DEPARTMENT OF LABOR

Employee Benefits Security Administration

[Exemption Application No. D–12102]

Proposed Exemption for the Royal Bank of Canada and Its Current and Future Affiliates (Collectively, RBC or the Applicant) Located in Toronto, Ontario, Canada

AGENCY: Employee Benefits Security Administration, Labor.

ACTION: Notice of proposed exemption.

SUMMARY: This document provides notice of the pendency before the Department of Labor (the Department) of a proposed individual exemption from certain of the prohibited transaction restrictions of the Employee Retirement Income Security Act of 1974 (ERISA or the Act) and the Internal Revenue Code of 1986 (the Code). This proposed exemption would permit certain qualified professional asset managers with specified relationships to Royal Bank of Canada Trust Company (Bahamas) Limited, and certain current and future affiliates of the Royal Bank of Canada (collectively, the RBC QPAMs), to continue to rely on the class exemptive relief granted in Prohibited Transaction Exemption (PTE) 84–14 (PTE 84–14, or the QPAM Exemption), notwithstanding the March 5, 2024 judgment of conviction against Royal Bank of Canada Trust Company (Bahamas) Limited (RBCTC Bahamas) for aiding and abetting tax fraud, entered in France in the Paris Court of Appeal.

DATES:

Exemption date: This proposed exemption would be in effect beginning on March 5, 2025, and ending on March 4, 2030 (the Exemption Period).

Comments due: Written comments and requests for a public hearing on the proposed exemption should be submitted to the Department by March 3, 2025.

ADDRESSES: All written comments and requests for a hearing should be submitted to the Employee Benefits Security Administration (EBSA), Office of Exemption Determinations, Attention: Application No. D–12102 via email to *e-OED@dol.gov* or online through *https://www.regulations.gov.* Any such comments or requests should be sent by the end of the scheduled comment period. The application for exemption and the comments received will be available for public inspection in the Public Disclosure Room of the Employee Benefits Security Administration, U.S. Department of Labor, Room N–1515, 200 Constitution Avenue NW, Washington, DC 20210 (202) 693–8673). See **SUPPLEMENTARY INFORMATION** below for additional information regarding comments.

FOR FURTHER INFORMATION CONTACT: Ms. Blessed Chuksorji-Keefe of the Department at (202) 693–8567. (This is not a toll-free number).

SUPPLEMENTARY INFORMATION:

Comments: Persons are encouraged to submit all comments electronically and not to submit paper copies. Comments should state the nature of the person's interest in the proposed exemption and how the person would be adversely affected by the exemption, if granted. Any person who may be adversely affected by an exemption can request a hearing on the exemption. A request for a hearing must state: (1) the name, address, telephone number, and email address of the person making the request; (2) the nature of the person's interest in the exemption, and the manner in which the person would be adversely affected by the exemption; and (3) a statement of the issues to be addressed and a general description of the evidence to be presented at the hearing. The Department will grant a request for a hearing made in accordance with the requirements above where a hearing is necessary to fully explore material factual issues identified by the person requesting the hearing. A notice of such hearing shall be published by the Department in the **Federal Register**. The Department may decline to hold a hearing if:

(1) the request for the hearing does not meet the requirements above; (2) the only issues identified for exploration at the hearing are matters of law; or (3) the factual issues identified can be fully explored through the submission of evidence in written (including electronic) form.

Warning: All comments received will be included in the public record without change and may be made available online at *https://www.regulations.gov,* including any personal information provided, unless the comment includes information claimed to be confidential or other information whose disclosure is restricted by statute. If you submit a comment, EBSA recommends that you include your name and other contact information in the body of your comment, but DO NOT submit information that you consider to be confidential, or otherwise protected (such as a Social Security number or an unlisted phone number) or confidential business information that you do not

want publicly disclosed. However, if EBSA cannot read your comment due to technical difficulties and cannot contact you for clarification, EBSA might not be able to consider your comment.

Additionally, the *https://www.regulations.gov* website is an ''anonymous access'' system, which means EBSA will not know your identity or contact information unless you provide it in the body of your comment. If you send an email directly to EBSA without going through *https://www.regulations.gov,* your email address will be automatically captured and included as part of the comment that is placed in the public record and made available on the internet.

Proposed Exemption

The Department is considering granting the exemption pursuant to its authority under ERISA section 408(a) and Code section 4975(c)(2), and in accordance with the Department's exemption procedures.[1] If the Department grants a final exemption, the RBC QPAMs will be allowed to continue their reliance on the QPAM Exemption) [2] notwithstanding the March 5, 2024 judgment of conviction against Royal Bank of Canada Trust Company (Bahamas) Limited (RBCTC Bahamas) for aiding and abetting tax fraud, as described in more detail below (the Conviction), provided the conditions set forth in the exemption are met. The terms of this proposed exemption have been specifically designed to permit plans to terminate their relationships in an orderly and cost-effective fashion in the event of an additional conviction or a determination that it is otherwise prudent for a plan to terminate its relationship with an entity covered by the exemption.

This proposed exemption would provide relief from certain restrictions set forth in ERISA sections 406 and 407.[3] It would not, however, provide relief from any other violation of law. Furthermore, the Department cautions that the relief in the exemption would terminate immediately if, among other things, RBC or an affiliate of RBC (as defined in section VI(d) of PTE 84–14) [4] is convicted of a crime covered by, or otherwise violates, section I(g) of PTE 84–14 (other than the Conviction) during the Exemption Period.[5] Although RBC could apply for a new exemption in that circumstance, the Department would not be obligated to grant the exemption.[6]

Summary of Facts and Representations [7]

The Royal Bank of Canada

1. The Royal Bank of Canada (RBC) is a Canadian corporation headquartered in Toronto, Ontario, Canada and is Canada's largest bank. RBC provides personal and commercial banking, wealth management services, insurance, investor services and capital markets products and services on a global basis. As of October 31, 2024, RBC had more than CAD$1.342 trillion (more than $932 billion in U.S. dollars) [8] in assets under management, CAD$4.965 trillion (approximately $3.45 trillion in U.S. dollars) [9] in assets under administration, and equity attributable to shareholders of CAD$127 billion (approximately $88.3 billion in U.S. dollars).

The Convicted Entity

2. RBCTC Bahamas is a wholly-owned subsidiary of RBC located in the Bahamas and regulated by the Central Bank of the Bahamas. RBCTC Bahamas once provided trust and company management services in all major currencies to international clients. Currently, RBCTC Bahamas is not engaged in asset management activities and does not act as a fiduciary of any plans subject to part 4 of title I of ERISA or Internal Revenue Code (Code) section 4975.

3. Over the last several years, RBCTC Bahamas's operations have been reduced in scope. In September 2014, RBCTC Bahamas ceased taking on new trust business. On November 4, 2015, RBCTC Bahamas announced that it had entered into a purchase and sale agreement with SMP Partners Group to sell its Trust, Custody and Fund Administration businesses in the Caribbean. This follows the announcement in November 2014 that RBC would be exiting a number of its Wealth Management businesses in the Caribbean. On November 18, 2016, RBC completed the sale of the assets of RBCTC Bahamas to another financial institution, but did not sell the assets relating to the servicing of the Bahamian trust (the Delta Trust) that is connected to the allegations at issue in the criminal case and for which RBCTC Bahamas has served as successor trustee since 2004 (the Delta Trust).

The RBC QPAMs

4. Certain current and future ''affiliates'' of RBCTC Bahamas, as that term is defined in section VI(d) of PTE 84–14, may manage the assets of ERISA-covered plans and individual retirement accounts subject to the Internal Revenue Code (collectively, Covered Plans) as RBC QPAMs in reliance on PTE 84–14.[10] The primary U.S. bank and U.S. registered investment adviser affiliates in which RBC owns a significant interest, directly or indirectly, include the following: (1) RBC Global Asset Management (U.S.) Inc.; [11] (2) RBC Global Asset Management (UK)

[1] 29 CFR part 2570, subpart B (75 FR 66637, 66644, October 27, 2011).

[2] 49 FR 9494 (March 13, 1984), as corrected at 50 FR 41430 (October 10, 1985), as amended at 70 FR 49305 (August 23, 2005), as amended at 75 FR 38837 (July 6, 2010), and as amended at 89 FR 23090 (April 3, 2024).

[3] For purposes of this proposed exemption, references to specific provisions of ERISA Title I, unless otherwise specified, should be read to refer as well to the corresponding provisions of Code section 4975.

[4] PTE 84–14 section VI(d) defines the term ''affiliate'' for purposes of section I(g) as ''(1) Any person directly or indirectly through one or more intermediaries, Controlling, Controlled by, or under Common Control with the person, (2) Any director of, Relative of, or partner in, any such person, (3) Any corporation, partnership, trust or unincorporated enterprise of which such person is an officer, director, or a 5 percent or more partner or owner, and (4) Any employee or officer of the person who-(A) Is a highly compensated employee (as defined in Code section 4975(e)(2)(H)) or officer (earning 10 percent or more of the yearly wages of such person), or (B) Has direct or indirect authority, responsibility or control regarding the custody, management or disposition of plan assets.'' For purposes of this definition, section VI(e) defines the terms ''Controlling,'' ''Controlled by,'' ''under Common Control with,'' and ''Controls'' means the power to exercise a controlling influence over the management or policies of a person other than an individual.

[5] See 89 FR 23090 at 23138 through 23140 (April 4, 2024).

[6] Id.

[7] The Department notes that availability of this exemption would be subject to the express condition that the material facts and representations made by the Applicant in Application D–12102 are true and complete at all times and accurately describe all material terms of the transaction(s) covered by the exemption. If there is any material change in a transaction covered by the exemption, or in a material fact or representation described in the application, the exemption will cease to apply as of the date of the change.

[8] The conversion amounts are current as of January 10, 2025.

[9] The figures included in this application are dated as of October 31, 2024, unless otherwise noted. Assets under management for U.S. managers are expressed in U.S. dollars.

[10] The term ''Covered Plan'' means a plan subject to Part IV of Title I of ERISA (an ''ERISA-covered plan'') or a plan subject to Code section 4975 (an ''IRA''), in each case, with respect to which RBC relies on PTE 84–14, or with respect to which RBC has expressly represented that the manager qualifies as a QPAM or relies on PTE 84–14. A Covered Plan does not include an ERISA-covered plan or IRA to the extent that RBC has expressly disclaimed reliance on QPAM status or PTE 84–14 in entering into a contract, arrangement, or agreement with the ERISA-covered plan or IRA.

[11] In its most recent (at the time of the application) Form ADV Part I(A) reported assets of almost $80 billion managed on a discretionary basis, including ERISA assets including approximately $4.7 billion in public pension assets for state and local plans, which may by law or contract require it to comply with the prohibited transaction rules under ERISA.

Limited; [12] (3) RBC Capital Markets, LLC; [13] (4) City National Bank; [14] (5) City National Securities, Inc.; [15] (6) City National Rochdale, LLC; [16] and (7) Symphonic Financial Advisors, LLC.[17]

5. RBC explains that the RBC QPAMs provide asset management services to thousands of Covered Plans. In managing these assets, the RBC QPAMs regularly rely on PTE 84–14 for, among other things, global fixed income, global equities, futures, options, swaps and other derivatives, alternative funds, including hedge funds, and similar instruments and strategies. The issuing documents for many instruments state that the investment manager is deemed to represent that it is relying, at least partially, on PTE 84–14.

6. According to the Applicant, the investment management businesses that are operated out of the RBC QPAMs are separate from RBCTC Bahamas, and from the non-investment management business activities of RBCTC Bahamas that are the subject of criminal charges under French law. The Applicant states that RBC QPAMs have dedicated systems, management, risk and compliance officers. In this regard, the Applicant represents that the RBC QPAMs are insulated from RBCTC Bahamas. The RBC QPAMs use their own, separate systems for trade management, employee supervision, client management, surveillance, risk management, and accounting, which are only accessible by authorized QPAM employees. RBC also represents that the investment management businesses of the RBC QPAMs are subject to policies and procedures, and RBC QPAM personnel engage in training, designed to ensure that such businesses understand and abide by their fiduciary duties in accordance with applicable law.

7. According to RBC, the RBC QPAMs' policies and procedures create information barriers designed to prevent employees of the RBC QPAMs from gaining access to inside information that an affiliate may have acquired or developed in connection with the investment banking, treasury services or other investor services business activities. These policies and procedures apply to employees, officers, and directors of the RBC QPAMs. The Applicant also maintains an employee hotline for employees to express anonymously any concerns of wrongdoing.

ERISA and Code Prohibited Transactions and PTE 84–14

8. The rules set forth in ERISA section 406 and Code section 4975(c) proscribe certain ''prohibited transactions'' between plans and parties in interest with respect to those plans. ERISA section 3(14) defines parties in interest with respect to a plan to include, among others, the plan fiduciary, a sponsoring employer of the plan, a union whose members are covered by the plan, service providers with respect to the plan, and certain of their affiliates.[18] The transactions prohibited by ERISA section 406(a) that are relevant to this proposed exemption are (1) sales, leases, loans, or the provision of services between a party in interest and a plan (or an entity whose assets are deemed to constitute the assets of a plan), (2) the use of plan assets by or for the benefit of a party in interest, or (3) a transfer of plan assets to a party in interest.[19]

9. ERISA section 408(a) gives the Department authority to grant an exemption from such ''prohibited transactions'' if the Department finds an exemption is: (a) administratively feasible for the Department; (b) in the interests of the plan and of its participants and beneficiaries; and (c) protective of the rights of participants and beneficiaries.

10. PTE 84–14 exempts certain prohibited transactions between a party in interest and an ''investment fund'' (as defined in section VI(b) of PTE 84–14) in which a plan has an interest if the investment manager satisfies the definition of ''qualified professional asset manager'' (QPAM) and satisfies additional conditions of the exemption.[20] PTE 84–14 was developed and granted based on the premise that broad relief could be afforded for all types of transactions in which a plan engages only if the commitments and the investments of plan assets and the negotiations leading thereto are the sole responsibility of an independent discretionary manager.[21]

11. section I(g) of PTE 84–14 prevents an entity that may otherwise meet the definition of QPAM from utilizing the exemptive relief provided by the QPAM Exemption for itself and its client plans if that entity, an ''affiliate'' thereof,[22] or any direct or indirect five percent or more owner of the QPAM has been either convicted or released from imprisonment, whichever is later, because of criminal activity described in section I(g), or otherwise violates section I(g), within the 10 years immediately preceding a transaction. section I(g) was included in PTE 84–14, in part, based on the Department's expectation that QPAMs, and those who may be in a position to influence the QPAM's policies, must maintain a high standard of integrity.[23]

Investigation for Tax Fraud

12. The Applicant has applied for an exemption in connection with the judgment of Conviction rendered on

[12] At the time of the application, managed assets of nearly $122 billion on a discretionary basis, including ERISA assets and approximately $993 million in public pension assets for state and local plans, which may by law or contract require it to comply with the prohibited transaction rules under ERISA.

[13] At the time of the application, this entity managed assets of approximately $149 billion managed on a discretionary basis, including ERISA and IRA assets.

[14] At the time of the application, this entity managed assets of approximately $24.2 billion on a discretionary basis, including ERISA and IRA assets.

[15] At the time of the application, this entity managed assets of nearly $1.5 billion on a discretionary basis, including ERISA and IRA assets.

[16] At the time of the application, this entity managed assets of over $60 billion on a discretionary basis, including ERISA and IRA assets, and including $29 million in public pension assets for state and local plans, which may by law or contract require it to comply with the prohibited transaction rules under ERISA.

[17] At the time of the application managed assets of over $125 million on a discretionary basis, including ERISA and IRA assets. Symphonic is in the process of being dissolved, which process is expected to be completed in the second quarter of 2024.

[18] Under the Code, such parties, or similar parties, are referred to as ''disqualified persons.''

[19] The prohibited transaction provisions also include certain fiduciary prohibited transactions under ERISA section 406(b). These include transactions involving fiduciary self-dealing, fiduciary conflicts of interest, and kickbacks to fiduciaries.

[20] PTE 84–14 was recently amended, effective June 17, 2024 to, among other things, (1) require a QPAM to provide a one-time notice to the Department that the QPAM is relying upon the exemption; (2) update the list of crimes enumerated under section I(g) to explicitly include foreign crimes that are substantially equivalent to the listed crimes; (3) expand the circumstances that may lead to ineligibility; and (4) provide a one-year transition period to help Covered Plans avoid or minimize possible negative impacts of terminating or switching QPAMs or adjusting asset management arrangements when a QPAM becomes ineligible pursuant to section I(g) and allow QPAMs a reasonable period of time to seek an individual exemption, if appropriate. See 89 FR 23090 (April 3, 2024).

[21] See 75 FR 38837, 38839 (July 6, 2010).

[22] Section VI(d) of PTE 84–14 defines the term ''affiliate'' for purposes of section I(g) as ''(1) Any person directly or indirectly through one or more intermediaries, controlling, controlled by, or under common control with the person, (2) Any director of, relative of, or partner in, any such person, (3) Any corporation, partnership, trust or unincorporated enterprise of which such person is an officer, director, or a 5 percent or more partner or owner, and (4) Any employee or officer of the person who—(A) Is a highly compensated employee (as defined in section 4975(e)(2)(H) of the Code) or officer (earning 10 percent or more of the yearly wages of such person), or (B) Has direct or indirect authority, responsibility or control regarding the custody, management or disposition of plan assets.''

[23] See 47 FR 56947 (December 21, 1982).

March 5, 2024, by the French Court of Appeal against RBCTC Bahamas. The facts forming the basis of the Conviction reach back to 1998, when Daniel Wildenstein established the Delta Trust. In January 2012, RBCTC Bahamas was summoned to appear before a French Judge of Instruction (the Investigative Judge) concerning an investigation into nonpayment of French inheritance taxes by Guy Wildenstein and Alec Daniel Armand Wildenstein (the Wildensteins) following the death in 2001 of family patriarch Daniel Wildenstein. RBCTC Bahamas was placed under judicial investigation,[24] and in December 2013, the Investigative Judge referred the case to the French national prosecutor of financial crimes (the Special Prosecutor) for a review and recommendation. In January 2015, the Special Prosecutor submitted a recommendation that RBCTC Bahamas and several others be charged with complicity in the Wildensteins' alleged tax fraud and money laundering.

13. On April 9, 2015, the Paris Court of Appeal for the District Court of Paris (the Court) issued an Order of Dismissal and Referral before the Criminal Court (the Referral Order). In the Referral Order, RBCTC Bahamas was charged with complicity in the Wildenstein's tax fraud involving taxes owed to France on assets held in the Delta Trust.[25] Specifically, the Court found that the investigation produced sufficient evidence against RBCTC Bahamas for having, in the Bahamas, beginning on November 19, 2004, aided and abetted tax fraud committed in Paris by Daniel Wildenstein's heirs by deliberately concealing a portion of the sums subject to French taxation on Daniel Wildenstein's estate, in particular the works of art placed in the Delta Trust and deeds that are governed by and punishable under Articles 121–2, 121–6, 121–7, 321–1, 321–3, 321–12 of the French Criminal Code and Articles 1741 et 1745 of the French General Tax Code.

14. The pertinent facts that underlie these charges as set out in the Referral Order are as follows: on November 2, 1998, Daniel Wildenstein created a discretionary trust in the Bahamas called the Delta Trust. The Delta Trust was designed to be revocable up to the point of Daniel Wildenstein's death, then irrevocable thereafter. Upon the formation of the Delta Trust, Daniel Wildenstein contributed various works of art to be held as assets of the trust. Royal Bank of Scotland was the initial trustee of the Delta Trust. In early 2001, Royal Bank of Scotland was replaced as trustee by Coutts Trust Holdings Limited, which was succeeded by Coutts Trustees (Bahamas) Limited. On October 21, 2001, Daniel Wildenstein died in Paris. On April 28, 2002, Guy Wildenstein and his brother, Alec Wildenstein Sr., filed an inheritance tax statement in relation to the estate of their father, Daniel Wildenstein, as required by French tax laws. Guy Wildenstein and Alec Wildenstein Sr. did not disclose in this inheritance tax statement, the existence of the Delta Trust or the existence of the assets therein. At this point, RBCTC Bahamas was appointed trustee of the Delta Trust in November 2004, three years after Daniel Wildenstein's death and more than two years after Guy Wildenstein and Alec Wildenstein Sr. had filed their inheritance tax statement.

15. The Applicant represents that according to the French authorities, the existence of the Delta Trust as well as the assets of the Delta Trust should have been disclosed to the French authorities by Guy Wildenstein and by Alec Wildenstein Sr. when they filed their inheritance tax statement in 2002 because an inheritance tax would have applied in relation to these assets. [26]

16. The Referral Order provides that RBCTC Bahamas actually knew, or should have known, that Daniel Wildenstein was of French nationality, and that he died in France. The Referral Order also provides that, at the least, RBCTC should have investigated in greater detail the facts in relation to Daniel Wildenstein's residency and, likewise, the tax consequences of that residency. In addition, the Referral Order provides that the Delta Trust did not operate as a discretionary trust for purposes of French tax law, which would have generally required the trustee to have control over the management of the trust's assets. Further, among other things, the Referral Order points out that RBCTC Bahamas filed an amended declaration with the Internal Revenue Service to declare the paintings in the Delta Trust which were present on U.S. territory at the time of Daniel Wildenstein's death, even though the Delta Trust was purportedly discretionary and irrevocable.

