of your written complaint, we will review the issue to determine if it falls within our mandate. We may conduct a preliminary review with RBC, without a full file review, if we believe a resolution can be achieved without a comprehensive complaint assessment. By submitting your complaint, you provide us permission to discuss your issue with any relevant RBC business, subsidiary or affiliate in an effort to obtain an early resolution.

As we operate independently of RBC, we do not have automatic access to the RBC electronic or paper client files without your consent. Our online complaint submission form provides you with the means to give your consent for us to request the detailed complaint file for review. We will explain this process to you in greater detail when we contact you to discuss your complaint.

RBC's *Make a Complaint* website at www.rbc.com/customer-care will lead you through the complaint process and enable you to provide the information we need to review an unresolved issue.

HIGHLIGHTS

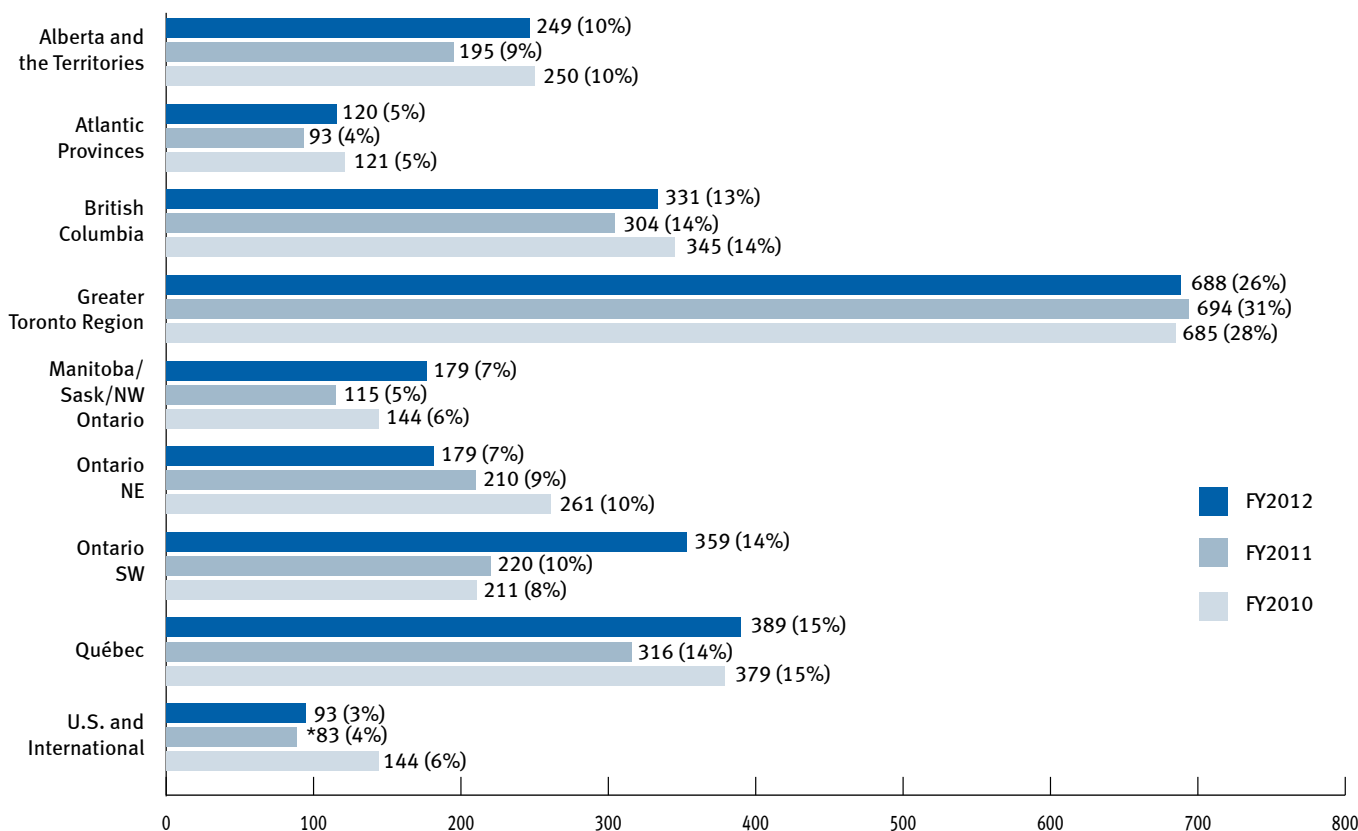
FY12

Clients who contacted our Office	2,587
Visitors to our website	19,313
Early resolutions with clients	95
Full case assessments completed during fiscal year	261
<ul style="list-style-type: none"> • Full or partial agreements accepted by client 	76 (29%)
<ul style="list-style-type: none"> • Unresolved with client 	176 (67%)
<ul style="list-style-type: none"> • Withdrawn by client 	9 (4%)
Case assessments under review at fiscal year-end	38

Our Year in Review - FY2012

Clients contacting our Office

Where do our contacts come from?



