Protecting your assets

In today's rapidly changing financial markets, you want to entrust your investments to a strong partner. Our firm has selected RBC Capital Markets, LLC (RBC CM), to provide the protection you need. We view the safety and security of the assets in your accounts as a priority equal in importance to the work we do helping you build, preserve, enjoy and share your wealth.

Key distinction between brokerages and banks

It is important to understand a fundamental difference between how assets are treated in a bank account versus that of a brokerage account.

Bank account

Banks are only required to have a fraction of all deposited money on hand to ensure they can meet minimum cash flow needs. Should a bank fail, and not have sufficient funds to fully reimburse its depositors, Federal Deposit Insurance Corporation (FDIC) protects depositors of member banks, up to certain limits.

Brokerage account

In the brokerage industry, on the other hand, your assets are held in custody by your brokerage firm. We act as a custodian of your assets—holding them on your behalf—so your assets should always be available to you. (Unless you are using margin, in which case you give us permission to temporarily loan securities to others. Please refer to your margin agreement for details.)

Thorough measures to protect your assets

The assets held in an account at RBC CM have four layers of protection:

1. The fiscal stewardship of RBC CM
2. Compliance with Securities and Exchange Commission (SEC) requirements
3. Securities Investor Protection Corporation (SIPC) insurance[1]
4. An additional insurance policy purchased from Lloyd's of London[2]

First layer of protection: fiscal stewardship

RBC CM is known for careful, fiscally conscious decision making that benefits our clients and firm as a whole. We believe in taking a more conservative, diversified and longer-term approach to accomplishing our business goals. Plus, we are affiliated with a strong and dependable global leader in diversified financial services—Royal Bank of Canada.[3]

Second layer of protection: compliance with SEC requirements

Segregation of assets

Segregation simply means your assets are kept separate from firm assets, and thus are protected from potential losses of the firm. RBC CM complies with SEC rules governing the separation of client assets from firm assets. By segregating your non-margin securities from firm securities—and keeping careful records of margin securities held "in street name" in your margin account—your assets would be readily identifiable in the unlikely event of a firm liquidation.

Capital requirements

RBC CM also fully complies with SEC rules requiring all broker-dealer firms to maintain sufficient net capital to ensure that you will get your cash and securities back, in the unlikely event that a firm should fail.

Third layer of protection: SIPC insurance

Since RBC CM is a member of SIPC—a nonprofit corporation funded by member securities broker-dealers—you are eligible for SIPC insurance protection.

In the rare event that RBC CM would become insolvent and by some unlikely sequence there were securities missing from your account, SIPC reserve funds would be available to satisfy your claims against the firm, up to $500,000 per client, including up to $250,000 in cash.

All client accounts which are similarly titled are combined for purposes of determining SIPC protection and each separate legal title would be entitled to the full SIPC protection, as long as SIPC does not determine that the accounts are titled that way in order to avoid the SIPC limit. For example, your individual account, your joint tenants account with a spouse and your custodial account for a minor child would each receive separate protection.

Shares of money market funds, although often thought of by investors as cash, are, in fact, securities. If you hold such securities in your account, these shares are protected in the same manner as any other covered security and are not included in the $250,000 cash threshold.

As stated previously, SEC rules provide for property and possessions of a failed firm to be made available to protect you beyond SIPC's basic coverage. For more information about SIPC coverage, please see the SIPC website at www.sipc.org.

Fourth layer of protection: excess SIPC protection

Another way clients' assets are protected is through an insurance policy purchased by RBC CM from Lloyd's of London that provides coverage in excess of SIPC.

This additional policy covers up to $99.5 million per SIPC-qualified account (of which $900,000 may be cash), subject to a total maximum aggregate for RBC CM of $400 million that would be distributed on a pro-rata basis across all losses by clients of RBC CM.

There has never been a claim paid by an excess SIPC carrier. This is due in part to the segregation rules and the existence of SIPC coverage, which are the first lines of defense in the event of a brokerage firm failure. Excess SIPC insurance is an additional layer of coverage in place for the statistically small chance that SIPC coverage would not be sufficient to settle claims.

Add it all up: layers and layers of protection

In the highly unlikely event you may need them, RBC CM provides four layers of protection for your assets, as previously mentioned:

1. The fiscal stewardship of RBC CM
2. Compliance with SEC requirements
3. SIPC insurance[1]
4. Excess SIPC purchased from Lloyd's of London[2]

The table below illustrates layers three and four: the types of asset protection insurance available, the coverage you can expect to receive, and their total value together.

Asset protection insurance type	Securities and cash coverage
SIPC coverage	$500,000 (maximum $250,000 cash)
Excess SIPC coverage (from Lloyd's of London)	$99,500,000 (maximum $900,000 cash)
Total coverage	$100,000,000 (maximum of $1,150,000 cash)

We are committed to upholding every precaution necessary—and then some—to help protect your wealth.

[1] Neither SIPC protection, nor protection in excess of that provided by SIPC, covers a decline in the value of your assets due to market loss.

[2] Subject to a maximum aggregate of $400 million.

[3] Top 10 bank globally based on market capitalization, with operations in 36 countries (as of October 30, 2020).

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