PTE 2016–10

17. In 2016, the Applicant submitted an application for an exemption to continue to rely upon the relief in PTE 84–14 notwithstanding a conviction of RBCTC Bahamas in the District Court of Paris in connection with the criminal activity described in the Referral Order. After a review of the application and the public record, on October 28, 2016, the Department granted PTE 2016–10,[27] in order to protect Covered Plans from the costs and/or investment losses RBC asserted could arise if RBC QPAMs became ineligible to rely on PTE 84–14 due to the conviction of RBCTC Bahamas.[28] The effective period was limited to one year from the date of the anticipated conviction in order to provide the Department ''more time to consider whether longer-term relief is warranted.'' [29]

18. RBCTC Bahamas contested the charges in the French court and was acquitted, although further litigation ensued. Over the next few years, the French authorities appealed the case, and a new proceeding was scheduled. RBC requested that the Department confirm that PTE 2016–10 would still apply in the event that RBCTC Bahamas was ultimately convicted of the same crime based on the same underlying facts. In response, on December 11, 2023 the Department issued a ''Technical Correction'' to PTE 2016–10 that revised the definition of ''Conviction'' in PTE 2016–10 to refer to ''the potential judgment of conviction against RBCTC Bahamas for aiding and abetting tax fraud to be entered in France in the Court of Appeal, French Special Prosecutor No. 1120392066, French Investigative Judge No. JIRSIF/11/12 or another court of competent jurisdiction.''[30]

19. On March 5, 2024, the French Court of Appeal rendered its judgment of conviction against RBCTC Bahamas

[24] A judicial investigation in France is a proceeding run by an investigative judge that is required by French law to take place prior to a decision made by a prosecutor to charge a defendant. At the end of the investigation, the Prosecutor decides whether there is enough evidence against the identified suspect(s) and, in case there is, whether the suspect(s) should be judged by a criminal court. Babonneau et Associes: *https://www.sba-avocats.com/Criminal-defense-attorney-paris-criminal-investigation-in-france.html.*

[25] The Referral Order charges both of the Wildensteins with multiple counts of tax fraud, notably for failing to disclose and pay taxes on assets held in various trusts following the death of Daniel Wildenstein. The Wildensteins both were among the beneficiaries of the Delta Trust and have been charged with failing to report and pay inheritance taxes on the assets held in the Delta Trust following the death in 2001 of Daniel Wildenstein.

[26] The authorities allege that this disclosure should have occurred because the assets in the Delta Trust were initially revocable (*i.e.,* the assets in trust could be revoked by Daniel Wildenstein up to the time of his death). As such, the authorities state that the assets in the Delta Trust belonged to Daniel Wildenstein's estate and were therefore taxable under French tax laws.

[27] 81 FR 75147 (October 28, 2016).

[28] Id. at 75149.

[29] Id.

[30] See 88 FR 85931 (December 11, 2023).

and the other defendants. RBCTC Bahamas was ordered by the Court of Appeal to pay a fine of €5,000 ($5,350.95 in U.S. dollars) in connection with the Conviction and held RBCTC Bahamas jointly and severally liable with the Wildensteins and Northern Trust Fiduciary Services (Guernsey) Limited, another trustee of separate trusts, for the unpaid inheritance taxes owing, plus penalties and interest (such aggregate amount will be determined in a separate proceeding before the tax courts).[31] Pursuant to the Technical Correction, the relief in PTE 2016–10 became effective on March 5, 2024, and will expire on March 4, 2025.

The Exemption Request

20. The Applicant requests exemptive relief that would permit the RBC QPAMs to continue to rely on the relief provided by the QPAM Exemption, notwithstanding the disqualifying conviction, for the remaining nine-year period of disqualification upon the expiration of PTE 2016–10. The Department has determined to propose relief for five years, beginning on March 5, 2025, and ending on March 4, 2030, so that after five years, it may reevaluate the effectiveness of the protective conditions for relief as well as whether the QPAMs, and those in position to influence them, have continued to maintain a high standard of integrity. The Applicant represents that the conduct that is the subject of the potential conviction did not involve any of the RBC QPAMs acting in its role as an investment manager of any Covered Plan or otherwise relate to the asset management services provided by the RBC QPAMs. Furthermore, the asset management businesses of the RBC QPAMs did not know or have reason to know of the conduct underlying the charges and did not participate in or receive compensation in connection with the conduct underlying the charges. The convicted entity, RBCTC Bahamas, did not provide any fiduciary services to or act as a QPAM for ERISA plans or IRAs and RBCTC Bahamas does not provide investment management services to ERISA plans or IRAs or otherwise exercise discretionary control over ERISA plan or IRA assets.

Hardship to Covered Plans

21. *Overview of loss of QPAM.* The Applicant represents that the requested exemption is in the interest of affected plans and their participants and beneficiaries, because it will enable the plans to continue their current investment strategy with their current investment manager or trustee. If the Department denies the requested exemption, the Applicant asserts that the many clients that depend on RBC's ability to engage in transactions in reliance on QPAM status would be forced to find another asset manager to remain invested in their preferred strategies. The Applicant explains that clients with strategies dependent upon the RBC QPAMs' ability to rely on PTE 84–14 would likely terminate all of their contracts with RBC (even ones not dependent on PTE 84–14), and plan consultants likely would move their clients' assets away from RBC.[32]

22. The Applicant further represents that pension plans, including non-ERISA plans such as governmental plans, union plans, corporate plans and others, tend to treat an entity's eligibility to rely on PTE 84–14 as a threshold prerequisite for entrusting an investment manager to manage plan assets. In the Applicant's view, this could lead participants and regulators to view remaining with a manager that becomes ineligible to rely on PTE 84–14 as a breach of fiduciary duties. As such, pension plans (ERISA and non-ERISA) could terminate their relationship with any manager that becomes ineligible to rely on the QPAM exemption, even if the plans do not technically require the entity to maintain its QPAM qualification to execute their investment strategies.[33]

23. The Applicant states further that it is disruptive and expensive to cause plan fiduciaries to reconsider their arrangements with their chosen investment manager because of uncertainties relating to the QPAM Exemption. This uncertainty is disruptive to investment strategies and could result in significant redemptions from pooled funds, which would frustrate efforts to manage effectively the pooled funds' assets, harm remaining plan investors, and increase the expense ratios of the investment funds.

Department's Request for More Information: The Department notes the Applicant's representations that denial of relief could have negative impacts on pooled funds but is unable to fully consider these comments due to a lack of supporting data. In order to properly weigh these costs as potential harms to plan in the event the Department denies exemptive relief, the Department requests additional information from the Applicant in its comment letter substantiating harms to pooled funds, including estimates of the costs and any assumptions relied upon in making the estimate.

24. *Transaction Costs/Harm to Plans.* According to the Applicant, the transaction costs to plans of changing managers are significant, especially considering some of the investment strategies employed by the RBC QPAMs. For example, according to the Applicant, the cost of liquidating assets, identifying and selecting new managers, and reinvesting those assets would be borne by the plans and their participants. The Applicant represents that transactions that currently depend on the QPAM Exemption, or in which the counterparty relied on the QPAM exemption as the expected source of exemptive relief, could default and be terminated at a significant cost to the plans. Transaction costs may be higher in times of significant market volatility, especially with respect to certain strategies. Furthermore, the request for proposal process for transitioning to a new manager typically is lengthy and likely would involve numerous steps each of which could last several months—including retaining a consultant, reviewing request for proposals, negotiating contracts, and ultimately transitioning assets, as well as incurring additional transaction-related expenses incurred in connection with the purchase of securities.

Department's Request for More Information: The Department notes the Applicant's representations that the request for proposal process for transitioning to a new manager involves additional costs such as retaining a consultant, reviewing requests for proposal, negotiating contracts, etc. In order to properly weigh these costs as potential harms to plan in the event the Department denies exemptive relief, the Department requests additional information from the Applicant in its

[31] On March 7, 2024, RBCTC Bahamas appealed the decision to the French Supreme Court. The appeal is currently pending. The Department notes that a disqualifying ''Conviction'' under section I(g) of PTE 84–14 occurs as of the date of judgment of the trial court, regardless of whether that judgment is appealed. See also section I(h)(1) of PTE 84–14 at 89 FR 23090, 23139 (April 3, 2024).

[32] The Applicant states that many of RBC's asset management clients are advised by the same relatively small group of consultants, magnifying the effect of any recommendation to terminate an RBC manager.

[33] For example, public plans that, like the Nebraska Public Employees Retirement System (NPERS), are not subject to ERISA have over $5.7 billion in assets invested through RBC. While such public plans are not subject to ERISA, some state and local laws are substantially similar to ERISA, and RBC has contractually agreed to treat certain public plans as if they were subject to ERISA. According to the applicant, if even some of these plans were to pull their business in the event RBC loses its QPAM status, the impact on plans would be substantial.

comment letter substantiating these costs, including estimates of the costs and any assumptions relied upon.

25. The Applicant states that the RBC QPAMs may rely on PTE 84–14 when investing in various securities and financial instruments on behalf of ERISA clients. For example, the RBC QPAMs may rely on PTE 84–14 when buying and selling fixed income products. Many counterparties in such transactions specifically require a representation that PTE 84–14 applies, and those contracts could be in default if the requested exemption were not granted. Accounts managed by the RBC QPAMs invest in fixed income products, with a total portfolio of ERISA and public plan assets valued at over $18.5 billion. Fixed income securities and instruments in which those accounts are invested generally include corporate bonds, U.S. Treasury and agency-backed securities, asset-backed securities, emerging market sovereign and corporate debt, convertible bonds, term loans, repurchase agreements, swaps, futures, options and foreign exchange transactions. The Applicant represents that if the RBC QPAMs become ineligible to rely on PTE 84–14, its plan clients could suffer additional transactions costs associated with liquidating fixed income securities depending on the strategy. The Applicants representations about these liquidation costs are further discussed below for each investment strategy.

26. *Liquidation Costs.* According to the Applicant, if RBC QPAMs were required to liquidate investments because a Covered Plan opted to find another manager, the underlying investments of the following investment strategies could incur the following estimated transaction costs:

a. Multi-Asset Credit: The multi-asset credit strategy invests in the following kinds of instruments: corporate bonds, government bonds, asset-backed securities, convertible bonds, mortgage-backed securities, loans, structured credit, contingent convertible bonds, convertible bonds, swaps, futures, options and foreign exchange transactions. These instruments are generally traded on the primary and secondary fixed income markets, over-the-counter or centrally cleared. The Applicant represents that if the RBC QPAMs were no longer able to rely on the QPAM Exemption, the estimated transaction costs associated with selling such instruments could range from 35 to 65 basis points.

RBC QPAMs currently manage approximately $400,000,000 of ERISA plan assets that are invested in multi-asset credit investments. If PTE 84–14 were lost, ERISA plan clients of the RBC QPAMs invested in this strategy could suffer liquidation costs of between 35 and 65 basis points, which equates to between $1,400,000 and $2,600,000, not including reinvestment costs.

b. Core Fixed Income: The core fixed income strategies invest in the following kinds of instruments: corporate bonds, government bonds, asset-backed securities, mortgage-backed securities, municipal bonds, loans, swaps, futures, options, and foreign exchange transactions. These instruments are generally traded on the primary and secondary markets (including fixed income trading venues), over-the-counter or centrally cleared. If the RBC QPAMs become ineligible to rely on PTE 84–14, the Applicant estimates the transaction costs on such instruments could range from 20 to 25 basis points.

RBC QPAMs currently manage approximately $1.5 billion in market value of ERISA plan assets that are invested in core fixed income investments. If the RBC QPAMs become ineligible to rely on PTE 84–14, the Applicant represents that ERISA plan clients of the RBC QPAMs invested in this strategy could suffer liquidation costs of between 20 and 25 basis points, which equates to between $3,000,000 and $3,750,000, not including reinvestment costs.

c. Impact Investing: The impact investing strategies invest in the following kinds of instruments: U.S. Treasury securities, U.S. agency-backed securities, mortgage-backed securities, Small Business Administration loans and pools, municipal bonds, corporate bonds, certificates of deposit (CDs), commercial paper, foreign sovereign debt, private placements and derivatives. These instruments are generally traded on primary and secondary fixed income trading markets (including via fixed income trading venues), over-the-counter or centrally cleared. If the RBC QPAMs become ineligible to rely on PTE 84–14, the estimated transaction costs on such instruments could range from 15 to 25 basis points.

RBC QPAMs currently manage approximately $36,000,000 in market value of ERISA plan assets that are engaged in impact investing. The Applicant represents that if it became ineligible to rely on PTE 84–14, the RBC QPAMs' ERISA plan clients invested in this strategy could suffer liquidation costs of between 15 and 25 basis points, which equates to between $54,000 and $90,000, not including reinvestment costs.

d. Community Investing: The community investing strategy invests in the following kinds of instruments: U.S. Treasury securities, U.S. agency-backed securities, agency and non-agency mortgage-backed securities, SBA loans and pools, municipal bonds, corporate bonds, certificates of deposit (CDs), commercial paper, foreign sovereign debt, private placements and derivatives. These instruments are generally traded on primary and secondary fixed income trading markets (including via fixed income trading venues), over-the-counter or centrally cleared. If the RBC QPAMs became ineligible to rely on PTE 84–14, the estimated transaction costs on such instruments could range from 10 to 20 basis points.

RBC QPAMs currently manage approximately $450,000,000 in market value of ERISA and public plan assets that are invested in community investing. If the RBC QPAMs become ineligible to rely on PTE 84–14, the Applicant represents that their ERISA plan clients invested in this strategy could suffer liquidation costs of between 10 and 20 basis points, which equates to between $450,000 and $900,000, not including reinvestment costs.

e. Emerging Markets Equity: The emerging markets strategies invest in the following kinds of instruments: common stock, real estate investment trusts (REITS), American depository receipts (ADRs), exchange-traded funds (ETFs) and certain derivatives. These instruments are generally traded on global stock exchanges, equity trading venues, over-the-counter or centrally cleared. If the RBC QPAMs were ineligible to rely on PTE 84–14, the estimated transaction costs on such instruments could range from 48 to 64 basis points.

RBC QPAMs currently manage approximately $2.35 billion in ERISA plan assets that are invested in emerging markets equity. According to the Applicant, if RBC QPAMs were ineligible to rely on PTE 84–14, ERISA plan clients of the RBC QPAMs invested in this strategy could suffer liquidation costs of between 48 and 64 basis points, which equates to between $11,280,000 and over $15,000,000, not including reinvestment costs.

f. Small and Mid-Cap Growth Equity: The small and mid-cap equity strategy invests in the following kinds of instruments: equity securities, REITS, ADRs and ETFs. These instruments are generally traded on national exchanges and equity trading venues. If the RBC QPAMs were no longer eligible to rely on PTE 84–14, the estimated transaction costs on such instruments could range from 34 to 85 basis points.

RBC QPAMs currently manage approximately $9.6 million of ERISA and public plan assets that are invested in small and mid-cap equity. The Applicant represents that if the RBC QPAMs were ineligible to rely on PTE 84–14, its ERISA plan clients invested in this strategy could suffer liquidation costs of between 34 and 85 basis points, which equates to between $32,640 and $81,600, not including reinvestment costs.

g. International Equity: The international equity strategy invests in the following kinds of instruments: common stock, REITs, ADRs, and ETFs. These instruments are generally traded on global stock exchanges or equity trading venues. The applicant represents that if the RBC QPAMs were no longer able to rely on PTE 84–14, the estimated transaction costs on such instruments could range from 30 to 60 basis points. RBC QPAMs currently manage approximately $292,000,000 of ERISA plan assets that are invested in international equity. If the RBC QPAMs were ineligible to rely on PTE 84–14, the Applicant represents that their ERISA plan clients invested in this strategy could suffer liquidation costs of between 30 and 60 basis points, which equates to between $876,000 and nearly $1,800,000, not including reinvestment costs.

h. Small Cap Growth Equity: The small cap growth equity strategy invests primarily in the following kinds of instruments: equity securities, REITs, ADRs, and ETFs. These instruments are generally traded on national exchanges or equity trading venues. If the RBC QPAMs were ineligible to rely on PTE 84–14, the Applicant represents that the estimated transaction costs on such instruments could range from 34 to 85 basis points.

RBC QPAMs currently manage approximately $1.23 billion in market value of ERISA plan assets that are invested in small cap growth equity. If the RBC QPAMs become ineligible to rely on PTE 84–14, the Applicant represents that their ERISA plan clients invested in this strategy could suffer liquidation costs of between 34 and 85 basis points, which equates to between $4,200,000 and over $10,500,000, not including reinvestment costs.

i. Emerging Markets Credit: The emerging markets credit strategies invest in the following kinds of instruments: government bonds, corporate bonds, loans, swaps, futures, foreign exchange transactions, options and repurchase transactions. These instruments are generally traded on the primary and secondary fixed income markets (including via fixed income trading venues), over-the-counter or centrally cleared. If the RBC QPAMs were ineligible to rely on PTE 84–14, the Applicant represents that the estimated transaction costs on such instruments could range from 35 to 70 basis points.

RBC QPAMs currently manage approximately $510,000,000 in market value of ERISA assets that are invested in emerging markets credit. If the RBC QPAMs were ineligible to rely on PTE 84–14, the Applicant maintains that their ERISA plan clients of the RBC QPAMs invested in this strategy could suffer liquidation costs of between 35 and 70 basis points, which equates to between $1,800,000 and over $3,500,000, not including reinvestment costs.

j. Cash Management: The cash management strategies invest in the following kinds of instruments: U.S. Treasury securities, U.S. agency-backed securities, agency and non-agency mortgage-backed securities, municipal bonds, repurchase agreements, bank deposits, corporate bonds, certificates of deposit (CDs), commercial paper and foreign sovereign debt. These instruments are generally traded on primary and secondary market fixed income trading markets (including via fixed income trading venues). If the RBC QPAMs were ineligible to rely on PTE 84–14, the Applicant represents that the estimated transaction costs on such instruments could range from 10 to 20 basis points.

RBC QPAMs manage approximately $1.12 billion of ERISA and public plan assets that are invested in cash management strategies. If the RBC QPAMs become ineligible to rely on PTE 84–14, the Applicant represents that ERISA plan clients of the RBC QPAMs invested in this strategy could suffer liquidation costs of between 10 and 20 basis points, which equates to between $1,120,000 and $2,240,000, not including reinvestment costs.

k. Short Duration: The short duration strategy invests in the following kinds of instruments: U.S. Treasury securities, U.S. agency-backed securities, agency and non-agency mortgage-backed securities, municipal bonds, corporate bonds, certificates of deposit (CDs), commercial paper, foreign sovereign debt, futures, private placements and derivatives. These instruments are generally traded on primary and secondary fixed income trading markets (including via fixed income trading venues) or centrally cleared. If the RBC QPAMs were ineligible to rely on PTE 84–14, the Applicant represents that the estimated transaction costs on such instruments could range from 10 to 20 basis points.

RBC QPAMs manage a total portfolio of over $1.3 billion in market value of public plans that invest in short duration strategies. According to the Applicant, if the RBC QPAMs were ineligible to rely on PTE 84–14, the RBC QPAMs' ERISA plan clients invested in this strategy could suffer liquidation costs of between 10 and 20 basis points, which equates to between $1,300,000 and $2,600,000, not including reinvestment costs.

l. Ultra Short Duration: The ultra short duration strategy invests in the following kinds of instruments: U.S. Treasury securities, U.S. agency-backed securities, agency and non-agency mortgage-backed securities, municipal bonds, corporate bonds, certificates of deposit (CDs), commercial paper, foreign sovereign debt, private placements, and futures. These instruments are generally traded on primary and secondary fixed income trading markets (including via fixed income trading venues), over-the-counter or centrally cleared. If the RBC QPAMs were ineligible to rely on PTE 84–14, the Applicant represents that the estimated transaction costs on such instruments could range from 15 to 25 basis points.

RBC QPAMs manage public plan assets with a total portfolio of almost $374,000,000 in market value that are invested in ultra short duration strategies. If the RBC QPAMs were ineligible to rely on PTE 84–14, the Applicant represents that ERISA plan clients of the RBC QPAMs invested in this strategy could suffer liquidation costs of between 15 and 25 basis points, which equates to between $561,000 and $935,000, not including reinvestment costs.

Department's Request for Comment and Notes Regarding Harms to Plans in Paragraphs 21 through 26

The Department requests the Applicant to provide a clear description regarding their estimates of costs to Covered Plans in its comment letter. In this regard, the Applicant must provide:

(1) a description, in itemized form, how the basis point range described above was derived by the Applicant, including the assumptions or methodologies relied upon.

(2) an explanation of the amount of Covered Plan assets that are likely to be subject to the costs described above and an explanation of the Applicant's assumptions or methodologies in connection with such figures. For example: 50% of the Covered Plan assets will be likely to incur such costs because. . . .

(3) an explanation of the likelihood of the costs occurring, for each of the transition costs described above. For example: with respect to violating representations as to QPAM status in an offering document, the Applicant should provide information regarding how likely that is to occur; etc.

(4) an explanation of the circumstances under which the transition costs described above are being incurred (*e.g.,* are these transition costs that the Applicant contends would be incurred by Covered Plans to remedy contractual violations due to loss of QPAM status, costs due to Covered Plans seeking to use a different investment manager that can rely on QPAM, costs, etc.).

(5) a description of the extent to which any of the asserted costs reflect the QPAMs' imposition of additional charges or fees on Covered Plans resulting from the loss of QPAM status, and the cause of such additional charges or fees.