Footnote:

Of the 2,587 contacts to our Office, we referred 1,699 back to RBC as the Ombudsman will not undertake a review until RBC has first had an opportunity to address the clients' issues. An additional 101 contacts were not reviewed as they were outside our mandate. The remaining contacts were dealt with by the Ombudsman either through early resolution, full case reviews, or by providing other clarifying information to clients.

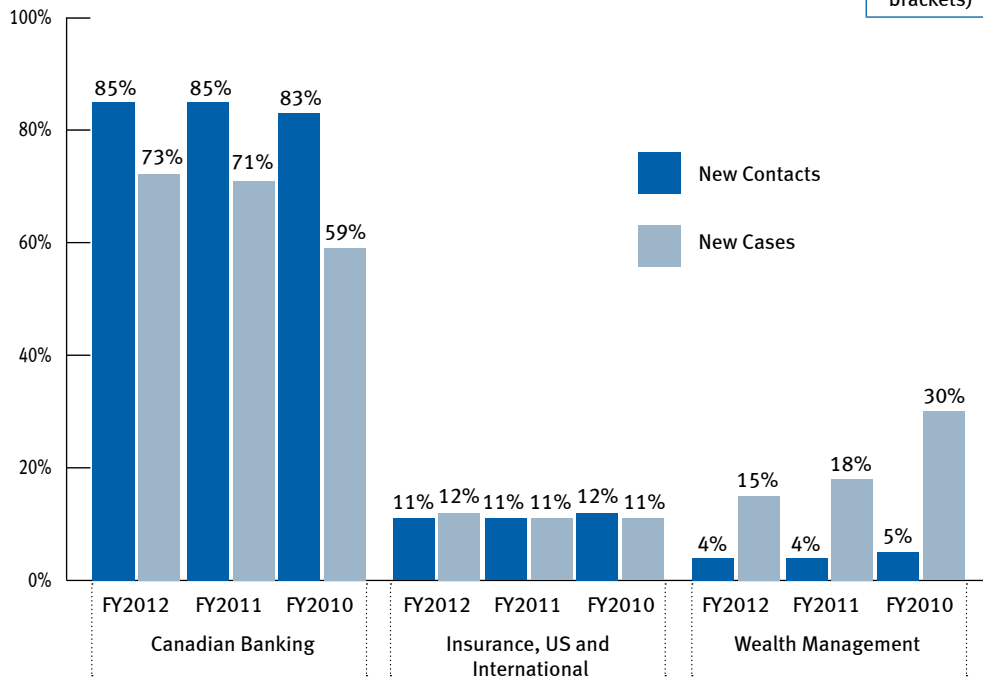
* Incorrectly reported as 60 (3%) in 2011 Annual Report.

