



Global Asset Management

**RBC Global Asset Management Inc.**

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September 10, 2018

**Via email**

Theodora Lam  
Policy Counsel, Market Regulation Policy  
Investment Industry Regulatory Organization of Canada  
Suite 2000 – 121 King Street West  
Toronto, Ontario  
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E-mail: [tlam@iiroc.ca](mailto:tlam@iiroc.ca)

Dear Ms. Lam:

**Re: Publication of Proposed Provisions Respecting Client Identifiers (the “Proposed Provisions”)**

We are writing in response to IIROC’s Publication of Proposed Provisions Respecting Client Identifiers, published on June 28, 2018.

**Introduction**

RBC Global Asset Management Inc. (“**RBC GAM**”, or “**we**”) is a wholly-owned subsidiary of Royal Bank of Canada and provides a broad range of investment management services and solutions to investors across Canada, including through a variety of mutual funds. As at August 31, 2018, RBC Global Asset Management had over \$275.5 billion in assets under management.

As an asset manager we are an institutional client of IIROC regulated dealers. As a portfolio manager and investment fund manager, we are supportive of initiatives to improve market integrity and the ability of IIROC to conduct effective and timely surveillance of marketplaces. The Proposed Provisions seem consistent with the underlying principles of analogous international proposals and rules in foreign

jurisdictions including, MiFID II in Europe and CAT in the United States. As such, RBC GAM generally supports the efforts of Canadian regulators to follow suit.

### **General Comments**

RBC GAM respects that, if adopted, the Proposed Provisions will have systems and workflow impacts on dealers. RBC GAM is not in a position to provide meaningful comments on the potential impact of the Proposed Provisions on dealers.

RBC GAM already has a Legal Entity Identifier (“LEI”) in order to trade on certain markets, including in the OTC derivatives market. As such, as an institutional client who would be required to provide its LEI to IIROC regulated dealers, RBC GAM does not anticipate incurring additional costs to obtain or maintain an LEI.

### **Confidentiality Concerns and Encryption (questions “f” and “g”)**

Notwithstanding the negligible implementation costs of the Proposed Provision to RBC GAM and the overall benefits to both IIROC’s operations and the integrity of the Canadian capital markets, we have some fundamental concerns with respect to the safety and security of the trading information that will be transmitted between entities. These concerns can be substantially mitigated by requiring that all information transmitted be encrypted, and limiting the individuals who have access to the decrypted information.

As an active portfolio manager that trades frequently and strategically, the security of our trading activities is of extreme importance to RBC GAM. Should any individual or entity obtain access to our trading activities without the appropriate safeguards being in place, significant and irreparable harm may ensue. The noted harm may include both short term harm in the form of front running and/or coattailing of trades and long term harm in the form of reverse-engineering of trading and portfolio construction strategies.

In order to limit the information available to unauthorized parties, dealers must be required to encrypt LEI information on all orders using a key which will only be shared with IIROC. Such encryption will significantly reduce the probability of the noted harm materializing. Requiring encryption will also signal to the marketplace the importance that IIROC places on information security and enact twenty first century legislation that recognizes and mitigates cybersecurity risks.

RBC GAM fears that without requiring the encryption of the information, some dealers may transmit unencrypted information and jeopardize the information of their clients. While RBC GAM can demand that the information be encrypted when entering into

trading agreements with dealers, we respectfully submit that requiring encryption will ensure that (1) all dealers are subject to the same information security regulations when transmitting client information and (2) that the information of all clients is protected rather than just those clients that requested it.

In addition, access to the decrypted data must be limited to designated staff at IIROC, the CSA, and the Bank of Canada. These organizations are to be responsible for maintaining data security and ensuring that the information is not misused. Lastly, robust policies must be in place to ensure that any data shared with outside academic researchers or other non-regulatory participants will have client identifiers removed or masked.

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We appreciate the opportunity to provide comments on this important initiative and welcome the opportunity to discuss the foregoing with you in further detail. If you have any questions or require further information, please do not hesitate to contact the undersigned.

Sincerely,



Daniel E. Chornous, CFA  
Chief Investment Officer

cc. Larry Neilsen, Chief Compliance Officer, RBC Global Asset Management Inc.  
Nicole C. Lee, Assistant General Counsel, RBC Global Asset Management Inc.