(6) an explanation of the extent to which the costs described herein are not likely to be covered by the QPAMs indemnification obligations under section III(j)(2), described in more detail below, and an explanation why such costs are not attributable to the Applicant's violation of exemption conditions.

The Department notes that Condition (j)(2) of the proposed exemption requires RBC QPAMs to ''indemnify and hold harmless'' Covered Plans for ''actual losses resulting directly from the RBC QPAM's violation of any conditions of this exemption, an RBC QPAM's violation of ERISA's fiduciary duties, as applicable, and of the prohibited transaction provisions of ERISA and the Code, as applicable; a breach of contract by the RBC QPAM; or any claim arising out of the failure of such RBC QPAM to qualify for the exemptive relief provided by PTE 84–14 as a result of a violation of section I(g) of PTE 84–14 other than the Conviction.'' [34] Furthermore, the Department notes that, to the extent Covered Plans ''feel forced'' to transition to new asset managers because the RBC QPAMs can no longer rely on PTE 84–14, the liquidation and additional costs arising from the transition constitute actual losses resulting directly from the failure of such QPAM to qualify for the exemptive relief provided by PTE 84–14 as a result of violation of section I(g) of PTE 84–14. If a plan's fiduciary is compelled to replace an RBC asset manager as a result of a violation of section I(g) and the asset manager's loss of QPAM status, the affected plan is entitled to indemnification of its associated losses, including the transitional expenses necessary to effectuate the switch to a qualified QPAM.

The Exemption's Protective Conditions

27. In order to avail themselves of the relief provided under this proposed exemption, the RBC QPAMs will be required to meet the conditions described in this proposed exemption at all times. The first group of conditions for relief underscores the Department's expectation that the affected RBC QPAMs were not involved in the misconduct engaged in RBCTC Bahamas that is the subject of the Conviction or otherwise tainted by such misconduct. For example, relief under this proposed exemption only will be available to the extent that: (1) RBC QPAMs, including their officers, directors, agents other than RBCTC, and employees, did not know of, have reason to know of, or participate in the criminal conduct of RBCTC Bahamas that is the subject of the Conviction (here and throughout, ''participated in'' includes the knowing or tacit approval of the misconduct underlying the Conviction); [35] (2) any failure of the RBC QPAMs to satisfy section I(g) of PTE 84–14 arose solely from the Conviction; (3) the RBC QPAMs (including their officers, directors, agents other than RBCTC, and employees of such RBC QPAMs) did not receive direct compensation, or knowingly receive indirect compensation, in connection with the criminal misconduct that is the subject of the Conviction; and (4) no other party engaged on behalf of the RBC QPAMs who had responsibility for or exercised authority in connection with the management of plan assets knew or had reason to know of the criminal misconduct that is the subject of the Conviction nor did they participate in such misconduct.

28. The Department expects the RBC QPAMs to rigorously ensure that the individuals associated with the criminal misconduct of RBCTC Bahamas will not be employed or knowingly engaged by such QPAMs. In this regard, the proposed exemption mandates that the RBC QPAMs will not employ or knowingly engage any of the individuals that participated in criminal misconduct that is the subject of the Conviction. Further, the RBC QPAMs will not use their authority or influence to direct an ''investment fund,'' (as defined in section VI(b) of PTE 84–14) that is subject to ERISA or the Code and managed by such RBC QPAMs, to enter into any transaction with RBCTC Bahamas or engage RBCTC Bahamas to provide any service to such investment fund, for a direct or indirect fee borne by such investment fund, regardless of whether such transaction or service may otherwise be within the scope of relief provided by an administrative or statutory exemption.

29. The RBC QPAMs must comply with each condition of PTE 84–14, as amended, with the sole exceptions of the violation of section I(g) of PTE 84–14 that is attributable to the Conviction. Furthermore, this exemption will terminate immediately if an affiliate of the RBC QPAMs (as defined in section VI(d) of PTE 84–14) violates section I(g) of PTE 84–14 (other than with respect to the Conviction). The Department notes that PTE 84–14 was amended effective June 17, 2024 to, among other things, explicitly broaden the disqualifying circumstances under section I(g) to include (1) convictions in foreign courts for crimes that are substantially equivalent to the disqualifying convictions in U.S. federal or state courts (with the exception of certain foreign countries denominated as ''foreign adversaries'' by the U.S. Department of Commerce); (2) the execution of a non-prosecution agreement or deferred prosecution agreement with U.S. federal or state prosecutors or regulatory agencies; and (3) final judgments or court-approved settlements by a federal or state criminal or civil court in a proceeding brought by certain U.S. regulatory agencies, state regulators, or state attorneys general involving participation in certain categories of conduct.[36] The Applicant

[34] Section I(i)(7) of PTE 2016–10, under which RBC QPAMs are currently operating for the ability to rely on PTE 84–14, contains substantially similar language. In that regard, section I(i)(7) of PTE 2016–10 requires the RBC QPAMs to ''. . .indemnify and hold harmless the ERISA-covered plan or IRA for any damages resulting from a violation of applicable laws, a breach of contract, or any claim arising out of the failure of such RBC QPAM to qualify for the exemptive relief provided by PTE 84–14 as a result of a violation of section I(g) of PTE 84–14 other than the Conviction.''

[35] The Applicant represents that, while certain other entities in the RBC corporate family were generally aware of RBCTC Bahamas's responsibilities, including the administration of various trusts, no such entity was involved in the day-to-day operations of the trusts and the alleged misconduct did not relate to the asset management services provided by the RBC QPAMs.

[36] See 89 FR 23090, 23143 (April 3, 2024). The amendment also provides a one-year transition period to help Covered Plans avoid or minimize possible negative impacts of terminating or switching QPAMs or adjusting asset management arrangements when a QPAM becomes ineligible pursuant to section I(g) and allow QPAMs a reasonable period of time to seek an individual exemption, if appropriate. Id. at 23139–140.

represents that RBC currently does not have a reasonable basis to believe that there are any pending criminal investigations involving RBC or any of its affiliated companies that would cause a reasonable plan or IRA customer not to hire or retain the institution as a QPAM.

30. No relief will be provided by the exemption if any entities holding assets that constitute the assets of a Covered Plan were involved in the criminal misconduct that is the subject of the Conviction. Further, no relief will be provided to the extent RBCTC Bahamas provides any discretionary asset management services to Covered Plans or otherwise acts as a fiduciary with respect to Covered Plans.

31. The second set of conditions underscores the Department's intent to ensure that RBC QPAMs adhere to their ERISA-mandated fiduciary duties and the conditions of this proposed exemption. In this regard, the Department believes that robust policies and training are warranted where, as here, alleged criminal misconduct has occurred within a corporate organization that is affiliated with one or more QPAMs managing plan investments in reliance on PTE 84–14. Therefore, this proposed exemption requires each RBC QPAM to immediately develop, implement, maintain, and follow written policies (the Policies) requiring and reasonably designed to ensure that: (i) the asset management decisions of the RBC QPAM are conducted independently of the management and business activities of RBC, including RBCTC Bahamas; (ii) the RBC QPAM fully complies with ERISA's fiduciary duties and with ERISA and the Code's prohibited transaction provisions, and does not knowingly participate in any violations of these duties and provisions with respect to Covered Plans; (iii) the RBC QPAM does not knowingly participate in any other person's violation of ERISA or the Code with respect to Covered Plans; any filings or statements made by the RBC QPAM to regulators, including but not limited to, the Department of Labor, the Department of the Treasury, the Department of Justice, and the Pension Benefit Guaranty Corporation, on behalf of Covered Plans are materially accurate and complete, to the best of such QPAM's knowledge at that time; (iv) the RBC QPAMs do not make material misrepresentations or omit material information in its communications with such regulators with respect to Covered Plans, or make material misrepresentations or omit material information in its communications with Covered Plan clients; and (v) the RBC QPAMs comply with the terms of this exemption, if granted. Any violation of or failure to comply with these items must be corrected promptly upon discovery and if any such violation or compliance failure is not promptly corrected, then upon discovering the failure to promptly correct, the failure must be reported in writing to appropriate corporate officers, the head of compliance and the General Counsel (or their functional equivalent) of the relevant RBC QPAM, and an appropriate fiduciary of any affected Covered Plan that is independent of RBC.

32. The Department has also included a provision in the proposed exemption that would require each RBC QPAM to immediately develop and implement a training program (the Training) for its asset and portfolio management, trading, legal, compliance, and internal audit personnel. The Training must be set forth in the Policies and at a minimum, cover the Policies, ERISA and Code compliance (including applicable fiduciary duties and the prohibited transaction provisions), ethical conduct, the consequences for not complying with the conditions of this exemption, if granted (including any loss of exemptive relief provided herein), and prompt reporting of wrongdoing.

33. The proposed exemption requires the RBC QPAMs to submit to an audit conducted every two years by an independent auditor that has been prudently selected and who has appropriate technical training and proficiency with ERISA and the Code. Each biennial audit must cover a consecutive 12-month period starting with the 24-month period that begins on the Conviction Date.

34. The proposed exemption requires the RBC QPAMs to enter into certain contractual obligations in connection with the provision of services to their clients. For example, section III(j) of the proposed exemption requires any arrangement, agreement, or contract between a RBC QPAM and a Covered Plan for which a RBC QPAM provides asset management or other discretionary fiduciary services to provide that such RBC QPAM agrees to: (i) comply with ERISA and the Code, as applicable with respect to such Covered Plan and refrain from engaging in non-exempt prohibited transactions (and to promptly correct any inadvertent prohibited transactions); (ii) comply with the standards of prudence and loyalty set forth in ERISA section 404 with respect to each Covered Plan; (iii) indemnify and hold harmless the Covered Plan for any damages resulting from a violation of applicable laws, a breach of contract, or any claim arising out of the failure of such RBC QPAM to be eligible for the exemptive relief provided by PTE 84–14 as a result of a violation of section I(g) of PTE 84–14 other than the Conviction; (iv) not require (or otherwise cause) the Covered Plan to waive, limit, or qualify the liability of the RBC QPAM for violating ERISA or the Code or engaging in prohibited transactions; (v) not require the Covered Plan (or sponsor of such Covered Plan) to indemnify the RBC QPAM for violating ERISA or engaging in prohibited transactions, except for violations or prohibited transactions caused by an error, misrepresentation, or misconduct of a plan fiduciary or other party hired by the plan fiduciary who is independent of RBC; (vi) not restrict the ability of such Covered Plan to terminate or withdraw from its arrangement with the RBC QPAM (including any investment in a separately managed account or pooled fund subject to ERISA and managed by such QPAM), with the exception of reasonable restrictions, appropriately disclosed in advance, that are specifically designed to ensure equitable treatment of all investors in a pooled fund in the event such withdrawal or termination may have adverse consequences for all other investors as a result of an actual lack of liquidity of the underlying assets, provided that such restrictions are applied consistently and in like manner to all such investors; and (vii) not impose any fees, penalties, or charges for such termination or withdrawal with the exception of reasonable fees, appropriately disclosed in advance, that are specifically designed to prevent generally recognized abusive investment practices or specifically designed to ensure equitable treatment of all investors in a pooled fund in the event such withdrawal or termination may have adverse consequences for all other investors, provided that such fees are applied consistently and in like manner to all such investors. Furthermore, any contract, agreement or arrangement between an RBC QPAM and its Covered Plan client must not contain exculpatory provisions disclaiming or otherwise limiting liability of the RBC QPAM for a violation of such agreement's terms.

35. Within six (6) months after the publication of a notice of final exemption in the **Federal Register** each RBC QPAM must: (i) provide a notice of its obligations under section III(j) to each Covered Plan for which the RBC QPAM provides asset management or other discretionary fiduciary services;

and (ii) separately warrant in writing to each such Covered Plan its obligations under subparagraph (1) of section III(j).

36. The last set of conditions is intended to, among other things, ensure accountability on behalf of the RBC QPAMs for compliance with the conditions for relief and to provide Covered Plans, the Department, and other external stakeholders transparency regarding the RBC QPAMs compliance with the conditions for this exemption. Among other things, RBC must designate a senior compliance officer who is generally responsible for an annual review for each 12-month period of the effective period under the exemption, that determines the effectiveness of the Policies and the Training, reports on instances of noncompliance and their remediation, and makes recommendations to improve compliance activities. The RBC QPAMs must inform Covered Plan clients of their right to obtain a copy of the Policies or a summary thereof, and each RBC QPAM must maintain records necessary to demonstrate that the conditions of this exemption, if granted, have been met for six (6) years following the date of any transaction for which such RBC QPAM relies upon the relief in the exemption and must provide the Department with the records necessary to demonstrate that each condition of this exemption has been met within 30 days of a request.[37]

37. The Applicant must impose its internal procedures, controls, and systems to prevent a recurrence of the misconduct; comply with any remedial measures required by other regulators designed to address the misconduct underlying the Conviction; all the material facts and representations made by the Applicant in connection with the application, must be true and accurate.

Statutory Findings

38. Based on the conditions included in this proposed exemption, the Department has tentatively determined that the relief sought by the Applicant would satisfy the statutory requirements for an exemption under ERISA section 408(a) for the reasons set forth below.

39. *The Proposed Exemption is ''Administratively Feasible.''* The Department has tentatively determined that the proposed exemption is administratively feasible because, among other things, a qualified independent auditor will be required to perform in-depth audit(s) covering, each RBC QPAM's compliance with the exemption, and a corresponding written audit report will be provided to the Department and be available to the public. The Department notes that the independent audit will provide an incentive for, and a measure of, compliance with the exemption conditions, while reducing the immediate need for review and oversight by the Department.

40. *''The Proposed Exemption is ''In the Interest of the Covered Plans.''* The Department has tentatively determined that the proposed exemption is in the interests of the participants and beneficiaries of each affected Covered Plan because of the potential costs that Covered Plans would incur if the RBC QPAMs ability to rely on PTE 84–14 lapsed and the benefits plans would receive due to the RBC QPAMs' continued eligibility to rely on PTE 84–14 subject to the additional protective conditions set forth in this proposed exemption.[38]

41. *''The Proposed Exemption is ''Protective of the Plans.''* The Department has tentatively determined that the proposed exemption is protective of Covered Plans. The Department has imposed protective conditions that it has used in the most recent exemptions for relief from section I(g), and the Department has determined that those conditions would be protective of the rights of participants and beneficiaries of covered Plans. In addition, the relief provided under this proposed exemption is limited to five (5) years, so that the Department can reassess the RBC QPAMs' compliance with the exemption conditions and confirm that the exemption remains protective of the rights of participants and beneficiaries of Covered Plans. Finally, the Applicant's representation that it maintains a hotline for employees who wish to report any concerns about wrongdoing anonymously also will help ensure that this proposed exemption is protective of the rights of participants and beneficiaries of Covered Plans.

Summary

42. Considering the revised and new conditions described above, the Department has tentatively determined that the relief sought by the Applicants in this proposed exemption satisfies the statutory requirements for an exemption under section 408(a) of ERISA. The proposed exemption provides relief from certain of the restrictions set forth in section 406 and 407 of ERISA. The proposed exemption does not provide relief from any other violation of law, including any criminal conviction not expressly described herein. Any criminal conviction not expressly described herein, or other violation of section I(g) of PTE 84–14 that is attributable to the Applicant would result in the applicant's loss of this exemption.

Notice to Interested Persons

Notice of the proposed exemption will be provided to all interested persons within fifteen (15) days of the publication of the notice of proposed exemption in the **Federal Register**. The Applicant must provide notice of the proposed exemption as published in the **Federal Register**, along with a separate summary describing the facts that led to the Conviction (the Summary), which have been submitted to the Department, and a prominently displayed statement (the Statement) that the Conviction results in a failure to meet a condition in PTE 84–14, to each sponsor and beneficial owner of a Covered Plan, or the sponsor of an investment fund in any case where a RBC QPAM acts only as a sub-advisor to the investment fund in which such Covered Plan invests and a supplemental statement, as required pursuant to 29 CFR 2570.43(a)(2). The supplemental statement will inform interested persons of their right to comment on and request a hearing with respect to the proposed exemption. All written comments and/or requests for a hearing must be received by the Department within forty-five (45) days of the date of publication of this proposed exemption in the **Federal Register** and will be made available to the public.

Warning: If you submit a comment, please include your name and other contact information in the body of your comment but DO NOT submit information that you consider to be confidential or otherwise protected (such as a Social Security number or an unlisted phone number) or confidential business information that you do not want publicly disclosed. All comments may be posted on the internet and can

[37] The Department notes that section I(l) of PTE 2016–10 required RBC to: (i) disclose to the Department any Deferred Prosecution Agreement (DPA) or a Non-Prosecution Agreement (NPA) with the U.S. Department of Justice, entered into by RBC or any of its affiliates in connection with conduct described in section I(g) of PTE 84–14 and/or ERISA section 411; and (ii) provide the Department with any information it requests as permitted by law. The Department has determined not to include the same condition in this proposed exemption, because entering into DPAs and NPAs now is included in the list of disqualifying events under section I(g) of PTE 84–14, effective as of June 17, 2024.

[38] The Department notes that, as requested above, in order to make its findings under ERISA section 408(a), it has requested specific information from the Applicant regarding the size and scope of the costs that Covered Plans are likely to incur and that are not subject to the hold harmless provision in section III(j)(2) of the exemption.

be retrieved by most internet search engines.

General Information

The attention of interested persons is directed to the following:

(1) The fact that a transaction is the subject of an exemption under ERISA section 408(a) and/or Code section 4975(c)(2) does not relieve a fiduciary or other party in interest or disqualified person from certain other provisions of ERISA and/or the Code, including any prohibited transaction provisions to which the exemption does not apply and the general fiduciary responsibility provisions of ERISA section 404, which, among other things, require a fiduciary to discharge their duties respecting the plan solely in the interest of the participants and beneficiaries of the plan and in a prudent fashion in accordance with ERISA section 404(a)(1)(b); nor does it affect the requirement of Code section 401(a) that the plan must operate for the exclusive benefit of the employees of the employer maintaining the plan and their beneficiaries;

(2) Before an exemption may be granted under ERISA section 408(a) and/or Code section 4975(c)(2), the Department must find that the exemption is administratively feasible, in the interests of the plan and of its participants and beneficiaries, and protective of the rights of participants and beneficiaries of the plan;

(3) The proposed exemption would be supplemental to, and not in derogation of, any other provisions of ERISA and/or the Code, including statutory or administrative exemptions and transitional rules. Furthermore, the fact that a transaction is subject to an administrative or statutory exemption is not dispositive of whether the transaction is in fact a prohibited transaction; and

(4) The proposed exemption would be subject to the express condition that the material facts and representations contained in each application are true and complete at all times, and that each application accurately describes all material terms of the transaction which is the subject of the exemption.

Proposed Exemption

The Department is considering granting an exemption under the authority of ERISA section 408(a) and Code section 4975(c)(2) in accordance with the procedures set forth in 29 CFR part 2570, subpart B (76 FR 66637, 66644, October 27, 2011). Effective December 31, 1978, section 102 of Reorganization Plan No. 4 of 1978, 5 U.S.C. app. 1 (1996), transferred the authority of the Secretary of the Treasury to issue exemptions of the type requested by the Applicant to the Secretary of Labor. Therefore, this notice of proposed exemption is issued solely by the Department.

Section I: Definitions

(a) The term ''Conviction'' means the judgment of conviction against RBCTC Bahamas, an RBC ''affiliate'' (as defined in PTE 84–14, section VI(d)), entered on March 5, 2024, for aiding and abetting tax fraud in France in the Paris Court of Appeal, French Special Prosecutor No. 11203092066.

(b) The term ''RBC QPAM'' means a ''qualified professional asset manager'' (as defined in section VI(a) 5 of PTE 84–14) that relies on the relief provided by PTE 84–14 and with respect to which RBCTC Bahamas is a current or future ''affiliate'' (as defined in section VI(d) of PTE 84–14). The RBC QPAMs do not and must not include RBCTC Bahamas.

(c) The term ''RBC'' means Royal Bank of Canada, together with its current and future affiliates.

(d) The term ''RBCTC Bahamas'' means Royal Bank of Canada Trust Company (Bahamas) Limited, a Bahamian ''affiliate'' of RBC (as defined in section VI(c) of PTE 84–14).

(e) The term ''Covered Plan'' means a plan subject to ERISA title I, part 4 (an ERISA Plan) or a plan subject to Code section 4975 (an IRA), in each case, with respect to which a RBC QPAM relies on PTE 84–14, or with respect to which an RBC QPAM (or any RBC affiliate) has expressly represented that the manager qualifies as a QPAM or relies on PTE 84–14 (the QPAM Exemption). A ''Covered Plan'' does not include an ERISA Plan or IRA to the extent the RBC QPAM has expressly disclaimed reliance on QPAM status or PTE 84–14 in entering into its contract, arrangement, or agreement with the Covered Plan. Notwithstanding the above, an RBC QPAM may disclaim reliance on QPAM status or PTE 84–14 in a written modification of a contract, arrangement, or agreement with a Covered Plan where: the modification is made in a bilateral document signed by the client; the client's attention is specifically directed toward the disclaimer; and the client is advised in writing that, with respect to any transaction involving the client's assets, the RBC QPAM will not represent that it is a QPAM and will not rely on the relief described in PTE 84–14.

(f) The term ''Exemption Period'' means the period of time beginning on March 5, 2025, and ending on March 4, 2030.