Our Year in Review - FY2012 *(continued)*

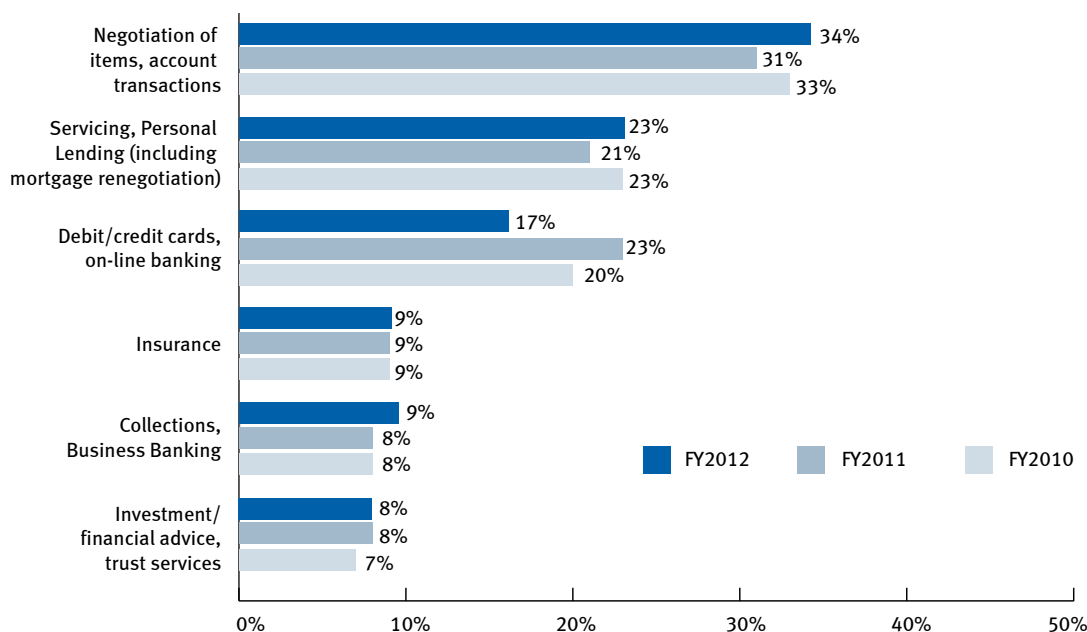
Reviews

	FY2012	FY2011	FY2010
Contacts	2,587	2,230	2,564
Cases opened (closed in brackets)	269 (261)	192 (180)	211 (235)

Which RBC Business Units are generally involved?



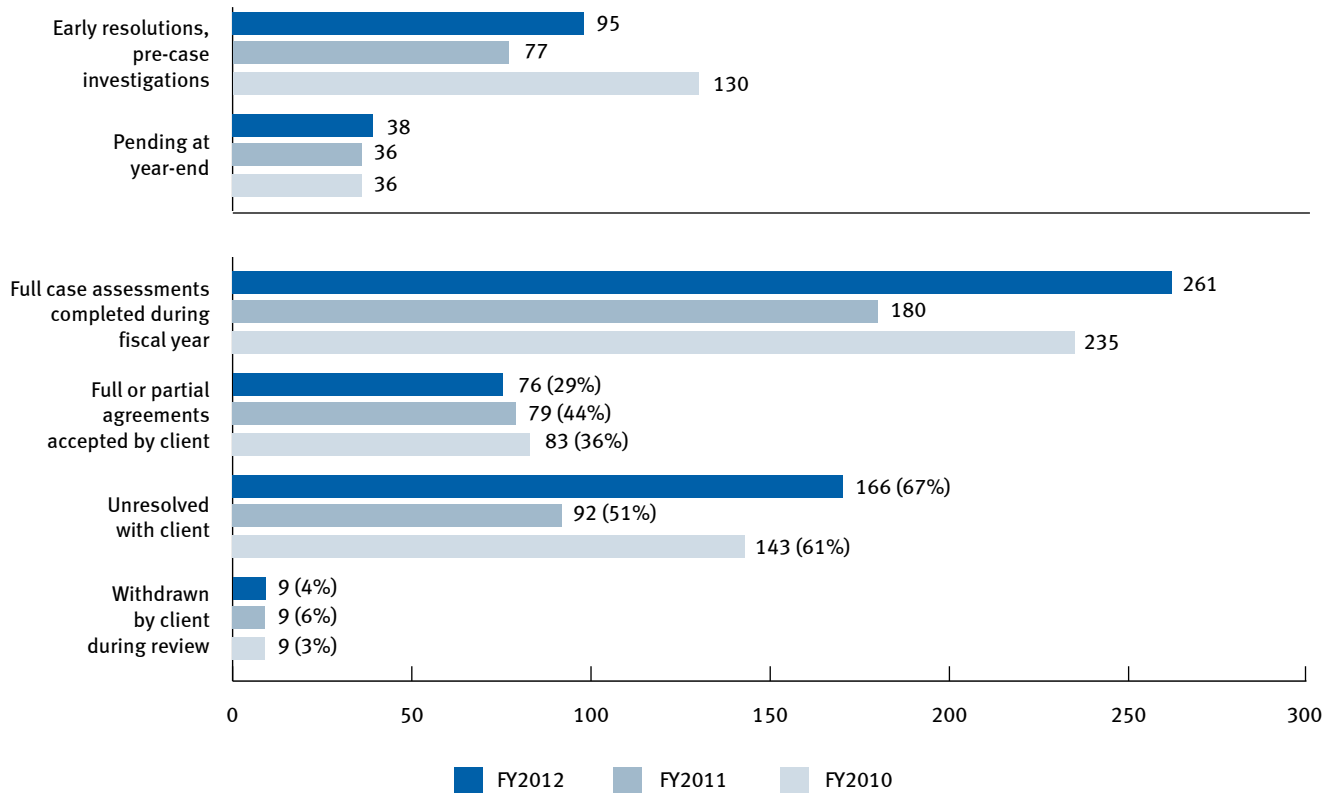
What are the most common issues referred to our Office?



Our Year in Review - FY2012 *(continued)*

Reviews *(continued)*

What are the dispositions of our reviews?



