

SCOPE OF THE CONSOLIDATED SUPERVISION CARRIED OUT BY THE COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER OVER THE JOINT VENTURE RBC DEXIA INVESTOR SERVICES LIMITED, UNITED KINGDOM.

INTRODUCTION

Dexia Group, through its wholly owned subsidiary Dexia Banque Internationale à Luxembourg (Dexia BIL), and Royal Bank of Canada have reached an agreement to combine their institutional investor services businesses (custody, fund administration, transfer agency and related investor services) in an equally owned joint venture named RBC Dexia Investor Services Limited, United Kingdom (RBC DEXIA IS). Both parties to the joint venture have concluded a shareholders' agreement in order to respect a perfectly equitable distribution of their respective rights and tasks.

RBC DEXIA IS, the ultimate financial holding company of the joint venture headquartered in London (UK), will provide strategic direction and management oversight to the operating companies. The two principal operating companies are RBC Dexia Investor Services Bank SA, Luxembourg, and RBC Dexia Investor Services Trust, Canada, as well as all their subsidiaries and branches (RBC DEXIA IS, RBC Dexia Investor Services Bank SA, Luxembourg, RBC Dexia Investor Services Trust, Canada and their respective consolidated subsidiaries collectively referred to as "the Group"). RBC DEXIA IS will not carry out any regulated activity itself. The role of the financial holding company will be limited to group strategic direction, coordination of functions, management oversight and governance. Any modification in this definition would request a global review of the framework of the present supervision.

According to the European Directive 2006/48/EC (Articles 125 and 126) a consolidated supervision has to be carried out over the financial holding company RBC DEXIA IS on the basis of its consolidated financial situation. By its letter of August 4th, 2005, the UK Financial Services Authority agreed, in application of Article 53 (2) of Directive 2000/12/EC, that the Commission de Surveillance du Secteur Financier (CSSF) is the competent authority responsible for exercising supervision on a consolidated basis over RBC DEXIA IS Group.

Given this requirement to carry out consolidated supervision and taking into account the specificities of RBC DEXIA IS, the purpose of this document is to lay down the terms of the consolidated supervision exercised by the CSSF over the financial holding company RBC DEXIA IS, including the two main operating companies in Canada and Luxembourg as well as their subsidiaries and branches. As a change in the structure of the Group might have significant implications regarding the responsibilities of consolidated supervision, the terms laid down in the present document will be revised, should RBC DEXIA IS set up or acquire another direct subsidiary or a branch besides the two operating subsidiaries Dexia Investor Services Bank SA, Luxembourg and RBC Dexia Investor Services Trust, Canada.

In order to respect full transparency towards all parties that may be involved in any relation with RBC DEXIA IS or its subsidiaries, the present document has to be made public by RBC DEXIA IS through publication in its first annual report and on its website.

Finally, considering the shareholding structure of RBC DEXIA IS, the CSSF, in association with the Banking, Finance and Insurance Commission (CBFA), Belgium, has concluded a Memorandum of Understanding with the Office of the Superintendent of Financial Institutions (OSFI), Canada, with a view to specify the terms of cooperation with respect to its mission to carry out consolidated supervision over RBC DEXIA IS. The present document is fully part of this Memorandum of Understanding.

PRUDENTIAL STANDARDS AND RULES APPLICABLE TO RBC DEXIA IS ON A CONSOLIDATED BASIS

The financial holding company RBC DEXIA IS will have to follow in practice the same prudential standards of consolidated supervision as a Luxembourg financial holding company being head of a group.

Thus, the prudential regulations laid down in the modified law of April 5th, 1993 on the financial sector, part III, chapter 3 and relating to the supervision of a Luxembourg credit institution on a consolidated basis as well as the requirements laid down in the interpretative circular IML 96/125 have in general to be applied by the joint venture group RBC DEXIA IS.

In particular RBC DEXIA IS is required to respect a consolidated capital adequacy ratio as well as limits for large exposures to third parties, limits for exposures to related companies and limits for holdings of qualified investments in non financial companies. The calculation of these ratios and limits is prescribed by the applicable Luxembourg regulation itself in line with the EU rules and standards. The reporting requirements are the same as those applicable to a Luxembourg financial holding company being head of a banking group and falling as such under the consolidated supervision of the CSSF.

Since the financial holding company RBC DEXIA IS is not established in Luxembourg, the CSSF will hold RBC Dexia Investor Services Bank SA, Luxembourg, accountable for any failure from the Group to respect these standards and rules. For the avoidance of doubt, the above does not imply that RBC Dexia Investor Services Bank SA, Luxembourg, acts or is required to act as a de jure or de facto controller of RBC DEXIA IS or, as the case may be RBC Dexia Investor Services Trust, Canada or any direct or indirect subsidiary of either of them (that is not a direct or indirect subsidiary of RBC Dexia Investor Services Bank SA). It also does not imply that RBC DEXIA IS is required to have its principal establishment or centre of main interests in Luxembourg.