(g) Wherever found, any reference in this exemption to ''the best knowledge'' of a party, ''best of [a party's] knowledge,'' and similar formulations of the ''best knowledge'' standard, will be deemed to mean the actual knowledge of the party and the knowledge which they would have had if they had conducted their reasonable due diligence required under the circumstances into the relevant subject matter. If a condition of the exemption requires an individual to provide certification pursuant to their ''best knowledge,'' then such individual, in order to make such certification, must perform their reasonable due diligence required under the circumstances to determine whether the information such individual is certifying is complete and accurate in all respects. Furthermore, with respect to an entity other than a natural person, the ''best knowledge'' of the entity includes matters that are known to the directors and officers of the entity or should be known to such individuals upon the exercise of such individuals' due diligence required under the circumstances.

(h) The terms ''participate,'' and ''participate in,'' when used to describe a person's role in the criminal conduct described in this exemption, refer not only to a person's active participation in the misconduct of RBCTC that is the subject of the Conviction, but also includes the knowing or tacit approval of the misconduct underlying the Conviction or knowledge of such conduct without taking active steps to prohibit it, including reporting the conduct to such individual's supervisors, and to RBC's board of directors.

Section II: Transactions

The RBC QPAMs will not be precluded from relying on the exemptive relief provided by Prohibited Transaction Exemption 84–14 (PTE 84–14) [39] notwithstanding the Conviction (as defined above) [40] during the Exemption Period, provided that the conditions in section III are satisfied.

[39] 49 FR 9494 (March 13, 1984), as corrected at 50 FR 41430, (October 10, 1985), as amended at 70 FR 49305 (August 23, 2005), as amended at 75 FR 38837 (July 6, 2010), and as amended at 89 FR 23090 (April 3, 2024).

[40] Section I(g) of PTE 84–14 generally provides that ''[n]either the QPAM nor any affiliate thereof . . . nor any owner . . . of a 5 percent or more interest in the QPAM is a person who within the 10 years immediately preceding the transaction has been either convicted or released from imprisonment, whichever is later, as a result of'' certain felonies including income tax evasion, and aiding and abetting tax evasion.''

Section III: Conditions

(a) The RBC QPAMs (including their officers, directors, agents other than RBCTC, and employees of such RBC QPAMs) did not know of, have reason to know of, and did not participate in the criminal misconduct of RBCTC Bahamas that is the subject of the Conviction. Further, any other party engaged on behalf of the RBC QPAMs who had responsibility for or exercised authority in connection with the management of plan assets did not know or have reason to know of and did not participate in the criminal misconduct that is the subject of the Conviction.

(b) The RBC QPAMs (including their officers, directors, agents other than RBCTC, and employees of such RBC QPAMs) did not receive any direct compensation or knowingly receive any indirect compensation in connection with the criminal misconduct that is the subject of the Conviction. Further, any other party engaged on behalf of the RBC QPAMs who had responsibility for or exercised authority in connection with the management of plan assets did not receive any direct compensation or knowingly receive any indirect compensation in connection with the criminal misconduct that is the subject of the Conviction;

(c) The RBC QPAMs will not employ or knowingly engage any of the individuals that participated in the criminal misconduct that is the subject of the Conviction;

(d) At all times during the Exemption Period, no RBC QPAM will use its authority or influence to direct an ''investment fund,'' (as defined in section VI(b) of PTE 84–14) that is subject to ERISA or the Code and managed by an RBC QPAM in reliance of PTE 84–14, or with respect to which an RBC QPAM has expressly represented to a Covered Plan that it qualifies as a QPAM or relies on PTE 84–14, to enter into any transaction with RBCTC Bahamas or engage RBCTC Bahamas to provide any service to such Covered Plan for a direct or indirect fee borne by such Covered Plan regardless of whether such transaction or service may otherwise be within the scope of relief provided by an administrative or statutory exemption;

(e) Any failure of the RBC QPAMs to satisfy PTE 84–14, section I(g) arose solely from the Conviction;

(f) A RBC QPAM did not exercise authority over the assets of any Covered Plan in a manner that it knew or should have known would: (i) further the criminal misconduct that is the subject of the Conviction; or (ii) cause the RBC QPAM or its affiliates to directly or indirectly profit from the criminal misconduct that is the subject of the Conviction;

(g) Other than with respect to employee benefit plans maintained or sponsored for its own employees or the employees of an affiliate, RBCTC Bahamas will not act as a fiduciary within the meaning of ERISA sections 3(21)(A)(i) or (iii) or Code sections 4975(e)(3)(A) and (C) with respect to Covered Plan assets; provided, however, that RBCTC Bahamas will not be treated as violating the conditions of this exemption solely because they acted as investment advice fiduciaries within the meaning of ERISA section 3(21)(A)(ii) or Code section 4975(e)(3)(B);

(h)(1) Each RBC QPAM must continue to maintain, adjust (to the extent necessary), implement, and follow written policies and procedures (the Policies). The Policies must require and be reasonably designed to ensure that:

(i) the asset management decisions of the RBC QPAM are conducted independently of the management and business activities of RBC, including RBCTC Bahamas;

(ii) the RBC QPAM fully complies with ERISA's fiduciary duties and with ERISA and the Code's prohibited transaction provisions as applicable with respect to each Covered Plan and does not knowingly participate in any violations of these duties and provisions with respect to Covered Plans;

(iii) the RBC QPAM does not knowingly participate in any other person's violation of ERISA or the Code with respect to Covered Plans;

(iv) any filings or statements made by the RBC QPAM to regulators, including but not limited to, the Department of Labor, the Department of the Treasury, the Department of Justice, and the Pension Benefit Guaranty Corporation, on behalf of or in relation to Covered Plans are materially accurate and complete to the best of such QPAM's knowledge at that time;

(v) to the best of the RBC QPAM's knowledge at the time, the RBC QPAM does not make material misrepresentations or omit material information in its communications with such regulators with respect to Covered Plans or make material misrepresentations or omit material information in its communications with Covered Plans;

(vi) the RBC QPAM complies with the terms of the exemption;

(vii) any violation of or failure to comply with a requirement set forth in subparagraphs (h)(1)(ii) through (h)(1)(vi), is corrected promptly upon discovery or as soon after the RBC QPAM reasonably should have known of the noncompliance (whichever is earlier) and any such violation or compliance failure not promptly corrected is reported, upon discovering the failure to promptly correct, in writing, to appropriate corporate officers, the head of compliance and the General Counsel (or their functional equivalent) of the relevant RBC QPAM that engaged in the violation or failure, and the independent auditor responsible for reviewing compliance with the Policies. An RBC QPAM will not be treated as having failed to develop, implement, maintain, or follow the Policies, provided that it corrects any instance of noncompliance promptly when discovered or when it reasonably should have known of the noncompliance (whichever is earlier), and provided that it adheres to the reporting requirements set forth in this subparagraph (vii);

(2) Each RBC QPAM must maintain, adjust (to the extent necessary) and implement a training program (the Training) that is conducted at least annually for all relevant RBC QPAM asset/portfolio management, trading, legal, compliance, and internal audit personnel. The Training must:

(i) At a minimum, cover the Policies, ERISA and Code compliance (including applicable fiduciary duties and the prohibited transaction provisions), ethical conduct, the consequences for not complying with the conditions of this exemption (including any loss of exemptive relief provided herein), and prompt reporting of wrongdoing;

(ii) Be conducted in-person, electronically or via a website by a professional who has been prudently selected and who has appropriate technical training and proficiency with ERISA and the Code to perform the tasks required by this exemption; and

(iii) Be verified, through in-training knowledge checks, ''graduation'' tests, and/or other technological tools designed to confirm that personnel fully and in good faith participate in the Training;

(i)(1) The RBC QPAMs must submit to a 12-month audit conducted every two years by an independent auditor who has been prudently selected and has appropriate technical training and proficiency with ERISA and the Code to evaluate the adequacy of each RBC QPAM's compliance with the Policies and Training conditions described herein. The audit requirement must be incorporated in the Policies, and the first audit must cover a consecutive 12-month period starting on March 5, 2025. The second audit must cover the consecutive 12-month period starting on

March 5, 2027, and the third audit must cover the consecutive 12-month period starting on March 5, 2029. Each audit must be completed no later than six (6) months after the corresponding audit's ending period;

(2) Within the scope of the audit and to the extent necessary for the auditor, in its sole opinion, to complete its audit and comply with the conditions described herein, and only to the extent such disclosure is not prevented by state or federal statute, or involves communications subject to attorney client privilege, the RBC QPAMs and, if applicable, RBC, will grant the auditor unconditional access to its business, including, but not limited to: its computer systems; business records; transactional data; workplace locations; training materials; and personnel. Such access is limited to information relevant to the auditor's objectives, as specified by the terms of this exemption;

(3) The auditor's engagement must specifically require the auditor to determine whether the RBC QPAMs have developed, implemented, maintained, and followed the Policies in accordance with the conditions of this exemption and have developed and implemented the Training, as required herein;

(4) The auditor's engagement must specifically require the auditor to test the RBC QPAMs operational compliance with the Policies and Training. In this regard, the auditor must test a sample of each QPAM's transactions involving Covered Plans that are sufficient in size and nature to afford the auditor a reasonable basis to determine such RBC QPAM's operational compliance with the Policies and Training;

(5) For each audit, the auditor must issue a written report (the Audit Report) to RBC and the RBC QPAM to which the audit applies that describes the procedures performed by the auditor in connection with its examination on or before the end of the relevant period described in section III(i)(1) for completing the audit. The auditor, at its discretion, may issue a single consolidated Audit Report that covers all of the RBC QPAMs. The Audit Report must include the auditor's specific determinations regarding:

(i) The adequacy of each RBC QPAM's Policies and Training; each RBC QPAM's compliance with the Policies and Training; the need, if any, to strengthen such Policies and Training; and any instance of the respective RBC QPAM's noncompliance with the written Policies and Training. The non-compliant RBC QPAM must promptly address any noncompliance and prepare a written plan of action to address any determination by the auditor regarding the adequacy of the Policies and Training and the auditor's recommendations (if any) with respect to strengthening the Policies and Training of the respective RBC QPAM. Any action taken or the plan of action to be taken by the respective RBC QPAM must be included in an addendum to the Audit Report (and such addendum must be completed before the certification described in section III(i)(7) below). In the event such a plan of action to address the auditor's recommendation regarding the adequacy of the Policies and Training is not completed by the time the Audit Report is submitted, the following period's Audit Report must state whether the plan was satisfactorily completed. Any determination by the auditor that the respective RBC QPAM has implemented, maintained, and followed sufficient Policies and Training must not be based solely or in substantial part on an absence of evidence indicating noncompliance. In this last regard, any finding that an RBC QPAM has complied with the requirements under this subparagraph must be based on evidence that the particular RBC QPAM has actually implemented, maintained, and followed the Policies and Training required by this exemption. Furthermore, the auditor must not rely solely on the Annual Report created by the compliance officer (the Compliance Officer) as described in section III(m) below, as the basis for the auditor's conclusions in lieu of independent determinations and testing performed by the auditor as required by section III(i)(3) and (4) above; and

(ii) The adequacy of the most recent Annual Review described in section III(m);

(6) The auditor must notify the respective RBC QPAM of any instance of noncompliance identified by the auditor within five (5) business days after such noncompliance is identified by the auditor, regardless of whether the audit has been completed as of that date;

(7) With respect to each Audit Report, the RBC QPAM's general counsel, or one of the three most senior executive officers of the line of business engaged in discretionary asset management services through the RBC QPAM with respect to which the Audit Report applies, must certify in writing, under penalty of perjury, that such signatory has reviewed the Audit Report and this exemption and that to the best of such signatory's knowledge at the time, such RBC QPAM has addressed, corrected, or remedied any noncompliance and inadequacy or has an appropriate written plan to address any inadequacy regarding the Policies and Training identified in the Audit Report. Such certification must also include the signatory's determination that, to the best of such signatory's knowledge at the time, the Policies and Training in effect at the time of signing are adequate to ensure compliance with the conditions of this proposed exemption, and with the applicable provisions of ERISA and the Code. Notwithstanding the above, no person who knew of, or should have known of, or participated in the criminal conduct that is the subject of the Conviction, by any party, may provide the certification required by this exemption, unless the person took active documented steps to stop the misconduct underlying the Conviction;

(8) The Audit Committee of RBC's Supervisory Board is provided a copy of each Audit Report, and a senior executive officer with a direct reporting line to the highest-ranking compliance officer of RBC must review the Audit Report for each RBC QPAM and certify in writing and under penalty of perjury that such officer has reviewed each Audit Report. RBC must provide notice to the Department if there is a switch in the committee to which the Audit Report will be provided. With respect to this subsection (8), such certifying executive officer must not have known of, had reason to know of, or participated in, the criminal conduct that is the subject of the Conviction, unless such person took active documented steps to stop the misconduct underlying the Conviction;

(9) Each RBC QPAM provides its certified Audit Report by electronic mail to: *e-oed@dol.gov.* This delivery must take place no later than forty-five (45) days following completion of the Audit Report. The Audit Report will be made part of the public record regarding this exemption. Furthermore, each RBC QPAM must make its Audit Report unconditionally available, electronically or otherwise, for examination upon request by any duly authorized employee or representative of the Department, other relevant regulators, and any fiduciary of a Covered Plan;

(10) Each RBC QPAM and the auditor must submit the following document(s) to OED via electronic mail to *e-oed@dol.gov:* Any engagement agreement(s) entered into pursuant to the engagement of the auditor under this exemption, no later than two (2) months after the execution of any such engagement agreement;

(11) The auditor must provide the Department, upon request, for

inspection and review, access to all the workpapers created and utilized in the course of the audit, provided such access and inspection is otherwise permitted by law; and

(12) RBC must notify the Department of a change in the independent auditor no later than two (2) months after the engagement of a substitute or subsequent auditor and must provide an explanation for the substitution or change including a description of any material disputes between the terminated auditor, and RBC or any of its affiliates;

(j) Throughout the Exemption Period, with respect to any arrangement, agreement, or contract between an RBC QPAM and a Covered Plan, the RBC QPAM agrees and warrants:

(1) To comply with ERISA and the Code, as applicable with respect to such Covered Plan; to refrain from engaging in prohibited transactions that are not otherwise exempt (and to promptly correct any prohibited transactions in accordance with applicable rules under ERISA and the Code); and to comply with the standards of prudence and loyalty set forth in ERISA section 404 with respect to each such Covered Plan to the extent that section is applicable;

(2) To indemnify and hold harmless the Covered Plan for any actual losses resulting directly from the RBC QPAM's violation of any conditions of this exemption, an RBC QPAM's violation of ERISA's fiduciary duties, as applicable, and of the prohibited transaction provisions of ERISA and the Code, as applicable; a breach of contract by the RBC QPAM; or any claim arising out of the failure of such RBC QPAM to qualify for the exemptive relief provided by PTE 84–14 as a result of a violation of section I(g) of PTE 84–14 other than the Conviction. Actual losses include, but are not limited to, losses and related costs arising from unwinding transactions with third parties and from transitioning Plan assets to an alternative asset manager as well as costs associated with any exposure to excise taxes under Code section 4975 as a result of a QPAM's inability to rely upon the relief in the QPAM Exemption.

(3) Not to require or otherwise cause the Covered Plan to waive, limit, or qualify the liability of the RBC QPAM for violating ERISA or the Code or engaging in prohibited transactions;

(4) Not to restrict the ability of such Covered Plan to terminate or withdraw from its arrangement with the RBC QPAM with respect to any investment in a separately managed account or pooled fund subject to ERISA and managed by such QPAM, with the exception of reasonable restrictions, appropriately disclosed in advance, that are specifically designed to ensure equitable treatment of all investors in a pooled fund in the event such withdrawal or termination may have adverse consequences for all other investors. In connection with any of these arrangements involving investments in pooled funds subject to ERISA entered into after the effective date of this exemption, the adverse consequences must relate to a lack of liquidity of the underlying assets, valuation issues, or regulatory reasons that prevent the fund from promptly redeeming a Covered Plan's investment, and such restrictions must be applicable to all investors in the pooled fund on equal terms and effective no longer than reasonably necessary to avoid the adverse consequences;

(5) Not to impose any fees, penalties, or charges for such termination or withdrawal with the exception of reasonable fees, appropriately disclosed in advance, that are specifically designed to prevent generally recognized abusive investment practices or specifically designed to ensure equitable treatment of all investors in a pooled fund in the event such withdrawal or termination may have adverse consequences for all other investors, provided that such fees are applied consistently and in like manner to all such investors;

(6) Not to include exculpatory provisions disclaiming or otherwise limiting liability of the RBC QPAM for a violation of such agreement's terms. To the extent consistent with ERISA section 410, however, this provision does not prohibit disclaimers for liability caused by an error, misrepresentation, or misconduct of a plan fiduciary or other party hired by the plan fiduciary who is independent of RBC and its affiliates, or damages arising from acts outside the control of the RBC QPAM; and

(7) Within 60 calendar days after this exemption's effective date, each RBC QPAM must provide a notice of its obligations under this section III(j) to each Covered Plan. For Covered Plans that enter into a written asset or investment management agreement with an RBC QPAM on or after 60 calendar days from this exemption's effective date, the RBC QPAM must agree to its obligations under this section III(j) in an updated investment management agreement between the RBC QPAM and such clients or other written contractual agreement. This condition will be deemed met for each Covered Plan that received a notice pursuant to PTE 2016–10 that meets the terms of this condition. This condition will also be met where the RBC QPAM has already agreed to the same obligations required by this section III(j) in an updated investment management agreement between the RBC QPAM and a Covered Plan. Notwithstanding the above, an RBC QPAM will not violate the condition solely because a Covered Plan client refuses to sign an updated investment management agreement;

(k) Within 60 days after the effective date of this exemption, each RBC QPAM provides notice of the exemption as published in the **Federal Register**, along with a separate summary describing the facts that led to the Conviction (the Summary), which have been submitted to the Department, and a prominently displayed statement (the Statement) that the Conviction results in a failure to meet a condition in PTE 84–14, to each sponsor and beneficial owner of a Covered Plan, or the sponsor of an investment fund in any case where an RBC QPAM acts only as a sub-advisor to the investment fund in which such Covered Plan invests. All prospective Covered Plan clients that enter into a written asset or investment management agreement with an RBC QPAM (including a participation or subscription agreement in a pooled fund managed by an RBC QPAM) after the date that is sixty days after the effective date of this exemption must receive the proposed and final exemptions with the Summary and the Statement prior to, or contemporaneously with, the client's receipt of a written asset management agreement from the RBC QPAM (for avoidance of doubt, all Covered Plan clients of an RBC QPAM during the Exemption Period must receive the disclosures described in this section by the later of (i) 60 days after the effective date of the exemption or (ii) the date that a Covered Plan client enters into a written asset or investment management agreement with an RBC QPAM). Disclosures required under this paragraph (k) may be delivered electronically (including by an email that has a link to this exemption). Notwithstanding the above paragraph, an RBC QPAM will not violate the condition solely because a Covered Plan client refuses to sign an updated investment management agreement;

(l) The RBC QPAMs must comply with each condition of PTE 84–14, as amended, with the sole exception of the violation of PTE 84–14 section I(g) that is attributable to the Conviction. If, during the Exemption Period, an affiliate of an RBC QPAM (as defined in section VI(d) of PTE 84–14) violates section I(g) of PTE 84–14 (other than with respect to the Conviction), relief

provided in this exemption would terminate immediately;

(m)(1) Within 60 days after the date of publication of the exemption, each RBC QPAM designates a senior compliance officer (the Compliance Officer) who will be responsible for compliance with the Policies and Training requirements described herein. No person who participated in the criminal conduct that is the subject of the Conviction may be involved with the designation or responsibilities required by this condition, unless the person took active documented steps to stop the criminal conduct that is subject of the Conviction. The Compliance Officer must conduct a review of each twelve-month period comprising the Exemption Period (each, an Exemption Review) to determine the adequacy and effectiveness of the implementation of the Policies and Training. With respect to the Compliance Officer, the following conditions must be met:

(i) The Compliance Officer must be a professional who has extensive experience with, and knowledge of, the regulation of financial services and products, including under ERISA and the Code; and

(ii) The Compliance Officer must have a direct reporting line to the highest-ranking corporate officer in charge of compliance for asset management;

(2) With respect to each Exemption Review, the following conditions must be met:

(i) The Exemption Review includes a review of the RBC QPAM's compliance with and effectiveness of the Policies and Training and of the following: any compliance matter related to the Policies or Training that was identified by, or reported to, the Compliance Officer or others within the compliance and risk control function (or its equivalent) the twelve-month period under review; the most recent Audit Report issued pursuant to this exemption; the most recent Audit Report issued in connection with this exemption; (B) any material change in the relevant business activities of the RBC QPAMs; and (C) any change to ERISA, the Code, or regulations related to fiduciary duties and the prohibited transaction provisions that may be applicable to the activities of the RBC QPAMs;

(ii) The Compliance Officer prepares a written report for each Exemption Review (each, an Exemption Report) that: (A) summarizes their material activities during the twelve-month period under review; (B) sets forth any instance of noncompliance discovered during the twelve-month period under review, and any related corrective action; (C) details any change to the Policies or Training to guard against any similar instance of noncompliance occurring again; and (D) makes recommendations, as necessary, for additional training, procedures, monitoring, or additional and/or changed processes or systems, and management's actions on such recommendations;

(iii) In each Exemption Report, the Compliance Officer must certify in writing that to the best of their knowledge at the time: (A) the report is accurate; (B) the Policies and Training are working in a manner which is reasonably designed to ensure that the Policies and Training requirements described herein are met; (C) any known instance of noncompliance during the twelve-month period under review and any prior period and any related correction taken to date have been identified in the Exemption Report; and (D) the RBC QPAMs have complied with the Policies and Training and/or corrected (or is correcting) any known instances of noncompliance in accordance with section III(h) above;