- › **Banking-related cases** – Of 184 cases closed, 54 concluded in agreement. Most unresolved complaints involved inadequate safeguarding of financial information, PINs and client cards.
- › **Insurance-related cases** – As in past years, the majority of these issues were unresolved (29 of 32) and involved insufficient client understanding of travel insurance coverage and medical determinations. The latter are outside our mandate.
- › **Investment cases** – 20 of 44 cases provided a resolution for the client. Investment advice disputes are complex and involve differing recollections of advice provided to the client.

Recommendations:

During this fiscal year, through our investigations of client issues, we presented 12 recommendations to RBC to clarify policy and/or client document wording, to improve disclosures to clients and provide more transparent explanations for personal banking, residential mortgage, and lending products and services.

It's Your Money – Use It Wisely

Most common issues raised to our Office

General Banking and Insurance

Talk to your banker about:

- › Your financial institution's "hold" policy, what it means, and understand that it does not eliminate the risk of a deposit item being returned to you.
- › The impact of a returned foreign exchange transaction and the currency conversion cost to you.

Read and understand agreements, including deposit account, client card, and mortgage documentation.

Understand the impact of all your debt products and debt servicing obligations on your cash flow capabilities.

Understand residential and commercial mortgage repayment conditions and prepayment costs that flow from fixed rate financing products. If you are considering making a full or partial prepayment on your mortgage, make sure you have a clear understanding of when a prepayment charge will apply. RBC has introduced a new Mortgage Prepayment Charge Calculator [<https://www.rbcroyalbank.com/cgi-bin/mortgage/tools/prepayment/prepayment-charge-calculator.cgi>], which also provides links to the Financial Consumer Agency of Canada (FCAC) website for additional information on prepayment charges.

Read and understand travel, auto, home insurance policies; review the definitions in brochures and contact the insurance provider to understand the terms and conditions and their possible applicability to your needs. Be well informed before you need to activate insurance.

Investment advice

Understanding your investor profile:

- › When you discuss your investment objectives and risk tolerance levels with advisors, ask questions and ensure you understand – after all, you're discussing your money and your future.

- › Ensure you are comfortable with the summary of your investment profile on the firm's Know Your Client form. Some licensed representatives provide a copy of this form to you, others provide a confirmation by mail. Review this frequently, at least annually, and ensure your licensed representative is advised of any changes in your investment profile and cash flow requirements.
- › A best practice is to review your objectives and tolerances at least annually and advise your licensed representative (e.g. investment advisor, financial/retirement planner, mutual fund representative, etc.) of significant changes in your lifestyle or economic environments at your earliest opportunity. Take the time to plan this meeting and determine your financial objectives. Spending time to speak with your licensed representative up front will guide you in understanding financial market movements. Understand the risk/return balance: a guaranteed investment provides a low but more certain rate of return; higher rates of return involve assuming increasing degrees of market risk. Understand individual responsibility to read and question financial reports, prospectuses, and account statements.

Financial obligations

Protecting yourself and your financial assets:

- › Consult with your legal, banking, and financial advisors and ensure you are aware of your independent and joint financial obligations, particularly in situations where personal relationships change. We frequently investigate situations where, years after a relationship breakup, one party ceases to repay a debt and the other party is held responsible for residual borrowings.
- › If you hold a loan or credit card with another individual (i.e. primary/secondary or co-signer relationship) and no longer wish to be held accountable for this credit facility, investigate how to remove your exposure from joint responsibility, arrange for orderly debt repayment and ensure you are aware of your obligations going forward. Obtain written confirmation from the bank or the credit bureau to avoid future misunderstandings.

Most common issues raised to our Office *(continued)*

Debit and credit cards

Sharing of personal identification numbers (PINs) – disclosing a PIN to another person or inadequately protecting or shielding a PIN may be viewed as voluntary sharing of your PIN and result in your being held responsible for transactions that you did not mean to incur. A PIN and card together constitute an electronic signature authorizing a transaction and in the absence of circumstances beyond your control, the cardholder is generally responsible for the transaction and for safeguarding the privacy of his or her electronic signature. Refer to your banking and client card agreements and to the Canadian Code of Practice for Consumer Debit Card Services (you will find links on the www.rbc.com website as well as on the website of the Canadian Bankers Association www.cba.ca).