CONDITIONS WITH RESPECT TO THE ORGANIZATION OF THE GROUP RBC DEXIA IS

For the consolidated supervision over the Group, which will be carried out by the CSSF, RBC Dexia Investor Services Bank SA, Luxembourg, will be the primary point of contact for the CSSF in Luxembourg, in view of the fact that the financial holding company RBC Dexia IS is not a Luxembourg entity.

Under this consideration and also in order to fulfill any applicable legal requirements, the organization infrastructure of the Group has to comply with the following provisions:

- As regards any requirements related to the central management function, such requirement will be deemed to be met notwithstanding that the shareholders, the Board of Directors and/or the Executive Management Committee and/or officers of RBC DEXIA IS meet physically in, or exercise their management control from other locations than Luxembourg (e.g. Canada or United Kingdom), and as long as RBC Dexia Investor Services Bank SA, Luxembourg acts as the primary entry point of contact for the CSSF in Luxembourg and provides the CSSF access to any and all information necessary to perform an efficient consolidated supervision over RBC DEXIA IS;

- the central administrative and accounting functions of the Group are required to be located at the level of the Luxembourg credit institution RBC Dexia Investor Services Bank SA (notwithstanding that the global heads of the respective functions may be located outside Luxembourg). The central administrative function includes the permanent monitoring of the operational entities being part of the Group, and in particular, the central control functions: risk management, internal audit and compliance.

The arrangements pertaining to the above mentioned central control functions, especially where such arrangements include location or outsourcing of all or part of the functions outside of Luxembourg, will be subject to prior approval of the CSSF.

The above does not imply that RBC Dexia Investor Services Bank SA, Luxembourg is to act as a de jure or de facto controller of RBC DEXIA IS, RBC Dexia Investor Services Trust, Canada or any affiliate of either (that is not a direct or indirect subsidiary of RBC Dexia Investor Services Bank, SA).

- adequate internal control procedures have to be put in place in the Group especially with respect to the correct production of any data and information which is relevant for the purposes of supervision on a consolidated basis.

APPROVALS TO BE OBTAINED FROM THE CSSF

With respect to the consolidated supervision RBC DEXIA IS has to obtain approval from the CSSF prior to:

- a significant change of the shareholders of RBC DEXIA IS or a significant modification of the shareholders' agreement concluded between Dexia BIL and Royal Bank of Canada;

- a change in the management (Executive Committee) or in the Board of Directors of RBC DEXIA IS;
- a change of the statutory auditor/external auditor;
- the setting-up or acquisition by RBC DEXIA IS of significant indirect subsidiaries and branches through its two operating subsidiaries RBC Dexia Investor Services Bank SA, Luxembourg and RBC Dexia Investor Services Trust, Canada.

ADDITIONAL COMPULSORY INFORMATION TO THE CSSF

RBC DEXIA IS has to inform the CSSF immediately if any of the obligations set out in the present letter cannot or can no more be respected.

RBC DEXIA IS has to inform the CSSF immediately in the case of a “deadlock matter” (as defined in the shareholders’ agreement) which has to be referred to the ultimate parent companies’ chief executive officers for resolution. The outcome of this process should be reported immediately to the CSSF and at least within the 30 days period defined in the shareholders’ agreement.

RBC DEXIA IS has to inform the CSSF of any significant developments with respect to RBC DEXIA IS Group as a whole, especially when the following situations occur (non-exhaustive list):

- significant changes in the financial position of the Group;
- significant changes in the strategy of the Group;
- significant changes in the filling of the following positions : the chairmanship of the Board(s) of Directors and of the Audit Committee of RBC DEXIA IS, the central functions of the Group with respect to risk management, accounting policy/management information and internal audit.

RULES CONCERNING THE EXTERNAL AUDIT

On an annual basis the external auditor of RBC DEXIA IS has to establish a consolidated analytical long form report substantially in line with the provisions of the external auditor’s mission prevailing for banks being head of a group in Luxembourg. A separate analytical long form report has to be established for all operational subsidiaries which are subject to full consolidation.

REPORTING TO THE CSSF

In order to fulfil its mission of consolidated supervision over RBC DEXIA IS, the CSSF requires the following reports:

- a consolidated reporting, including balance sheet, off-balance sheet, profit and loss, capital ratio and large exposures on a quarterly basis;
- a reporting showing the individual contribution of each subsidiary to the consolidated balance sheet, off-balance sheet and profit and loss figures on a quarterly basis;

- a consolidated extensive long form report of the external auditor based on circular CSSF 01/27 defining the mission of the external auditor on a yearly basis;
- a summary report from the central internal audit function on a yearly basis;
- a summary report of the central compliance function on a yearly basis;
- individual extensive long form reports of the external auditors for all operational entities of the RBC DEXIA IS Group on a yearly basis.

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