(iv) Each Exemption Report must be provided to: (A) the appropriate corporate officers of RBC and each RBC QPAM to which such report relates, and (B) the head of compliance and the RBC QPAM's general counsel (or their functional equivalent) of the relevant RBC QPAM; and must be made unconditionally available to the independent auditor described in section III(i) above;

(v) Each Exemption Review, including the Compliance Officer's written Exemption Report, must be completed within three (3) months following the end of the period to which it relates;

(n) Each RBC QPAM will maintain records necessary to demonstrate that the conditions of this exemption have been met for six (6) years following the date of any transaction for which the RBC QPAM relies upon the relief in the exemption;

(o) Within 60 days after the effective date of this exemption, each RBC QPAM, in its agreements with, or in other written disclosures provided to Covered Plans, clearly and prominently informs Covered Plan clients of the Covered Plan's right to obtain a copy of the Policies or a description (Summary Policies), which accurately summarizes key components of the QPAM's written Policies developed in connection with this exemption. If the Policies are thereafter changed, each Covered Plan client must receive a new disclosure within six (6) months following the end of the calendar year during which the Policies were changed. If the Applicant meets this disclosure requirement through Summary Policies, changes to the Policies shall not result in the requirement for a new disclosure unless, as a result of changes to the Policies, the Summary Policies are no longer accurate. With respect to this requirement, the description may be continuously maintained on a website, provided that such website link to the Policies or the Summary Policies is clearly and prominently disclosed to each Covered Plan;

(p) An RBC QPAM will not fail to meet the terms of this exemption, solely because a different RBC QPAM fails to satisfy a condition for relief described in sections III(c), (d), (h), (i), (j), (k), (l), (m), (n),(o), and (u) or if the independent auditor described in section III(i) fails to comply with a provision of the exemption, other than the requirement described in section III(i)(11), provided that such failure did not result from any actions or inactions of RBC or its affiliates;

(q) RBC imposes its internal procedures, controls, and protocols to reduce the likelihood of any recurrence of conduct that is the subject of the Conviction;

(r) All the material facts and representations set forth in the Summary of Facts and Representations are true and accurate;

(s) With respect to an asset manager that becomes an RBC QPAM after the effective date of the exemption by virtue of being acquired (in whole or in part) by RBC or a subsidiary or affiliate of RBC (a ''newly-acquired RBC QPAM''), the newly-acquired RBC QPAM would not be precluded from relying on the exemptive relief provided by PTE 84–14 notwithstanding the Conviction as of the closing date for the acquisition; however, the operative terms of the exemption shall not apply to the newly-acquired RBC QPAM until a date that is six (6) months after the closing date for the acquisition. To that end, the newly acquired RBC QPAM will initially submit to an audit pursuant to section III(i) of this exemption as of the first audit period that begins following the closing date for the acquisition. The period covered by the audit must begin on the acquisition date of the newly-acquired RBC QPAM;

(t) Relief in this exemption will terminate on the date that is 12 months after the date a U.S. regulatory authority makes a final decision that RBC or an affiliate failed to comply in all material respects with any requirement imposed by such regulatory authority in connection with the Conviction; and

(u) The RBC QPAM(s) must provide the Department with the records

necessary to demonstrate that each condition of this exemption has been met within 30 days after a request for the records by the Department.

Exemption Date: This exemption will be in effect beginning on March 5, 2025, and ending on March 4, 2030.

Signed at Washington, DC.

George Christopher Cosby,

Director, Office of Exemption Determinations, Employee Benefits Security Administration, U.S. Department of Labor

[FR Doc. 2025–01067 Filed 1–16–25; 8:45 am]

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DEPARTMENT OF LABOR

Employee Benefits Security Administration

[Prohibited Transaction Exemption 2025–07; Application No. D–12102]

Exemption for the Royal Bank of Canada and Its Current and Future Affiliates (Collectively, RBC or the Applicant) Located in Toronto, Ontario, Canada

AGENCY: Employee Benefits Security Administration, Labor.

ACTION: Notice of exemption.

SUMMARY: This document provides notice of an individual exemption from certain prohibited transaction restrictions of the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code of 1986 (the Code). This exemption permits certain qualified professional asset managers with specified relationships to Royal Bank of Canada Trust Company (Bahamas) Limited, and certain current and future affiliates of the Royal Bank of Canada (collectively, the RBC QPAMs), to continue to rely on the class exemptive relief granted in Prohibited Transaction Exemption (PTE) 84–14 (PTE 84–14 or the QPAM Exemption), notwithstanding the March 5, 2024 judgment of conviction against Royal Bank of Canada Trust Company (Bahamas) Limited (RBCTC Bahamas) for aiding and abetting tax fraud, entered in France in the Paris Court of Appeal.

DATES: This final exemption will be in effect for the period beginning on the earlier of September 5, 2025, or date of publication in the **Federal Register**; and end on March 4, 2030 (the Exemption Period).

FOR FURTHER INFORMATION CONTACT: Ms. Blessed Chuksorji-Keefe, Office of Exemption Determinations, Employee Benefits Security Administration, U.S. Department of Labor, (202) 693–8567 (this is not a toll-free number).

SUPPLEMENTARY INFORMATION: The Applicant requested an individual exemption pursuant to ERISA section 408(a) and Code section 4975(c)(2) in accordance with the Department's exemption procedures.[1] On January 17, 2025, the Department published a notice of proposed exemption (the Proposed Exemption) in the **Federal Register** [2] that would permit the RBC QPAMs to rely on the QPAM Exemption [3] for five years, notwithstanding the March 5, 2024 judgment of conviction against RBCTC Bahamas for aiding and abetting tax fraud.

After considering the public comment that the Department received in response to the Proposed Exemption, the Department is granting this exemption to protect the interests of participants and beneficiaries of plans that are subject to Part 4, Title I of ERISA (ERISA-covered plans) and Individual Retirement Accounts subject to Code Section 4975 (IRAs) (together, Covered Plans).[4] This exemption provides only the relief specified in the text of the exemption and does not provide relief from violations of any law other than the prohibited transaction provisions of Title I of ERISA and the Code expressly stated herein.

Based on the Applicant's adherence to all the conditions of PTE 2016–10 [5] and this exemption, the Department makes the requisite findings under ERISA section 408(a) and Code section 4975(c)(2) that the exemption is: (1) administratively feasible for the Department; (2) in the interest of Covered Plans and their participants and beneficiaries; and (3) protective of the rights of the participants and beneficiaries of Covered Plans. Accordingly, affected parties should be aware that the conditions incorporated in this exemption are necessary, individually and taken as a whole, for the Department to grant the relief requested by the Applicant. Absent these conditions, the Department would not have granted this exemption.

Benefits of the Exemption: The Department's objective in granting this exemption is to protect Covered Plans from the harms and costs that RBC represents would be imposed on them if the RBC QPAMs could no longer rely on the relief provided in the QPAM Exemption. Among other important conditions, this exemption ensures that a Covered Plan can terminate its relationship with an RBC QPAM in an orderly and cost-effective fashion when the fiduciary of a Covered Plan determines that it is prudent to do so, subject to certain reasonable restrictions described herein. This exemption promotes the RBC QPAMs' adherence to basic fiduciary standards and responsibilities required by Title I of ERISA and the Code and reinforces their obligation to act with a high degree of integrity on behalf of their Covered Plan clients as required by the QPAM Exemption.

Background

The Royal Bank of Canada

1. RBC is a Canadian corporation headquartered in Toronto, Ontario, Canada. RBC provides personal and commercial banking, wealth management services, insurance, investor services, and capital markets products and services on a global basis.

The RBC QPAMs

2. The primary U.S. bank and U.S. registered investment adviser affiliates in which RBC owns a significant interest, directly or indirectly, and that currently rely on the QPAM Exemption include the following:

- *RBC Global Asset Management (U.S.) Inc.* In its most recent (at the time of the April 3, 2024 exemption application) Form ADV Part I(A) reported assets of almost $80 billion managed on a discretionary basis, including ERISA assets.
- *RBC Global Asset Management (UK) Limited.* As of April 2, 2024, managed assets of nearly $122 billion on a discretionary basis, including ERISA assets and approximately $993 million in public pension assets for state and local plans, which may by law or contract require it to comply with the prohibited transaction rules under ERISA.
- *RBC Capital Markets, LLC.* As of April 2, 2024, this entity managed assets of approximately $149 billion on a discretionary basis, including ERISA and IRA assets.
- *City National Bank.* As of April 2, 2024, this entity managed assets of approximately $24.2 billion on a discretionary basis, including ERISA and IRA assets.

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[1] 29 CFR part 2570, subpart B (75 FR 66637, 66644, October 27, 2011).

[2] 90 FR 6013 (January 17, 2025).

[3] 49 FR 9494 (March 13, 1984), as corrected at 50 FR 41430 (October 10, 1985), as amended at 70 FR 49305 (August 23, 2005), as amended at 75 FR 38837 (July 6, 2010), and as amended at 89 FR 23090 (April 3, 2024).

[4] The term ''Covered Plan'' means an ERISA-covered Plan or an IRA, in each case, with respect to which an RBC QPAM relies on PTE 84–14, or with respect to which an RBC QPAM (or any RBC affiliate) has expressly represented that the manager qualifies as a QPAM or relies on the QPAM Exemption. A ''Covered Plan'' does not include an ERISA-covered Plan or IRA to the extent the RBC QPAM has expressly disclaimed reliance on QPAM status or PTE 84–14 in entering into its contract, arrangement, or agreement with the Covered Plan.

[5] 81 FR 75147 (October 28, 2016).

• *City National Securities, Inc.* As of April 2, 2024, this entity managed assets of nearly $1.5 billion on a discretionary basis, including ERISA and IRA assets.

• *City National Rochdale, LLC.* As of April 2, 2024, this entity managed assets of over $60 billion on a discretionary basis, including ERISA and IRA assets, and including $29 million in public pension assets for state and local plans, which may by law or contract require it to comply with the prohibited transaction rules under ERISA.

3. RBC states that, in managing these assets, the RBC QPAMs regularly rely on the QPAM Exemption for, among other things, global fixed income and equities, futures, options, swaps and other derivatives, alternative funds, including hedge funds, and similar instruments and strategies. The issuing documents for many instruments state that the investment manager is deemed to represent that it is relying, at least partially, on the QPAM Exemption.

The Convicted Entity: RBCTC Bahamas

4. RBCTC Bahamas is a wholly owned subsidiary of RBC located in the Bahamas and regulated by the Central Bank of the Bahamas. RBCTC Bahamas previously provided trust and company management services in all major currencies to international clients. RBCTC Bahamas is not engaged in asset management activities and does not act as a fiduciary of any plans subject to Part 4 of Title I of ERISA or Code section 4975.

5. Over the last several years, RBCTC Bahamas's operations have been reduced. Among other things, on November 18, 2016, RBC sold some of RBCTC Bahamas' assets to another financial institution, but did not sell the assets relating to the servicing of the Bahamian trust that is connected to the allegations at issue in the criminal case and for which RBCTC Bahamas has served as successor trustee since 2004 (the Delta Trust).

ERISA and Code Prohibited Transactions and PTE 84–14

6. The rules set forth in ERISA Section 406 and Code Section 4975(c) proscribe certain ''prohibited transactions'' between plans and parties in interest with respect to those plans. ERISA Section 3(14) defines parties in interest with respect to a plan to include, among others, the plan fiduciary, a sponsoring employer of the plan, a union whose members are covered by the plan, service providers with respect to the plan, and certain of their affiliates.[6] The transactions prohibited by ERISA Section 406(a) that are relevant to this exemption are: (1) sales, leases, loans, or the provision of services between a party in interest and a plan (or an entity whose assets are deemed to constitute the assets of a plan); (2) the use of plan assets by or for the benefit of a party in interest; or (3) a transfer of plan assets to a party in interest.[7]

7. The QPAM Exemption exempts certain prohibited transactions between a party in interest and an ''investment fund'' (as defined in Section VI(b) of the QPAM Exemption) in which a plan has an interest if the investment manager satisfies the definition of ''qualified professional asset manager'' (QPAM) and satisfies the conditions of the exemption.[8] The QPAM Exemption was developed and granted based on the essential premise that broad relief could be afforded from the prohibition of ERISA section 406(a) for all types of transactions in which a plan engages only if the commitments and the investments of plan assets and the negotiations leading thereto are the sole responsibility of an independent discretionary manager.[9]

8. Section I(g) of the QPAM Exemption prevents an entity that may otherwise meet the definition of QPAM from utilizing the exemptive relief provided by the QPAM Exemption for itself and its client plans if that entity, an ''affiliate'' thereof,[10] or any direct or indirect five percent or more owner of the QPAM has been either convicted or released from imprisonment, whichever is later, because of criminal activity described in Section I(g), or otherwise violates Section I(g), within the 10 years immediately preceding a transaction. Section I(g) was included in the QPAM Exemption, in part, based on the Department's expectation that QPAMs, and those who may be in a position to influence the QPAM's policies, must maintain a high standard of integrity.[11]

Investigation for Tax Fraud

9. In January 2012, RBCTC Bahamas was summoned to appear before a French Judge of Instruction (the Investigative Judge) concerning an investigation into nonpayment of French inheritance taxes by Guy Wildenstein and Alec Daniel Armand Wildenstein (the Wildensteins) following the death in 2001 of family patriarch Daniel Wildenstein.[12]

10. In anticipation of a conviction of RBCTC Bahamas, the Applicant applied for an exemption to continue to rely upon the relief in the QPAM exemption. On October 28, 2016, the Department granted PTE 2016–10,[13] to protect Covered Plans from the costs and/or investment losses RBC asserted could arise if RBC QPAMs became ineligible to rely on PTE 84–14 due to a conviction of RBCTC Bahamas.[14] The effective period of PTE 2016–10 was limited to one year from the date of the anticipated conviction to provide the Department ''more time to consider whether longer-term relief is warranted.'' [15]

11. RBCTC Bahamas contested the charges in the French court and was acquitted, although further litigation ensued. RBC requested that the Department confirm that PTE 2016–10 would still apply if RBCTC Bahamas was ultimately convicted of the same

[6] Under the Code, such parties, or similar parties, are referred to as ''disqualified persons.''

[7] The prohibited transaction provisions also include certain fiduciary prohibited transactions under ERISA Section 406(b). These include transactions involving fiduciary self-dealing, fiduciary conflicts of interest, and kickbacks to fiduciaries. The QPAM Exemption provides only very narrow relief from ERISA Section 406(b).

[8] The QPAM Exemption was recently amended, effective June 17, 2024 to, among other things, (1) require a QPAM to provide a one-time notice to the Department that the QPAM is relying upon the exemption; (2) update the list of crimes enumerated under Section I(g) to explicitly include foreign crimes that are substantially equivalent to the listed crimes; (3) expand the circumstances that may lead to ineligibility; and (4) provide a one-year transition period to help Covered Plans avoid or minimize possible negative impacts of terminating or switching QPAMs or adjusting asset management arrangements when a QPAM becomes ineligible pursuant to Section I(g) and allow QPAMs a reasonable period of time to seek an individual exemption, if appropriate. See 89 FR 23090 (April 3, 2024).

[9] See 49 FR 9494, 9497 (March 13, 1984).

[10] Section VI(d) of PTE 84–14 defines the term ''affiliate'' for purposes of Section I(g) as ''(1) Any person directly or indirectly through one or more intermediaries, controlling, controlled by, or under common control with the person, (2) Any director of, relative of, or partner in, any such person, (3) Any corporation, partnership, trust or unincorporated enterprise of which such person is an officer, director, or a 5 percent or more partner or owner, and (4) Any employee or officer of the person who—(A) Is a highly compensated employee (as defined in Section 4975(e)(2)(H) of the Code) or officer (earning 10 percent or more of the yearly wages of such person), or (B) Has direct or indirect authority, responsibility or control regarding the custody, management or disposition of plan assets.''

[11] See 47 FR 56947 (December 21, 1982).

[12] A judicial investigation in France is a proceeding run by an investigative judge that is required by French law to take place prior to a decision is made by a prosecutor to charge a defendant. At the end of the investigation, the Prosecutor decides whether there is enough evidence against the identified suspect(s) and, in case there is, whether the suspect(s) should be judged by a criminal court. Babonneau et Associes: *https://www.sba-avocats.com/Criminal-defense-attorney-paris-criminal-investigation-in-france.html.*

[13] 81 FR 75147 (October 28, 2016).

[14] Id. at 75149.

[15] Id.

crime based on the same underlying facts, but in a different court than the one identified in PTE 2016–10. In response, on December 11, 2023 the Department issued a ''Technical Correction'' to PTE 2016–10 that revised the definition of ''Conviction'' in PTE 2016–10 to refer to ''the potential judgment of conviction against RBCTC Bahamas for aiding and abetting tax fraud to be entered in France in the Court of Appeal, French Special Prosecutor No. 1120392066, French Investigative Judge No. JIRSIF/11/12 or another court of competent jurisdiction.'' [16]

12. On March 5, 2024, the French Court of Appeal rendered a judgment of conviction against RBCTC Bahamas and the other defendants. Pursuant to the Technical Correction, the relief in PTE 2016–10 became effective on March 5, 2024, and was scheduled to expire on March 4, 2025.

13. RBC applied to the Department for an exemption that would extend the relief in PTE 2016–10, beyond March 4, 2025. In response, on January 17, 2025, the Department published a proposed exemption that would extend the relief in PTE 2016–10 for five years (the RBC Five-Year Proposed QPAM Exemption), from March 5, 2025, to March 4, 2030.

14. Following publication of the RBC Five-Year Proposed QPAM Exemption in the **Federal Register**, RBC's counsel expressed concern to the Department that the proposed exemption would not be granted before the existing relief in PTE 2016–10 expired. RBC's counsel stated that even if the RBC QPAMs eventually received relief retroactive to March 5, 2025, the resulting ''gap period,'' during which the RBC QPAMs would not qualify for the QPAM Exemption (from March 5, 2025, until the date the Department published the final exemption) would be harmful to Covered Plans and their participants and beneficiaries. For example, RBC represents that many investments needing continuing relief, such as derivatives, loans, leases, and other extensions of credit, contain deemed or explicit representations that the QPAM Exemption is applicable, with a corresponding contractual obligation to notify the lender, lessor or counterparty if the representation becomes untrue. Under master agreements, those representations are deemed to be made each time a transaction is entered, meaning RBC QPAMs could be prohibited from entering transactions on behalf of underlying plans for as long as the representation remains untrue (for example, for the period during which exemptive relief is not provided). A breach of a representation or warranty can also trigger an event of default for those trading agreements, which could leave the ERISA plan responsible for liquidation and other transition costs. Upon the expiration of PTE 2016–10, that obligation is triggered unless further relief is in place. As a prudent fiduciary, the investment manager would be obligated to identify every instrument and communicate with every counterparty. While some counterparties might negotiate additional, potentially onerous terms to avoid termination, others would invoke their rights on default.

15. In response to RBC's concerns, on March 5, 2025, the Department published a notice of amendment to PTE 2016–10 (the Amendment) in the **Federal Register** to extend the exemption's effective period until the earlier of September 4, 2025 or the date the Department issues its final agency action in connection with the RBC Five-Year Proposed QPAM Exemption.[17] This exemption grants the relief described in the RBC Five-Year Proposed QPAM Exemption, subject to the changes described below.

16. The Applicant represents that the conduct that is the subject of the Conviction did not involve any RBC QPAM acting in its role as an investment manager of any Covered Plan or otherwise relate to the asset management services provided by the RBC QPAMs. Further, the asset management businesses of the RBC QPAMs did not know or have reason to know of the conduct underlying the charges and did not participate in or receive compensation in connection with the conduct underlying the charges. The convicted entity, RBCTC Bahamas, did not provide any fiduciary services to, or act as a QPAM for, ERISA plans or IRAs, and RBCTC Bahamas does not provide investment management services to ERISA plans or IRAs or otherwise exercise discretionary control over ERISA plan or IRA assets.

Hardship and Costs to Covered Plans

17. Paragraphs 21 through 26 of the Proposed Exemption describe and quantify the hardship and costs that RBC represents Covered Plans would incur if RBC QPAMs could no longer rely on the QPAM Exemption. In general terms, according to the Applicant, RBC QPAMs rely on the QPAM Exemption when investing in various securities and financial instruments on behalf of Covered Plans. Many counterparties to Covered Plans' purchases and sales of fixed income products (including corporate bonds, U.S. Treasury and agency-backed securities, asset-backed securities, emerging market sovereign and corporate debt, convertible bonds, term loans, repurchase agreements, swaps, futures, options and foreign exchange transactions) specifically require a representation that the QPAM Exemption applies, and those contracts could be in default if the requested exemption was not granted.[18] Further, pension plans (including Covered Plans and non-ERISA plans) treat an entity's eligibility to rely on the QPAM Exemption as a prerequisite for entrusting an investment manager to manage plan assets. If the RBC QPAMs lost the ability to rely on the QPAM Exemption, these plans would likely terminate their contracts with RBC QPAMs, and plan consultants likely would move their clients' assets away from RBC. The Applicant represents that Covered Plan clients could suffer additional transaction costs associated with liquidating fixed income securities, depending on the strategy.[19]

Department's Request for Comment Regarding Harms to Plans

18. In the Proposed Exemption, the Department requested the Applicant to provide: (1) a description, in itemized form, of how the basis point range described above was derived by the Applicant, including the assumptions or methodologies relied upon; (2) an explanation of the Applicant's assumptions or methodologies in connection with the amount of Covered Plan assets that are likely to be subject to the costs described above; (3) an explanation of the likelihood of the costs occurring, for each of the transition costs described above; (4) an explanation of the circumstances under which the transition costs described above are being incurred; (5) a description of the extent to which any of the asserted costs reflect the QPAMs' imposition of additional charges or fees on Covered Plans resulting from the loss of QPAM status, and the cause of such additional charges or fees; and (6) an explanation of the applicability of the QPAMs' indemnification obligations under section III(j)(2).[20] Additionally,

[16] See 88 FR 85931 (December 11, 2023).