Protecting yourself and your financial assets:

- › Read, understand and follow guidelines in your banking account agreements and on banking websites.
- › Do not divulge your PIN to anyone; follow recommendations for choosing PIN numbers.
- › Understand individual account and card entitlements/withdrawal limits and keep them current to your needs.
- › If you require family or trusted friends to assist you in your daily banking needs, there may be special services available to you. If you require assistance, discuss options with your banker.
- › Understand the responsibilities and authorities that accompany granting a Power of Attorney to another person to assist you with your financial affairs; understand the obligations you accept when being granted a Power of Attorney to assist another person with their financial needs.
- › If you are a parent, counsel your children to safeguard the security of their client cards. Students may be approached by strangers promising easy cash for borrowing or buying their client card – if the student divulges their PIN, they may reasonably be said to authorize and be held responsible for any client card transactions, including returned cheques or overdrafts created in their accounts.

Internet transactions

Engaging in financial transactions with unknown persons or entities is very risky and dangerous to the safeguarding of your financial assets – these situations arise when clients engage in transactions over the internet. Participating in transactions involving acceptance of a payment exceeding the actual value of the good or service generally results in the client being requested to wire transfer the “excess payment” to another party. Shortly after the wire transfer of the “excess payment”, the original deposit amount is charged back due to insufficient funds. These transactions involve Canadian dollar currency transactions, and increasingly international currency amounts including payments in US dollars or Euros and wire transfer requests in US dollars, Euros or Asian currencies.

Protecting yourself and your financial assets:

- › Know the other party with whom you are dealing; can they or their business be confirmed through organizations such as the Better Business Bureau?
- › Read the consumer awareness references on websites; they invariably counsel you to deal only with individuals you know and/or can identify in your community or through a business association. Ask yourself why anyone would pressure you to wire funds to an unknown third party.
- › Understand your bank’s deposit hold policy and fully discuss the circumstances of unusual deposits or transactions with your banker prior to making a deposit and prior to forwarding funds to an unknown third party – appreciate that if your banker advises caution, he or she is trying to protect you from risk.
- › Ask yourself if you would do the same transaction if someone came to your door; ask yourself why anyone would send you more than an agreed upon amount, regardless of what their “explanation” may be. Does the request really make sense to you?
- › If the deal seems to be too good to be true, it likely is. Don’t become a victim.

What to do if your complaint remains unresolved after our review

The services of the RBC Ombudsman are available to RBC clients worldwide. If our efforts to assist you do not resolve your dispute, most jurisdictions also provide access to external dispute resolution bodies.

In Canada, clients who are not able to resolve complaints after review by the RBC Ombudsman have the option to refer their complaint to a financial service sector Ombudservice. RBC clients may refer unresolved complaints to:

- › ADRBO - ADR Chambers Banking Ombuds for banking related complaints: www.bankingombuds.ca
- › GIO – General Insurance Ombudservice – www.giocanada.org
- › OBSI - Ombudsman for Banking Services and Investments (OBSI) for investment advice complaints – www.obsi.ca
- › OLHI – OmbudService for Life and Health Insurance – www.olhi.ca

All ombudservices are offered free of charge to you. Please refer to these websites for information on service terms.

In the USA, clients who are not able to resolve their complaints after review may refer their issue to their federal or local state banking or investment sector regulators.

The following link provides website information concerning the complaint resolution process:

- › Canada and International: www.rbc.com/customercare

Or in writing, please contact:

RBC Office of the Ombudsman
P.O. Box 1, 200 Bay Street, Toronto, Ontario M5J 2J5
Fax: (416) 974-6922
Tel: 1-800-769-2542

The RBC *How to Make a Complaint* brochure (available in branches, offices and at www.rbc.com/customercare) provides additional external dispute resolution options for you.

The internet is a powerful tool to research educational materials to increase your understanding of financial management. Financial services regulators websites contain valuable consumer information.

In Canada, the Financial Consumer Agency of Canada website provides excellent overviews of accountabilities and responsibilities of consumers and financial services providers as well as consumer education materials. In addition, the Investment Industry Regulator of Canada, the Mutual Fund Dealers Association, provincial securities commissions (such as the Ontario Securities Commission and l'Autorité des Marchés Financiers), and the Investment Industry Association of Canada and Investment Funds Institute of Canada provide assistance to investors and also provide excellent overviews of accountabilities and responsibilities of investors, licensed representatives and investment firms on their websites. We refer to these tools as guidelines when reviewing disputes.

Resolving financial disputes requires knowledge, patience, and calm. You help yourself when you take responsibility for your finances: be aware of your financial standing; safeguard your financial assets; and understand the risks and rewards of investment decisions.

We counsel clients and bankers to document discussions so that if questions or problems arise, you can refer to a recorded history.

Our advice to clients and bankers in conflict resolution situations is to gather your knowledge and documents, understand your own responsibilities and accountabilities, be prepared to learn something new from each other, and work towards a mutually satisfying resolution.