[17] See 90 FR 11330 (March 5, 2025).

[18] Accounts managed by the RBC QPAMs invest in fixed income products, with a total portfolio of ERISA and public plan assets valued at over $18.5 billion.

[19] See the Proposed Exemption for Royal Bank of Canada and Its Current and Future Affiliates at 90 FR 6018 through 6019 for a more complete description of the investment strategies in the summary table.

[20] See the Proposed Exemption, at 90 FR 6019, 6020.

the Department requested information substantiating harms to pooled funds, including estimates of the costs and any assumptions relied upon in making the estimate.[21] Responses to the information requested are described below.

Department's Note Regarding Harms to Plans for Purposes of Section III(j)(2)

19. In the preamble to the Proposed Exemption, the Department noted that Section III(j)(2) of the Proposed Exemption requires RBC QPAMs to ''indemnify and hold harmless'' Covered Plans for ''actual losses resulting directly from the RBC QPAM's violation of any conditions of this exemption, an RBC QPAM's violation of ERISA's fiduciary duties, as applicable, and of the prohibited transaction provisions of ERISA and the Code, as applicable; a breach of contract by the RBC QPAM; or any claim arising out of the failure of such RBC QPAM to qualify for the exemptive relief provided by the QPAM Exemption as a result of a violation of Section I(g), other than the Conviction.'' [22] Furthermore, the Department noted that, to the extent Covered Plans transition to new asset managers because the RBC QPAMs can no longer rely on the QPAM Exemption, the liquidation and additional costs arising from the transition constitute actual losses resulting directly from the failure of such QPAM to qualify for the exemptive relief provided by the QPAM Exemption as a result of violation of Section I(g). The Department also noted that if a plan's fiduciary is compelled to replace an RBC asset manager as a result of a violation of Section I(g) and the asset manager's loss of QPAM status, the affected plan is entitled to indemnification of its associated losses, including the transitional expenses necessary to effectuate the switch to a qualified QPAM.

Written Comments Received

20. In the Proposed Exemption, the Department invited all interested persons to submit written comments and/or requests for a public hearing, which were due to the Department by March 3, 2025. The Department received one written comment letter from the Applicant dated February 28, 2025, and no requests for a public hearing.[23] The comment letter is organized into three primary sections: (1) requested clarifications and/or modifications of the operative language, (2) responses to the Department's requests for information regarding costs and harm to Covered Plan clients and pooled funds from a denial of the exemption, and (3) a description of how the exemption would be in the interest of Covered Plans and their participants and beneficiaries. The sections of the comment letter are addressed in order below.

Part I. Requested Clarifications and/or Modifications of the Operative Language

Comment 1—Modification of the Audit Period

21. Section III(i) of the Proposed Exemption states, in pertinent part, that ''the RBC QPAMs must submit to a 12-month audit conducted every two years . . . and the first audit must cover a consecutive 12-month period starting on March 5, 2025,'' *i.e.,* the first day of the effective period of the exemption. The Applicant states that the process to select and retain an independent auditor is often lengthy, and if the audit period begins concurrently with the effective date of the exemption (at the expiration of PTE 2016–10), the RBC QPAMs effectively must select an auditor immediately, which is not feasible or consistent with their obligations.

Department's Response: The Department agrees to modify the audit period for purposes of consistency with other similarly situated financial institutions. Therefore, the audit requirement is modified so that the first audit covers a consecutive 12-month period starting on March 5, 2026. The second audit must cover the consecutive 12-month period starting on March 5, 2028. In the event that the Department grants exemptive relief to the Applicant for an additional 4-year period, the next audit would cover the period from March 5, 2030, through March 4, 2031, and have a required completion date of September 4, 2031.

Comment 2—Accounts Signing Agreements After the Period Specified by Section III(j) and Section III(k)

22. Section III(j)(7) of the Proposed Exemption requires RBC QPAMs to provide a notice of their obligations under Section III(j)(1) through (6) (the Notice of Obligations) to each Covered Plan within 60 calendar days after the exemption's effective date. For prospective Covered Plan clients that enter into a written investment management agreement with an RBC QPAM on or after 60 calendar days from exemption's effective date, the RBC QPAM is required to agree to these obligations in updated investment management agreements or other written contractual agreements.

23. Section III(k) of the Proposed Exemption requires RBC QPAMs to provide, within 60 days after the effective date of this exemption: (1) notice of the exemption as published in the **Federal Register;** (2) a separate summary describing the facts that led to the Conviction (the Summary); and (3) a prominently displayed statement (the Statement) that the Conviction results in a failure to meet a condition in the QPAM Exemption (collectively, the Disclosures), to each sponsor and beneficial owner of a Covered Plan, or the sponsor of an investment fund in any case where an RBC QPAM acts only as a sub-advisor to the investment fund in which such Covered Plan invests. Covered Plan clients entering into a contract with an RBC QPAM or a subscription agreement for a pooled fund managed by an RBC QPAM on or after 60 days after the effective date of the exemption must receive the Disclosures prior to, or contemporaneously with, the client's receipt of its written contract or subscription agreement.

24. The Applicant requests that the Department account for so-called ''in-flight'' agreements for prospective clients; that is, clients that received a prior version written asset or investment management agreement from an RBC QPAM before the effective date of the exemption, but who did not return the signed agreement until after the effective date of the exemption. The Applicant states that clients do not return signed agreements immediately, and in many cases, it takes several months for them to do so.[24]

25. The Applicant requests that Section III(j)(7) and Section III(k) be modified so that the RBC QPAMs will be in compliance with those sections with respect to ''in-flight'' agreements, if clients are sent the Notice of Obligations and the Disclosures within 30 business days after the date the RBC QPAM receives the signed ''in-flight'' agreement. Covered Plan clients who return an ''in-flight'' agreement later than six months from the exemption's

[21] See Proposed Exemption, at 90 FR 6017, 6018.

[22] Section I(i)(7) of PTE 2016–10, under which RBC QPAMs are currently operating for the ability to rely on PTE 84–14, contains substantially similar language. In that regard, Section I(i)(7) of PTE 2016–10 requires the RBC QPAMs to ''. . . indemnify and hold harmless the ERISA-covered plan or IRA for any damages resulting from a violation of applicable laws, a breach of contract, or any claim arising out of the failure of such RBC QPAM to qualify for the exemptive relief provided by PTE 84–14 as a result of a violation of Section I(g) of PTE 84–14 other than the Conviction.''

[23] All information submitted by the Applicant to the Department in connection with this exemption is available through the Department's Public Disclosure Room, by referencing D–12102.

[24] RBC represents that it has historically honored agreements that were provided to clients within the preceding six months.

effective date must receive a new investment management agreement to sign with all of the accompanying Disclosures.

Department's Response: The Department agrees with the Applicant's request. Section III(j)(7) is modified to include the following language after the sentence ending with, ''that meets the terms of this condition'':

For Covered Plan clients that received a prior version of the written contractual agreement from an RBC QPAM, and sign such agreement after the exemption's effective date, the terms of the exemption will be met if such clients are sent notice of the RBC QPAMs' obligations under this Section III(j) within 30 business days after the date the RBC QPAM receives the signed agreements. Covered Plan clients that return such signed agreement later than six months after the exemption's effective date must receive and execute an updated agreement with the QPAM's obligations under Section III(j).[25]

Section III(k) is modified to include the following language at the end of the paragraph:

For clients that received a prior version written contractual agreement from an RBC QPAM and sign such agreement after the exemption's effective date, the terms of the exemption will be met if such clients receive the notice of the exemption as published in the **Federal Register,** the Summary, and the Statement, within 30 business days after the date the RBC QPAM receives the signed agreements. Covered Plan clients that return the signed agreement later than six months after the exemption's effective date must receive a new, updated agreement along with the notice, the Summary, and the Statement.

Comment 3—Modification of Section III(j)(2) of the Proposed Exemption

26. Section III(j)(2) of the Proposed Exemption states, in pertinent part, that ''[t]hroughout the Exemption Period, with respect to any arrangement, agreement, or contract between an RBC QPAM and a Covered Plan, the RBC QPAM agrees and warrants . . . [t]o indemnify and hold harmless the Covered Plan for any actual losses resulting directly from the RBC QPAM's violation of any conditions of this exemption, an RBC QPAM's violation of ERISA's fiduciary duties, as applicable, and of the prohibited transaction provisions of ERISA and the Code, as applicable; a breach of contract by the RBC QPAM; or any claim arising out of the failure of such RBC QPAM to qualify for the exemptive relief provided by PTE 84–14 as a result of a violation of section I(g) of PTE 84–14 other than the Conviction.''

27. The Applicant requests that the Department revert to the contractual provisions required to be agreed to in Covered Plan client contracts under PTE 2016–10. Section I(i)(7) of PTE 2016–10 requires the RBC QPAMs to ''. . . indemnify and hold harmless the ERISA-covered plan or IRA for any damages resulting from a violation of applicable laws, a breach of contract, or any claim arising out of the failure of such RBC QPAM to qualify for the exemptive relief provided by PTE 84–14 as a result of a violation of Section I(g) of PTE 84–14 other than the Conviction.''

28. The Applicant states that the language requiring indemnification for losses resulting from an RBC QPAM's violation of a condition of the exemption is a significant extension of, and inconsistent with, the Department's prior practice and a material departure from RBC's existing exemption (*i.e.,* PTE 2016–10). The Applicant argues that requiring indemnification for a violation of the exemption's conditions invites ''novel litigation not founded in legal principles.'' The Applicant suggests that the Department's own language in Section III(j)(2) supports this position because of the way that the indemnification works (*i.e.,* it applies to violations of ERISA's fiduciary duties, *as applicable* [emphasis added]). The Applicant also raises objections based on what it perceives to be an increased threat of litigation by ''creative advocate[s]'' and based on potential arguments with clients over what constitutes losses directly resulting from a violation of the exemption. The Applicant also expressed concern about what it views as the provision's lack of efficacy in deterring future bad conduct and effect of further punishing ''non-culpable affiliates'' of convicted entities. The Applicant argues that punishment and deterrence are roles of the sentencing court and that the threat of litigation is not an appropriate consequence of violating the exemption. Moreover, the Applicant argues that the condition does not protect plans from the effects of the misconduct underlying the Conviction or any future misconduct, since the Conviction did not relate to the asset management business or have a rational nexus to that business.

29. Finally, RBC states that it has already undertaken the notices and updates to template investment management agreements, as required under PTE 2016–10. The Applicant argues that requiring new notices and agreements to reflect a single change in this new exemption would serve only to confuse clients because they received a notice less than one year ago and would require them to again enlist counsel to review the new language at considerable expense.

Department's Response: The Department declines to make the requested change. The Applicant is correct that proposed Section III(j)(2) expands the indemnification provision in Section I(i)(7) of PTE 2016–10, to include indemnification for losses resulting from an RBC QPAM's violation of a condition of the exemption. However, the proposed indemnification provision is consistent with parallel provisions in recent QPAM Section I(g) individual exemptions. These provisions reflect the Department's review of representations and data, submitted by applicants for QPAM Section I(g) individual exemptions, including representations and data provided by RBC, and are designed to ensure that Covered Plans do not bear the costs and harms associated with a QPAM's loss of exemptive relief, which may arise if the QPAM doesn't abide by the conditions of the exemption. The Department is not inclined to weaken a protection that has allowed it to make its findings under ERISA 408(a) in recent, similar exemptions.

30. The Department also disagrees that the language in Section (j)(2) represents a departure of legal norms that may unfairly invite ''novel'' or an ''increased threat of'' litigation. Simply complying with the terms of the exemption would allow the Applicant to avoid the ''novel'' or increased threats of litigation that the Applicant is concerned about.

31. The Department also disagrees with the Applicant's contention that the condition would not protect Covered Plans from the effects of the misconduct underlying the Conviction or any future misconduct. The Applicant's own representations and data, considered carefully by the Department, identify serious, potential costs and harms to Covered Plans, that could result if the RBC QPAMs lose the ability to rely on the QPAM Exemption. If RBC or any entity within its corporate umbrella engages in disqualifying fraudulent behavior in the future, the ''hold harmless'' provision in this exemption would serve to protect Covered Plans from those harms and costs, if Covered

[25] The Department notes that even if a Covered Plan received a notice under Section I(i) of PTE 2016–10 they will likely need to resend the notice required by Section III(j)(7) of this exemption, due to the clarifying changes made to the language in Section III(j) since PTE 2016–10 was published.

Plan fiduciaries determine it prudent to transition their assets to new asset managers.

32. Regarding the Applicant's contention that the notice required by Section (j)(2) would create confusion and expenses for Covered Plans, the Applicant must ensure the notice is drafted clearly, so that its Covered Plan clients can understand their rights under the provision. The Applicant is free to provide additional, accurate, clear context in the notice, if that would further help Covered Plan clients avoid confusion and expenses.

Comment 4—Timing of Notices in Section III(j)(7) and Section III(k)

33. As described above, Section III(j)(7) of the Proposed Exemption requires RBC QPAMs to: (1) provide the Notice of Obligations to each Covered Plan within sixty (60) calendar days after the exemption's effective date; and (2) with respect to Covered Plans that enter into a written asset or investment management agreement with an RBC QPAM on or after 60 calendar days from the exemption's effective date, to agree to its obligations under section III(j) in an updated investment management agreement with the Covered Plan. Section III(k) requires RBC QPAMs to provide the Disclosures, to each sponsor and beneficial owner of a Covered Plan, or the sponsor of an investment fund in any case where an RBC QPAM acts only as a sub-advisor to the investment fund in which such Covered Plan invests within sixty (60) days after the effective date of this exemption.

34. The Applicant requests that the QPAMs be allowed ninety (90) days to complete the mailings and updates under both Sections III(j)(7) and III(k). The Applicant argues that a ninety (90) day period would allow RBC QPAMs to include the notices as part of a quarterly mailing, rather than to undertake the substantial effort of a separate off-cycle mailing.

Department's Response: The Department has considered the Applicant's request and has made the change in the final exemption. In the Department's view, allowing the RBC QPAMs ninety (90) days to complete the mailings described in Section III(j)(7) and Section III(k) would not affect the Department's determination that the exemption is protective of the rights of the participants and beneficiaries of Covered Plans.

35. However, the Department, on its own motion, is deleting the language in Section III(j)(7) that the ''. . . condition will be deemed met for each Covered Plan that received a notice pursuant to PTE 2016–10 that meets the terms of this condition,'' because, as described above, Section III(j)(2) in this exemption contains different language than was present in Section I(i)(7) of PTE 2016–10. Thus, there is no practical way that the notice sent pursuant to PTE 2016–10 could meet the terms of Section III(j) of this exemption.

36. The Department is also modifying Section III(o) on its own motion, for consistency with the new disclosure deadlines described above. Section III(o) provides that, ''[w]ithin sixty (60) days after the effective date of this exemption, each RBC QPAM, in its agreements with, or in other written disclosures provided to Covered Plans, clearly and prominently informs Covered Plan clients of the Covered Plan's right to obtain a copy of the Policies or a description (Summary Policies), which accurately summarizes key components of the QPAM's written Policies developed in connection with this exemption.'' The exemption text has been modified to substitute ''ninety (90)'' in place of ''sixty (60)'' where it appears in Section III(o).

Comment 5—Distribution of Audit Report

37. Section III(i)(8) of the Proposed Exemption requires, in relevant part, that the Audit Committee of RBC's Supervisory Board must be provided a copy of each Audit Report, and a senior executive officer with a direct reporting line to the highest-ranking compliance officer of RBC must review the Audit Report for each RBC QPAM and certify in writing and under penalty of perjury that such officer has reviewed each Audit Report.

38. The Applicant requests a modification so that the Audit Report will be distributed to: (a) the Audit Committee of each RBC QPAM's Supervisory Board, instead of being distributed to the Audit Committee of RBC's Supervisory Board (RBC's parent company Audit Committee); and (b) a senior executive officer with a direct reporting line to the highest-ranking compliance officer of each RBC QPAM. That senior executive officer will review the Audit Report for that RBC QPAM and provide certification that such officer has reviewed the audit report, instead of the senior executive officer with a direct reporting line to the highest-ranking compliance officer of the (parent) RBC reviewing the report and providing the certification. According to the Applicant, the Audit Committees for the respective QPAMs are better positioned to receive and review that QPAM's Audit Report, to coordinate with compliance personnel responsible for that QPAM, and to assist in implementing any recommendations from the independent auditor. The Applicant also states that there is no justification for providing the audit report to an RBC Supervisory Board committee, and that doing so would cause confusion, disruption, and needless discussion at the Board level, which would not serve the interests of Covered Plans.

Department's Response: The Department concurs, in part, with the Applicant's request and has modified the text accordingly; except that the Department also views delivery to the Supervisory Board of the parent RBC, and to a senior executive officer with a direct reporting line to the highest-ranking compliance officer of the parent RBC, as an important way to keep the QPAM accountable to the organization's leadership for complying with the requirements of the exemption. Therefore, Section III(i)(8) has been modified to require provision of the Audit Report to both the Audit Committee of RBC's Supervisory Board, as well as the Audit Committee of each RBC QPAM's Supervisory Board; and to require the highest ranking compliance officer of the RBC QPAM, as well as RBC, to review the Audit Report and certify as to such review.

Part II. Applicant's Statement and Responses Regarding Potential Costs and Harm to Covered Plan Clients and Pooled Funds From Denial of the Exemption

39. The Applicant provided a lengthy general statement on the harms that it claims Covered Plans would incur if the RBC QPAMs could no longer rely on the QPAM Exemption. Many of the descriptions of the costs and harms were already provided in the Applicant's initial application and additional submissions. In general terms, the Applicant commented that the RBC QPAMs may rely on the QPAM Exemption when investing in various securities and financial instruments on behalf of ERISA clients, and if the QPAM Exemption were lost, transactions currently dependent on the QPAM Exemption, or where that exemption was the counterparty's expected relief, could be in default and terminated at a significant cost to the plans. The Applicant's comment reiterates the potential costs of liquidation for the strategies managed by RBC's asset management QPAMs, as of March 31, 2024.[26]

[26] These estimates were already provided and previously considered by the Department in publishing the Proposed Exemption. See 90 FR

Continued

40. The Applicant also summarized the main points of a report submitted by a pension consultant in connection with the Proposed Exemption for DWS Investment Management Americas, Inc.[27] The Applicant emphasized the report's focus on a fiduciary's judgment in choosing to remain with an investment manager after being made aware of the convictions and conduct through public documents, proposed exemptions, etc. Finally, the Applicant argues that denying the exemption would cause not just Covered Plan clients to leave RBC, but also non-plan investors, because of the importance of ''QPAM status'' to all investors.

A. The Department's Request for a Clear Description of Potential Costs and Harm to Covered Plan Clients

1. *A description, in itemized form, of how the basis point range was derived by the Applicant, including the assumptions or methodologies relied upon.*

41. For transaction costs related to equity, the Applicant states that it routinely inputs its trading costs into a third-party aggregator to test whether the transaction costs are reasonable. Transaction cost data is sourced from a third-party market data firm, which aggregates transaction data from hundreds of asset management and other buy-side firms to provide insight into the global cost of trading. The market data firm provides a quarterly survey with breakdowns of the trading costs by major geographic region and firm size. That aggregation relates to particular securities RBC holds for its clients.

42. The cost to liquidate a fund is estimated using the survey data by grouping the fund holdings based on the market/region and size of each holding. Averages over a period of eight quarters are used to determine a cost to trade within each market. The average is intended to mitigate the effects of cyclicality or seasonality in trading costs. The standard deviation of trading costs by market over the same period is calculated to provide a measure of variability. These are the data from which RBC derived the figures provided in prior responses relating to transaction cost estimates.

43. For fixed income costs, the liquidation cost analysis was performed using a proprietary liquidity risk model, which is designed to estimate transaction costs as a function of trade size across the bond universe. It assesses transaction costs dynamically based on observable and quantifiable parameters, such as bid-ask spreads, credit spread levels, trade size, amounts outstanding, and number of market makers. Modeled transaction costs are derived from modelling bid-ask spreads, based on the nominal amount to be traded. The liquidity model is used for both internal risk management and external reporting to clients and regulators. It is compliant with regulatory requirements, including those from the European Securities and Markets Authority and the International Organization of Securities Commissions.

Department's Response: The Department notes the Applicant's response.

2. *An explanation of the amount of Covered Plan assets that are likely to be subject to the costs described above and an explanation of the Applicant's assumptions or methodologies in connection with such figures.*

44. The Applicant states that the entirety of Covered Plan assets that are invested in strategies and instruments dependent on the QPAM Exemption could be subject to liquidation and reinvestment costs, as well as the costs associated with identifying and retaining a transition consultant and a new investment manager on an emergent basis. Whether a Covered Plan client decides to terminate its RBC QPAM is uniquely within the fiduciary decision-making process and in the plan fiduciary's control. As such, the Applicant is unable to estimate with any accuracy the number of Covered Plan clients that would be inclined or feel compelled to terminate their relationships with RBC QPAMs as a result of a loss of the QPAM Exemption, or how many counterparties in the countless transactions would elect to hold those transactions in default. Covered Plans that do elect to find new managers likely would transfer all of their assets from the RBC QPAMs, not just assets whose strategies rely on the QPAM Exemption, meaning the client's entire portfolio would be subject to transaction and ancillary costs.

Department's Response: The Department notes the Applicant's response.

3. *An explanation of the likelihood of the costs occurring, for each of the transition costs described above.*

45. The Applicant states that the transaction costs described above are extremely likely in the event an exemption is denied entirely. The only scenario in which the direct costs of liquidation would not be incurred is if a plan retained a new manager that elected to maintain the plan's assets in the same securities and positions, thereby negating the need to liquidate. The Applicant represents that, in its experience, managers prefer to liquidate and reinvest a plan's holdings and begin with a clean slate rather than inherit existing securities. As such, the probability is high that the securities and instruments in which a Covered Plan's assets are invested by an RBC QPAM would be liquidated and reinvested by a new manager.

Department's Response: The Department notes the Applicant's response.

4. *An explanation of the circumstances under which the transition costs described above are being incurred.*

46. The Applicant states that plans are liable to incur transaction costs if, upon denial of an exemption, they either elect or feel compelled to retain a new manager and must liquidate all existing positions, or transactions dependent on the QPAM Exemption automatically are in default and must be terminated or are terminated at the election of the counterparty. The Applicant states that nothing in the law would compel any client to terminate the services of an RBC QPAM.

Department's Response: The Department notes the Applicant's response.

5. *A description of the extent to which any of the asserted costs reflect the QPAMs' imposition of additional charges or fees on Covered Plans resulting from the loss of QPAM status, and the cause of such additional charges or fees.*

47. For avoidance of doubt, the Department's asked whether the harms and costs described above by the Applicant include any costs that would be imposed by RBC and its affiliates as a result of an RBC QPAM's inability to rely on the QPAM Exemption, such as termination fees, penalty fees, fees for breach of contract with counterparties (to the extent imposed by the RBC QPAM or an affiliate) or with an RBC QPAM, or other costs and charges imposed by RBC and its affiliates. The Applicant represents that none of the estimated transaction costs or other fees would be imposed on Covered Plans by an RBC QPAM.

Department's Response: The Department notes the Applicant's response.

6. *An explanation of the extent to which the costs described herein are not*

6017, 6018, for a description of the estimated costs if the RBC QPAM liquidated their investment strategies on behalf of ERISA Covered Plan clients (including some public plan clients).

[27] 80 FR 13091 (February 21, 2024). See *Analysis of Potential Losses in the Event an Exemption is Denied,* Lawrence E. Davanzo, March 21, 2021, at *https://www.regulations.gov/comment/EBSA-2024-0004-0003.*

likely to be covered by the QPAMs' indemnification obligations under Section III(j)(2), and an explanation why such costs are not attributable to the Applicant's violation of exemption conditions.

48. The Applicant states that the indemnification obligations in Section III(j)(2) apply only if and when final exemptive relief is granted. The transaction costs described above and in previous submissions, by contrast, would occur only in the event an exemption is denied. In the former scenario, assuming no affiliate of RBC is convicted of another disqualifying crime, RBC's indemnification obligations under this exemption would not be triggered because RBC's Covered Plan clients would not change managers, thereby avoiding any transaction costs. In the latter scenario, the Applicant has no indemnification obligation.

Department's Response: The Department notes the Applicant's response that the indemnification obligation in Section III(j)(2) would apply once relief is granted. The Department also notes the Applicant's representations above regarding the importance of the QPAM Exemption to Covered Plans that hire and retain RBC QPAMs. Those representations suggest to the Department that a number of Covered Plans may transition to new asset managers if the RBC QPAMs can no longer rely on the QPAM Exemption due to a conviction that violates Section I(g). For that reason, the Department continues to believe that affected Covered Plans are entitled to indemnification of their associated losses, including the transitional expenses necessary to effectuate the switch to a qualified QPAM.

B. Applicant's Statement of Potential Costs Relating to the Request for Proposal Process

49. According to the Applicant, in addition to the cost of liquidating assets, costs associated with identifying and selecting new managers and then reinvesting assets would be borne by Covered Plans and their participants. Based on data available in the market and from submissions by other applicants, the Applicant estimates that plans would incur the following additional costs associated with transitioning assets to a new manager:

- Consulting fees: $30,000 to $40,000 in consulting fees for a new private manager search. Consultants may charge twice as much or more for customized searches for private market managers than they charge for public market manager searches.
- Additional time expended: 25–50 hours of client time to evaluate alternative managers. Plans typically rely on several individuals (whether through a board of trustees, investment committees, or otherwise) to evaluate and select managers. Further, unless a plan has in-house investment professionals, it almost invariably relies on outside consultants to assist with the search and evaluation (at a substantial cost, as noted above).
- Legal fees: $10,000–$30,000 in legal fees to review/negotiate new management agreement and guidelines. Agreements for institutional asset management are almost invariably negotiated. Further, agreements and guidelines for real estate strategies, especially direct real estate, are generally more complex than for other strategies. In addition, clients could incur $15,000–$30,000 to negotiate each new futures, cleared derivatives, swap or other trading agreement.

Department's Response: The Department notes the Applicant's response.

C. Applicant's Statement Regarding Potential Costs and Harm to Pooled Funds

50. The Department requested additional information from the Applicant in its comment letter substantiating harms to pooled funds, including estimates of the costs and any assumptions relied upon in making the estimate. In response, the Applicant stated that investors within a pooled investment vehicle can experience dilution when other investors enter or exit the fund. As investors purchase or sell units of a fund, the investment adviser or portfolio manager for the fund purchases or sells securities. Purchasing and selling securities and financial instruments incurs costs, such as brokerage fees or commissions, transaction charges, bid-ask spreads and taxes. Those costs are generally incurred by the fund itself and included in the fund's net asset value such that they are not borne only by the redeeming investor. The amount of dilution that non-redeeming investors may experience may vary based on factors such as market conditions, amount of cash held by the pooled fund, and the percentage of the fund held by plan asset investors.

Department's Response: The Department notes the Applicant's response.

Part III. Applicant's Statement Why the Exemption is in the Interest of Covered Plans

51. The Applicant concluded its comment with a summary of reasons that it believes an exemption would be in the interest of Covered Plans. Specifically, the Applicant represents that the RBC QPAMs have fully adhered to the terms and conditions of PTE 2016–10. The Applicant states that this record of compliance, combined with the conditions of the exemption, should give the Department confidence. The Applicant stresses that the RBC QPAMs were not tainted with the compliance failures that led to RBCTC Bahamas' Conviction, and the independent auditor required by the exemption will provide additional protection by specifically determining whether the RBC QPAMs are subject to improper influence by non-asset management affiliates.

52. The Applicant notes that the exemption requires detailed policies, procedures, and training that are designed to strengthen the continued culture of compliance within the RBC QPAMs, with oversight by both the independent auditor and a senior compliance officer charged with the responsibility of creating a report on compliance with the exemption, which is reviewed by the auditor. In light of the above, the Applicant submits that the Department should have a basis to conclude that the exemption would be in the interest of and protective of plans and their participants and beneficiaries.

Revisions by the Department on Its Own Motion

53. On its own motion, the Department added the following phrase to the end of the definition of ''Conviction'' in Section I(a), in order align the operative language of the exemption with that granted to Northern Trust in connection with Exemption Application No. D–12101: ''or to be entered in another court of competent jurisdiction.'' The Department also made several minor, non-substantive revisions that are intended to clarify the exemption and/or correct scrivener's errors.

Conclusion

54. The Department has carefully considered the commenter's requests. After giving full consideration to the entire record, including the comments, the Department has determined to grant the exemption subject to the modifications and clarifications described herein. In granting this exemption, the Department has relied

on the representations of the Applicant. If any material statement in the Application, final exemption or the Applicant's comment is not, or may no longer be, completely and factually accurate, the Applicant and recipients of the exemptive relief provided herein must immediately alert the Department.[28]

Publicly Available Information

55. The complete application file (D–12102) is available for public inspection in the Public Disclosure Room of the Employee Benefits Security Administration, Room N–1515, U.S. Department of Labor, 200 Constitution Avenue NW, Washington, DC 20210 reachable by telephone at (202) 693–8673. For a more complete statement of the facts and representations supporting the Department's decision to grant this exemption, please refer to the notice of proposed exemption published on January 17, 2025, at 90 FR 6013.

General Information

The attention of interested persons is directed to the following:

(1) The fact that a transaction is the subject of an exemption under ERISA Section 408(a) and/or Code Section 4975(c)(2) does not relieve a fiduciary or other party in interest or disqualified person from certain other provisions of ERISA and/or the Code, including any prohibited transaction provisions to which the exemption does not apply and the general fiduciary responsibility provisions of ERISA Section 404, which, among other things, require a fiduciary to discharge their duties respecting the plan solely in the interest of the participants and beneficiaries of the plan and in a prudent fashion in accordance with ERISA Section 404(a)(1)(b); nor does it affect the requirement of Code Section 401(a) that the plan must operate for the exclusive benefit of the employees of the employer maintaining the plan and their beneficiaries;

(2) As required by ERISA Section 408(a) and Code Section 4975(c)(2), the Department hereby finds that the exemption is (1) administratively feasible, (2) in the interests of the plan and of its participants and beneficiaries, and (3) protective of the rights of participants and beneficiaries of the plan;

(3) The exemption is supplemental to, and not in derogation of, any other provisions of ERISA and the Code, including statutory or administrative exemptions and transitional rules. Furthermore, the fact that a transaction is subject to an administrative or statutory exemption is not dispositive of whether the transaction is in fact a prohibited transaction; and

(4) The availability of the exemption is subject to the express condition that the material facts and representations contained in each application are true and complete at all times, and that each application accurately describes all material terms of the transaction which is the subject of the exemption.

Accordingly, after considering the entire record developed in connection with the Applicant's exemption application, the Department has determined to grant the following exemption under the authority of ERISA section 408(a) and Code section 4975(c)(2) in accordance with the Department's exemption procedures regulation.[29]

Exemption

Section I: Definitions

(a) The term ''Conviction'' means the judgment of conviction against RBCTC Bahamas, an RBC ''affiliate'' (as defined in PTE 84–14, Section VI(d)), entered on March 5, 2024, for aiding and abetting tax fraud in France in the Paris Court of Appeal, French Special Prosecutor No. 11203092066, or to be entered in another court of competent jurisdiction.

(b) The term ''RBC QPAM'' means a ''qualified professional asset manager'' (as defined in section VI(a) of PTE 84–14) that relies on the relief provided by PTE 84–14 and with respect to which RBCTC Bahamas is a current or future ''affiliate'' (as defined in section VI(d) of PTE 84–14). The RBC QPAMs do not and must not include RBCTC Bahamas.

(c) The term ''RBC'' means Royal Bank of Canada, together with its current and future affiliates.

(d) The term ''RBCTC Bahamas'' means Royal Bank of Canada Trust Company (Bahamas) Limited, a Bahamian ''affiliate'' of RBC (as defined in section VI(c) of PTE 84–14).

(e) The term ''Covered Plan'' means a plan subject to ERISA Title I, Part 4 (an ERISA Plan) or a plan subject to Code Section 4975 (an IRA), in each case, with respect to which an RBC QPAM relies on PTE 84–14, or with respect to which an RBC QPAM (or any RBC affiliate) has expressly represented that the manager qualifies as a QPAM or relies on PTE 84–14. A ''Covered Plan'' does not include an ERISA Plan or IRA to the extent the RBC QPAM has expressly disclaimed reliance on QPAM status or PTE 84–14 in entering into its contract, arrangement, or agreement with the Covered Plan. Notwithstanding the above, an RBC QPAM may disclaim reliance on QPAM status or PTE 84–14 in a written modification of a contract, arrangement, or agreement with a Covered Plan where: the modification is made in a bilateral document signed by the client; the client's attention is specifically directed toward the disclaimer; and the client is advised in writing that, with respect to any transaction involving the client's assets, the RBC QPAM will not represent that it is a QPAM and will not rely on the relief described in PTE 84–14.

(f) The term ''Exemption Period'' means the period beginning on the earlier of September 5, 2025, or the date the exemption is published in the **Federal Register**; and ending on March 4, 2030.

(g) Wherever found, any reference in this exemption to ''the best knowledge'' of a party, ''best of [a party's] knowledge,'' and similar formulations of the ''best knowledge'' standard, will be deemed to mean the actual knowledge of the party and the knowledge which they would have had if they had conducted their reasonable due diligence required under the circumstances into the relevant subject matter. If a condition of the exemption requires an individual to provide certification pursuant to their ''best knowledge,'' then such individual, in order to make such certification, must perform their reasonable due diligence required under the circumstances to determine whether the information such individual is certifying is complete and accurate in all respects. Furthermore, with respect to an entity other than a natural person, the ''best knowledge'' of the entity includes matters that are known to the directors and officers of the entity or should be known to such individuals upon the exercise of such

[28] The Representations stated herein are based on the Applicant's representations provided in its exemption application and do not reflect factual findings or opinions of the Department unless indicated otherwise. The Department notes that the availability of this exemption is subject to the express condition that the material facts and representations contained in application D–12102 are true and complete at all times, and accurately describe all material terms of the transactions covered by the exemption. If there is any material change in a transaction covered by the exemption, or in a material fact or representation described in the application, the exemption will cease to apply as of the date of the change.

[29] 29 CFR part 2570, subpart B (76 FR 66637, 66644, October 27, 2011). Effective December 31, 1978, section 102 of Reorganization Plan No. 4 of 1978, 5 U.S.C. App. 1 (1996), transferred the authority of the Secretary of the Treasury to issue exemptions of the type requested by the Applicant to the Secretary of Labor. Therefore, this notice of proposed exemption is issued solely by the Department. For purposes of this exemption, references to ERISA section 406, unless otherwise specified, should be read to refer as well to the corresponding provisions of Code section 4975.

individuals' due diligence required under the circumstances.

(h) The terms ''participate,'' and ''participate in,'' when used to describe a person's role in the criminal conduct described in this exemption, refer not only to a person's active participation in the misconduct of RBCTC Bahamas that is the subject of the Conviction, but also includes the knowing or tacit approval of the misconduct underlying the Conviction or knowledge of such conduct without taking active steps to prohibit it, including reporting the conduct to such individual's supervisors, and to RBC's board of directors.

Section II: Transactions

The RBC QPAMs will not be precluded from relying on the exemptive relief provided by Prohibited Transaction Exemption 84–14 (PTE 84–14) [30] notwithstanding the Conviction (as defined above) [31] during the Exemption Period, provided that the conditions in Section III are satisfied.

Section III: Conditions

(a) The RBC QPAMs (including their officers, directors, agents other than RBCTC, and employees of such RBC QPAMs) did not know of, have reason to know of, and did not participate in the criminal misconduct of RBCTC Bahamas that is the subject of the Conviction. Further, any other party engaged on behalf of the RBC QPAMs who had responsibility for or exercised authority in connection with the management of plan assets did not know or have reason to know of and did not participate in the criminal misconduct that is the subject of the Conviction.

(b) The RBC QPAMs (including their officers, directors, agents other than RBCTC, and employees of such RBC QPAMs) did not receive any direct compensation or knowingly receive any indirect compensation in connection with the criminal misconduct that is the subject of the Conviction. Further, any other party engaged on behalf of the RBC QPAMs who had responsibility for or exercised authority in connection with the management of plan assets did not receive any direct compensation or knowingly receive any indirect compensation in connection with the criminal misconduct that is the subject of the Conviction;

(c) The RBC QPAMs will not employ or knowingly engage any of the individuals that participated in the criminal misconduct that is the subject of the Conviction;

(d) At all times during the Exemption Period, no RBC QPAM will use its authority or influence to direct an ''investment fund,'' (as defined in Section VI(b) of PTE 84–14) that is subject to ERISA or the Code and managed by an RBC QPAM in reliance of PTE 84–14, or with respect to which an RBC QPAM has expressly represented to a Covered Plan that it qualifies as a QPAM or relies on PTE 84–14, to enter into any transaction with RBCTC Bahamas or engage RBCTC Bahamas to provide any service to such Covered Plan for a direct or indirect fee borne by such Covered Plan regardless of whether such transaction or service may otherwise be within the scope of relief provided by an administrative or statutory exemption;

(e) Any failure of the RBC QPAMs to satisfy PTE 84–14, Section I(g) arose solely from the Conviction;

(f) An RBC QPAM did not exercise authority over the assets of any Covered Plan in a manner that it knew or should have known would: (i) further the criminal misconduct that is the subject of the Conviction; or (ii) cause the RBC QPAM or its affiliates to directly or indirectly profit from the criminal misconduct that is the subject of the Conviction;

(g) Other than with respect to employee benefit plans maintained or sponsored for its own employees or the employees of an affiliate, RBCTC Bahamas will not act as a fiduciary within the meaning of ERISA Sections 3(21)(A)(i) or (iii) or Code Sections 4975(e)(3)(A) and (C) with respect to Covered Plan assets; provided, however, that RBCTC Bahamas will not be treated as violating the conditions of this exemption solely because they acted as investment advice fiduciaries within the meaning of ERISA Section 3(21)(A)(ii) or Code Section 4975(e)(3)(B);

(h)(1) Each RBC QPAM must continue to maintain, adjust (to the extent necessary), implement, and follow written policies and procedures (the Policies). The Policies must require and be reasonably designed to ensure that:

(i) the asset management decisions of the RBC QPAM are conducted independently of the management and business activities of RBC, including RBCTC Bahamas;

(ii) the RBC QPAM fully complies with ERISA's fiduciary duties and with ERISA and the Code's prohibited transaction provisions as applicable with respect to each Covered Plan and does not knowingly participate in any violations of these duties and provisions with respect to Covered Plans;

(iii) the RBC QPAM does not knowingly participate in any other person's violation of ERISA or the Code with respect to Covered Plans;

(iv) any filings or statements made by the RBC QPAM to regulators, including but not limited to, the Department of Labor, the Department of the Treasury, the Department of Justice, and the Pension Benefit Guaranty Corporation, on behalf of or in relation to Covered Plans are materially accurate and complete to the best of such QPAM's knowledge at that time;

(v) to the best of the RBC QPAM's knowledge at the time, the RBC QPAM does not make material misrepresentations or omit material information in its communications with such regulators with respect to Covered Plans or make material misrepresentations or omit material information in its communications with Covered Plans;

(vi) the RBC QPAM complies with the terms of the exemption;

(vii) any violation of or failure to comply with a requirement set forth in subparagraphs (h)(1)(ii) through (h)(1)(vi), is corrected promptly upon discovery or as soon after the RBC QPAM reasonably should have known of the noncompliance (whichever is earlier) and any such violation or compliance failure not promptly corrected is reported, upon discovering the failure to promptly correct, in writing, to appropriate corporate officers, the head of compliance and the General Counsel (or their functional equivalent) of the relevant RBC QPAM that engaged in the violation or failure, and the independent auditor responsible for reviewing compliance with the Policies. An RBC QPAM will not be treated as having failed to develop, implement, maintain, or follow the Policies, provided that it corrects any instance of noncompliance promptly when discovered or when it reasonably should have known of the noncompliance (whichever is earlier), and provided that it adheres to the reporting requirements set forth in this subparagraph (vii);

(2) Each RBC QPAM must maintain, adjust (to the extent necessary) and implement a training program (the Training) that is conducted at least annually for all relevant RBC QPAM asset/portfolio management, trading, legal, compliance, and internal audit personnel. The Training must:

[30] 49 FR 9494 (March 13, 1984), as corrected at 50 FR 41430, (October 10, 1985), as amended at 70 FR 49305 (August 23, 2005), as amended at 75 FR 38837 (July 6, 2010), as amended at 89 FR 23090 (April 3, 2024), and as corrected at 89 FR 65779 (August 13, 2024).

[31] Section I(g) of PTE 84–14 generally provides that ''a QPAM is ineligible to rely on this exemption for 10 years following: . . . [a] Criminal Conviction, as defined in Section VI(r). . . .''

(i) At a minimum, cover the Policies, ERISA and Code compliance (including applicable fiduciary duties and the prohibited transaction provisions), ethical conduct, the consequences for not complying with the conditions of this exemption (including any loss of exemptive relief provided herein), and prompt reporting of wrongdoing;

(ii) Be conducted in-person, electronically or via a website by a professional who has been prudently selected and who has appropriate technical training and proficiency with ERISA and the Code to perform the tasks required by this exemption; and

(iii) Be verified, through in-training knowledge checks, ''graduation'' tests, and/or other technological tools designed to confirm that personnel fully and in good faith participate in the Training;

(i)(1) The RBC QPAMs must submit to a 12-month audit conducted every two years by an independent auditor who has been prudently selected and has appropriate technical training and proficiency with ERISA and the Code to evaluate the adequacy of each RBC QPAM's compliance with the Policies and Training conditions described herein. The audit requirement must be incorporated in the Policies, and the first audit must cover a consecutive 12-month period starting on March 5, 2026. The second audit must cover the consecutive 12-month period starting on March 5, 2028, and in the event that the Department grants additional exemptive relief to the Applicant after the expiration of this exemption, the next audit would cover the consecutive 12-month period starting on March 5, 2030. Each audit must be completed no later than six (6) months after the corresponding audit's ending period;

(2) Within the scope of the audit and to the extent necessary for the auditor, in its sole opinion, to complete its audit and comply with the conditions described herein, and only to the extent such disclosure is not prevented by state or federal statute, or involves communications subject to attorney client privilege, the RBC QPAMs and, if applicable, RBC, will grant the auditor unconditional access to its business, including, but not limited to: its computer systems; business records; transactional data; workplace locations; training materials; and personnel. Such access is limited to information relevant to the auditor's objectives, as specified by the terms of this exemption;

(3) The auditor's engagement must specifically require the auditor to determine whether the RBC QPAMs have developed, implemented, maintained, and followed the Policies in accordance with the conditions of this exemption and have developed and implemented the Training, as required herein;

(4) The auditor's engagement must specifically require the auditor to test the RBC QPAMs operational compliance with the Policies and Training. In this regard, the auditor must test a sample of each QPAM's transactions involving Covered Plans that are sufficient in size and nature to afford the auditor a reasonable basis to determine such RBC QPAM's operational compliance with the Policies and Training;

(5) For each audit, the auditor must issue a written report (the Audit Report) to RBC and the RBC QPAM to which the audit applies that describes the procedures performed by the auditor in connection with its examination on or before the end of the relevant period described in Section III(i)(1) for completing the audit. The auditor, at its discretion, may issue a single consolidated Audit Report that covers all of the RBC QPAMs. The Audit Report must include the auditor's specific determinations regarding:

(i) The adequacy of each RBC QPAM's Policies and Training; each RBC QPAM's compliance with the Policies and Training; the need, if any, to strengthen such Policies and Training; and any instance of the respective RBC QPAM's noncompliance with the written Policies and Training. The non-compliant RBC QPAM must promptly address any noncompliance and prepare a written plan of action to address any determination by the auditor regarding the adequacy of the Policies and Training and the auditor's recommendations (if any) with respect to strengthening the Policies and Training of the respective RBC QPAM. Any action taken or the plan of action to be taken by the respective RBC QPAM must be included in an addendum to the Audit Report (and such addendum must be completed before the certification described in Section III(i)(7) below). In the event such a plan of action to address the auditor's recommendation regarding the adequacy of the Policies and Training is not completed by the time the Audit Report is submitted, the following period's Audit Report must state whether the plan was satisfactorily completed. Any determination by the auditor that the respective RBC QPAM has implemented, maintained, and followed sufficient Policies and Training must not be based solely or in substantial part on an absence of evidence indicating noncompliance. In this last regard, any finding that an RBC QPAM has complied with the requirements under this subparagraph must be based on evidence that the particular RBC QPAM has actually implemented, maintained, and followed the Policies and Training required by this exemption. Furthermore, the auditor must not rely solely on the Annual Report created by the compliance officer (the Compliance Officer) as described in Section III(m) below, as the basis for the auditor's conclusions in lieu of independent determinations and testing performed by the auditor as required by Section III(i)(3) and (4) above; and

(ii) The adequacy of the most recent Annual Review described in Section III(m);

(6) The auditor must notify the respective RBC QPAM of any instance of noncompliance identified by the auditor within five (5) business days after such noncompliance is identified by the auditor, regardless of whether the audit has been completed as of that date;

(7) With respect to each Audit Report, the RBC QPAM's general counsel, or one of the three most senior executive officers of the line of business engaged in discretionary asset management services through the RBC QPAM with respect to which the Audit Report applies, must certify in writing, under penalty of perjury, that such signatory has reviewed the Audit Report and this exemption and that to the best of such signatory's knowledge at the time, such RBC QPAM has addressed, corrected, or remedied any noncompliance and inadequacy or has an appropriate written plan to address any inadequacy regarding the Policies and Training identified in the Audit Report. Such certification must also include the signatory's determination that, to the best of such signatory's knowledge at the time, the Policies and Training in effect at the time of signing are adequate to ensure compliance with the conditions of this proposed exemption, and with the applicable provisions of ERISA and the Code. Notwithstanding the above, no person who knew of, or should have known of, or participated in the criminal conduct that is the subject of the Conviction, by any party, may provide the certification required by this exemption, unless the person took active documented steps to stop the misconduct underlying the Conviction;

(8) The Audit Committee of RBC's Supervisory Board and the Audit Committee of each RBC QPAM's Supervisory Board are each provided a copy of each Audit Report (an RBC QPAM's Audit Committee need only receive the respective QPAM's Audit

Report); and a senior executive officer with a direct reporting line to the highest-ranking compliance officer of RBC must review the Audit Report for each RBC QPAM; and a senior executive officer in each RBC QPAM with a direct reporting line to the highest-ranking compliance officer of such RBC QPAM must review the Audit Report applicable for that RBC QPAM; and all must certify in writing and under penalty of perjury that such officer(s) have reviewed such Audit Report(s). RBC must provide notice to the Department if there is a switch in the committee(s) to which the Audit Report will be provided. With respect to this subsection (8), such certifying executive officer(s) must not have known of, had reason to know of, or participated in, the criminal conduct that is the subject of the Conviction, unless such person took active documented steps to stop the misconduct underlying the Conviction;

(9) Each RBC QPAM provides its certified Audit Report by electronic mail to: *e-oed@dol.gov.* This delivery must take place no later than forty-five (45) days following completion of the Audit Report. The Audit Report will be made part of the public record regarding this exemption. Furthermore, each RBC QPAM must make its Audit Report unconditionally available, electronically or otherwise, for examination upon request by any duly authorized employee or representative of the Department, other relevant regulators, and any fiduciary of a Covered Plan;

(10) Each RBC QPAM and the auditor must submit the following document(s) to OED via electronic mail to *e-oed@dol.gov:* Any engagement agreement(s) entered into pursuant to the engagement of the auditor under this exemption, no later than two (2) months after the execution of any such engagement agreement;

(11) The auditor must provide the Department, upon request, for inspection and review, access to all the workpapers created and utilized in the course of the audit, provided such access and inspection is otherwise permitted by law; and

(12) RBC must notify the Department of a change in the independent auditor no later than two (2) months after the engagement of a substitute or subsequent auditor and must provide an explanation for the substitution or change including a description of any material disputes between the terminated auditor, and RBC or any of its affiliates;

(j) Throughout the Exemption Period, with respect to any arrangement, agreement, or contract between an RBC QPAM and a Covered Plan, the RBC QPAM agrees and warrants:

(1) To comply with ERISA and the Code, as applicable with respect to such Covered Plan; to refrain from engaging in prohibited transactions that are not otherwise exempt (and to promptly correct any prohibited transactions in accordance with applicable rules under ERISA and the Code); and to comply with the standards of prudence and loyalty set forth in ERISA Section 404 with respect to each such Covered Plan to the extent that section is applicable;

(2) To indemnify and hold harmless the Covered Plan for any actual losses resulting directly from the RBC QPAM's violation of any conditions of this exemption, an RBC QPAM's violation of ERISA's fiduciary duties, as applicable, and of the prohibited transaction provisions of ERISA and the Code, as applicable; a breach of contract by the RBC QPAM; or any claim arising out of the failure of such RBC QPAM to qualify for the exemptive relief provided by PTE 84–14 as a result of a violation of Section I(g) of PTE 84–14 other than the Conviction. Actual losses include, but are not limited to, losses and related costs arising from unwinding transactions with third parties and from transitioning Plan assets to an alternative asset manager as well as costs associated with any exposure to excise taxes under Code section 4975 as a result of a QPAM's inability to rely upon the relief in PTE 84–14.

(3) Not to require or otherwise cause the Covered Plan to waive, limit, or qualify the liability of the RBC QPAM for violating ERISA or the Code or engaging in prohibited transactions;

(4) Not to restrict the ability of such Covered Plan to terminate or withdraw from its arrangement with the RBC QPAM with respect to any investment in a separately managed account or pooled fund subject to ERISA and managed by such QPAM, with the exception of reasonable restrictions, appropriately disclosed in advance, that are specifically designed to ensure equitable treatment of all investors in a pooled fund in the event such withdrawal or termination may have adverse consequences for all other investors. In connection with any of these arrangements involving investments in pooled funds subject to ERISA entered into after the effective date of this exemption, the adverse consequences must relate to a lack of liquidity of the underlying assets, valuation issues, or regulatory reasons that prevent the fund from promptly redeeming a Covered Plan's investment, and such restrictions must be applicable to all investors in the pooled fund on equal terms and effective no longer than reasonably necessary to avoid the adverse consequences;

(5) Not to impose any fees, penalties, or charges for such termination or withdrawal with the exception of reasonable fees, appropriately disclosed in advance, that are specifically designed to prevent generally recognized abusive investment practices or specifically designed to ensure equitable treatment of all investors in a pooled fund in the event such withdrawal or termination may have adverse consequences for all other investors, provided that such fees are applied consistently and in like manner to all such investors;

(6) Not to include exculpatory provisions disclaiming or otherwise limiting liability of the RBC QPAM for a violation of such agreement's terms. To the extent consistent with ERISA Section 410, however, this provision does not prohibit disclaimers for liability caused by an error, misrepresentation, or misconduct of a plan fiduciary or other party hired by the plan fiduciary who is independent of RBC and its affiliates, or damages arising from acts outside the control of the RBC QPAM; and

(7) Within ninety (90) calendar days after this exemption's effective date, each RBC QPAM must provide a notice of its obligations under this Section III(j) to each Covered Plan. For Covered Plans that enter into a written asset or investment management agreement with an RBC QPAM on or after ninety (90) calendar days from this exemption's effective date, the RBC QPAM must agree to its obligations under this Section III(j) in an updated investment management agreement between the RBC QPAM and such clients or other written contractual agreement. For Covered Plan clients that received a prior version of the written contractual agreement from an RBC QPAM and sign such agreement after the exemption's effective date, the terms of the exemption will be met if such clients are sent notice of the RBC QPAMs' obligations under this Section III(j) within 30 business days after the date the RBC QPAM receives the signed agreements. Covered Plan clients that return such signed agreement later than six months after the exemption's effective date must receive and execute an updated agreement with the QPAM's obligations under Section III(j). Condition III(j)(7) will also be met where the RBC QPAM has already agreed to the same obligations required by this Section III(j) in an updated investment management agreement between the RBC QPAM and a Covered

Plan. Notwithstanding the above, an RBC QPAM will not violate the condition solely because a Covered Plan client refuses to sign an updated investment management agreement;

(k) Within ninety (90) days after the effective date of this exemption, each RBC QPAM provides notice of the exemption as published in the **Federal Register**, along with a separate summary describing the facts that led to the Conviction (the Summary), which have been submitted to the Department, and a prominently displayed statement (the Statement) that the Conviction results in a failure to meet a condition in PTE 84–14, to each sponsor and beneficial owner of a Covered Plan, or the sponsor of an investment fund in any case where an RBC QPAM acts only as a sub-advisor to the investment fund in which such Covered Plan invests. All prospective Covered Plan clients that enter into a written asset or investment management agreement with an RBC QPAM (including a participation or subscription agreement in a pooled fund managed by an RBC QPAM) after the date that is ninety (90) days after the effective date of this exemption must receive the proposed and final exemptions with the Summary and the Statement prior to, or contemporaneously with, the client's receipt of a written asset management agreement from the RBC QPAM (for avoidance of doubt, all Covered Plan clients of an RBC QPAM during the Exemption Period must receive the disclosure described in this section by the later of (i) ninety (90) days after the effective date of the exemption or (ii) the date that a Covered Plan client enters into a written asset investment management agreement with an RBC QPAM). For clients that received a prior version written contractual agreement from an RBC QPAM and sign such agreement after the exemption's effective date, the terms of the exemption will be met if such clients receive the notice of the exemption as published in the **Federal Register**, the Summary, and the Statement, within 30 business days after the date the RBC QPAM receives the signed agreements. Covered Plan clients that return the signed agreement later than six months after the exemption's effective date must receive a new, updated agreement along with the notice, the Summary, and the Statement;

(l) The RBC QPAMs must comply with each condition of PTE 84–14, as amended, with the sole exception of the violation of PTE 84–14 Section I(g) that is attributable to the Conviction. If, during the Exemption Period, an affiliate of an RBC QPAM (as defined in Section VI(d) of PTE 84–14) violates Section I(g) of PTE 84–14 (other than with respect to the Conviction), relief provided in this exemption would terminate immediately;

(m)(1) Within 60 days after the date of publication of the exemption, each RBC QPAM designates a senior compliance officer (the Compliance Officer) who will be responsible for compliance with the Policies and Training requirements described herein. No person who participated in the criminal conduct that is the subject of the Conviction may be involved with the designation or responsibilities required by this condition, unless the person took active documented steps to stop the criminal conduct that is subject of the Conviction. The Compliance Officer must conduct a review of each twelve-month period comprising the Exemption Period (each, an Exemption Review) to determine the adequacy and effectiveness of the implementation of the Policies and Training. With respect to the Compliance Officer, the following conditions must be met:

(i) The Compliance Officer must be a professional who has extensive experience with, and knowledge of, the regulation of financial services and products, including under ERISA and the Code; and

(ii) The Compliance Officer must have a direct reporting line to the highest-ranking corporate officer in charge of compliance for asset management;

(2) With respect to each Exemption Review, the following conditions must be met:

(i) The Exemption Review includes a review of the RBC QPAM's compliance with and effectiveness of the Policies and Training and of the following: any compliance matter related to the Policies or Training that was identified by, or reported to, the Compliance Officer or others within the compliance and risk control function (or its equivalent) the twelve-month period under review; the most recent Audit Report issued pursuant to this exemption; the most recent Audit Report issued in connection with this exemption; (B) any material change in the relevant business activities of the RBC QPAMs; and (C) any change to ERISA, the Code, or regulations related to fiduciary duties and the prohibited transaction provisions that may be applicable to the activities of the RBC QPAMs;

(ii) The Compliance Officer prepares a written report for each Exemption Review (each, an Exemption Report) that: (A) summarizes their material activities during the twelve-month period under review; (B) sets forth any instance of noncompliance discovered during the twelve-month period under review, and any related corrective action; (C) details any change to the Policies or Training to guard against any similar instance of noncompliance occurring again; and (D) makes recommendations, as necessary, for additional training, procedures, monitoring, or additional and/or changed processes or systems, and management's actions on such recommendations;

(iii) In each Exemption Report, the Compliance Officer must certify in writing that to the best of their knowledge at the time: (A) the report is accurate; (B) the Policies and Training are working in a manner which is reasonably designed to ensure that the Policies and Training requirements described herein are met; (C) any known instance of noncompliance during the twelve-month period under review and any prior period and any related correction taken to date have been identified in the Exemption Report; and (D) the RBC QPAMs have complied with the Policies and Training and/or corrected (or is correcting) any known instances of noncompliance in accordance with Section III(h) above;

(iv) Each Exemption Report must be provided to: (A) the appropriate corporate officers of RBC and each RBC QPAM to which such report relates, and (B) the head of compliance and the RBC QPAM's general counsel (or their functional equivalent) of the relevant RBC QPAM; and must be made unconditionally available to the independent auditor described in Section III(i) above;

(v) Each Exemption Review, including the Compliance Officer's written Exemption Report, must be completed within three (3) months following the end of the period to which it relates;

(n) Each RBC QPAM will maintain records necessary to demonstrate that the conditions of this exemption have been met for six (6) years following the date of any transaction for which the RBC QPAM relies upon the relief in the exemption;

(o) Within ninety (90) days after the effective date of this exemption, each RBC QPAM, in its agreements with, or in other written disclosures provided to Covered Plans, clearly and prominently informs Covered Plan clients of the Covered Plan's right to obtain a copy of the Policies or a description (Summary Policies), which accurately summarizes key components of the QPAM's written Policies developed in connection with this exemption. If the Policies are thereafter changed, each Covered Plan client must receive a new disclosure

within six (6) months following the end of the calendar year during which the Policies were changed. If the Applicant meets this disclosure requirement through Summary Policies, changes to the Policies shall not result in the requirement for a new disclosure unless, as a result of changes to the Policies, the Summary Policies are no longer accurate. With respect to this requirement, the description may be continuously maintained on a website, provided that such website link to the Policies or the Summary Policies is clearly and prominently disclosed to each Covered Plan;

(p) An RBC QPAM will not fail to meet the terms of this exemption, solely because a different RBC QPAM fails to satisfy a condition for relief described in Sections III(c), (d), (h), (i), (j), (k), (l), (m), (n),(o), and (u) or if the independent auditor described in Section III(i) fails to comply with a provision of the exemption, other than the requirement described in Section III(i)(11), provided that such failure did not result from any actions or inactions of RBC or its affiliates;

(q) RBC imposes its internal procedures, controls, and protocols to reduce the likelihood of any recurrence of conduct that is the subject of the Conviction;

(r) All the material facts and representations set forth in the Summary of Facts and Representations are true and accurate;

(s) With respect to an asset manager that becomes an RBC QPAM after the effective date of the exemption by virtue of being acquired (in whole or in part) by RBC or a subsidiary or affiliate of RBC (a ''newly-acquired RBC QPAM''), the newly-acquired RBC QPAM would not be precluded from relying on the exemptive relief provided by PTE 84–14 notwithstanding the Conviction as of the closing date for the acquisition; however, the operative terms of the exemption shall not apply to the newly-acquired RBC QPAM until a date that is six (6) months after the closing date for the acquisition. To that end, the newly acquired RBC QPAM will initially submit to an audit pursuant to Section III(i) of this exemption as of the first audit period that begins following the closing date for the acquisition. The period covered by the audit must begin on the acquisition date of the newly-acquired RBC QPAM;

(t) Relief in this exemption will terminate on the date that is 12 months after the date a U.S. regulatory authority makes a final decision that RBC or an affiliate failed to comply in all material respects with any requirement imposed by such regulatory authority in connection with the Conviction; and

(u) The RBC QPAM(s) must provide the Department with the records necessary to demonstrate that each condition of this exemption has been met within 30 days after a request for the records by the Department.

Exemption Date: The exemption will be in effect during the period beginning on the earlier of September 5, 2025 or the date the exemption is published in the **Federal Register**; and ending on March 4, 2030.

Signed at Washington, DC.

Christopher Motta,

Acting Director, Office of Exemption Determinations, Employee Benefits Security Administration, U.S. Department of Labor.

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Notice to Covered Plan Clients Regarding Individual Prohibited Transaction Exemption for Current and Future Asset Management Affiliates of Royal Bank of Canada

Statement – Need for Exemption

This is to inform you that Royal Bank of Canada, on behalf of its current and future wholly-owned subsidiaries (together, "RBC"), received an individual exemption from the U.S. Department of Labor (the "Department"), Prohibited Transaction Exemption ("PTE") 2025-07 (the "Exemption"). RBC's affiliated asset managers may utilize the class exemptive relief provided by Prohibited Transaction Exemption 84-14 ("PTE 84-14") with respect to certain of their clients and certain types of transactions. PTE 84-14 permits RBC's affiliated asset managers to engage in certain transactions that would otherwise be prohibited by the Employee Retirement Income Security Act of 1974 ("ERISA"). **The conviction described below violated Section I(g) of PTE 84-14.** As a result of such conviction, RBC's affiliated asset managers were no longer permitted to use the relief provided by PTE 84-14 unless they received an individual exemption from the Department of Labor. The Department has granted an exemption, PTE 2025-07, effective as of August 12, 2025 for a period of five years, expiring on March 4, 2030.

Summary of Facts That Led to the Conviction

As described further in the attachment, the Exemption enables RBC to act as a "qualified professional asset manager" ("QPAM") and to continue to rely upon the relief in PTE 84-14 notwithstanding the conviction of an RBC affiliate.

***The Conviction*:** On April 9, 2015, a French investigating judge referred certain members of the Wildenstein family (the "Wildensteins"), Royal Bank of Canada Trust Company (Bahamas) ("RBCTC Bahamas") and other unrelated persons to the French *tribunal correctionnel*. The charges brought against RBCTC Bahamas alleged complicity in estate tax fraud relating to a trust for which RBCTC Bahamas serves as trustee. Specifically, French investigators alleged that RBCTC Bahamas aided and abetted tax fraud committed in Paris by the Wildensteins by deliberately concealing a portion of the sums subject to French taxation on Daniel Wildenstein's estate – in particular certain works of art contained in the Trust.

RBCTC Bahamas contested the charges in French court. On March 5, 2024, the French Court of Appeal rendered a judgment of conviction against RBCTC Bahamas (the "Conviction") and the other defendants. The Court of Appeal ordered RBCTC Bahamas to pay a fine of €5,000 in connection with the Conviction and held RBCTC Bahamas jointly and severally liable with the Wildensteins for unpaid inheritance taxes owing, plus penalties and interest (such aggregate amount will be determined in a separate proceeding before the tax courts, the timing of which is to be determined).

On March 7, 2024, RBCTC Bahamas appealed the decision to the French Supreme Court. Under French law, upon the filing by RBCTC Bahamas of an appeal to the French Supreme Court, the Conviction as well as its effects (fine and joint liability) are stayed pending the outcome of the appeal. Nevertheless, under PTE 84-14, the Conviction is deemed to have occurred for purposes of Section I(g) regardless of whether such Conviction is under appeal.

Therefore, the Exemption is necessary to permit RBC's affiliated asset managers to engage in transactions in reliance on PTE 84-14 as of the date of the Conviction.