



Office of the OMBUDSMAN

ANNUAL REPORT
FISCAL YEAR 2007

Overview

The Office of the Ombudsman is a dispute resolution resource available to all RBC clients. The Ombudsman investigates and helps resolve financial services disputes in an impartial, private forum that is less formal than the court system or binding arbitration. Our dispute resolution specialists are trained in listening, fact-finding and mediation. We explore the interests and actions of the parties involved in a dispute; our objectivity provides a basis to help each party find acceptable solutions. Our services are free and are available to all RBC clients across all RBC global businesses. We also make recommendations to senior management at RBC to improve operations, products, or services to enrich the client experience.

Ombudsman's Message

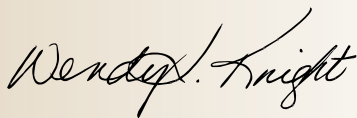
The conclusion of a fiscal year and the transition to another provides a natural opportunity to review the commitment of RBC to conduct its business with integrity. In fact, RBC's Code of Conduct clearly outlines its expectations that its employees ensure the values of RBC are exhibited in all interactions with its clients. This report provides us with the opportunity to share information with RBC clients and employees, reinforcing our collective responsibilities to safeguard financial assets and to act ethically and professionally. It also allows us to encourage RBC clients to raise issues on a timely basis and to be persistent if a response is not understood or does not resolve a situation.

Problem solving takes careful preparation as well as understanding, not only of one's own interests, but the interests of other parties involved in a disagreement or dispute. It requires transparency in discussing issues and possible resolutions. Problem solving also requires patience to recognize when gaps in communication result from lack of information; hidden issues; or generational, cultural, language or educational differences. In almost every dispute we review, we observe a lack of clarity or understanding on one side or the other, and often both.

Every day, the strength of the relationship between RBC and its clients is determined by the respect each has for the other and confidence that difficult issues will be examined professionally and competently.

This 12th annual report of our Office provides an overview of the issues we touched during 2007 and, more importantly, the nature of dispute trends we are observing. I hope this report and other information on our website will assist in effective problem resolution, as well as protecting and safeguarding your financial assets.

I encourage clients to contact RBC or my office should they have outstanding issues they believe have not been addressed.



Wendy Knight
Ombudsman

A. Fast Facts about the Ombudsman:

Fiscal Year 2007
(period between
1 November 2006
and 31 October 2007)

Staff dedicated to client issues

5

Number of clients who contacted our Office:

2,124

- In 2007, we received 3,988 contacts from 2,124 clients. If a client's concern has not been initially addressed by RBC, we acknowledge the client and refer the issue to RBC for response. Over 50% of initial contacts to our office are referred to RBC for review.
- We have observed an increasing reluctance of clients to wait for RBC to contact them. This led to a significant number of clients reconnecting with the Ombudsman's Office if RBC had not contacted them within a day or so of our referral. We are working with RBC to address this issue.
- Over 48% of initial contacts to our office in 2007 were received via e-mail, 9% were by telephone, with the remaining 43% received via surface mail or fax. An additional 19,831 people visited the Ombudsman's website.

Contacts referred to RBC for resolution:

1,825

- After an initial assessment, approximately 52% of our total contacts were referred to the specialized complaint resolution resource for RBC banking clients. Referrals to RBC are essential as they provide RBC with a final opportunity to resolve a complaint and ensure an appropriate review and senior management input. Only in unusual circumstances will the Ombudsman open an investigation into a client complaint without RBC having provided a written response of its position to the client.

Early Conclusions

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- An early conclusion occurs when we believe a client complaint does not require a full case assessment. In these situations, we believe the issue can be readily resolved through timely dialogue with the client and RBC. We generally find early conclusions are possible when insufficient information has been communicated between the client and RBC. One of our goals is to increase early conclusions as this shortens the "time-to-close" considerably and enhances client satisfaction.
- Approximately 5% of requests are declined as being outside the mandate of our Office. These requests concern credit or underwriting decisions and the implementation of service charges or interest rates. Our website describes those issues that fall outside the purview of this Office.

CASE ACTIVITY DURING FISCAL YEAR:

Cases opened

193

Cases closed:

139

- Full agreement (29), partial agreement (11), or referred to RBC when resolution is apparent after case investigation commences and where referral expedites closing (8) 48 (35%)
- No agreement with client 71 (51%)
- Withdrawn by client 11 (8%)
- Declined due to conflicting information requiring court determination 9 (6%)

Case assessments in-progress at fiscal year-end

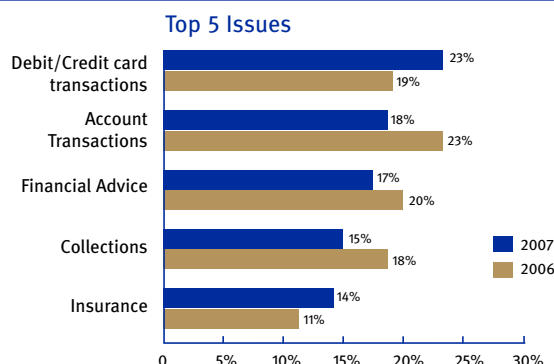
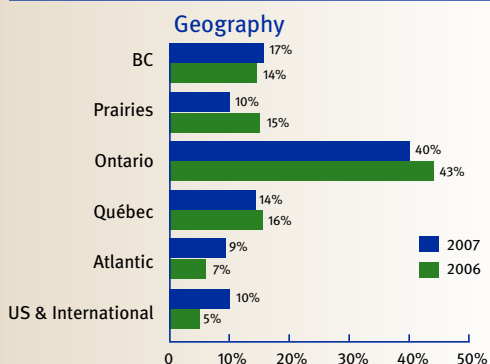
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Cases referred by RBC clients to external Ombudservices

16

- *Ombudsman for Banking Services & Investments (15), General Insurance Ombudsman (0), Canadian Life and Health Insurance Ombudsman (1)*

Sources for closed cases (by percentage):



B. Main Issues and Trends

Most complaints referred to our office in 2007 originated from confusion over financial dealings, misunderstandings, and questions with respect to behaviours and service quality. We continued to observe that less complex transactional disputes, or disputes resulting from bank errors, are being resolved by RBC at an early stage in the dispute resolution process.

Consistent with prior years, over 90% of the cases we reviewed originated with Canadian retail account holders. We reviewed a variety of issues; the most common consumer complaints include disputed debit card, credit card, and Internet transactions, as well as questions concerning the quality of investment advice:

Disputed debit and credit card transactions:

As our population ages, we are observing an increasing dependence by clients on trusted family members and friends to assist us with many functions, including banking. Sometimes, this trust is abused. Our advice is to never divulge personal identification numbers (PIN) to another person as this is your electronic signature. If you are providing assistance to an elderly, disabled, or ill person, please recommend that they seek advice from their banker to facilitate their financial services needs. Once a personal identification number has been divulged, there may be little any bank or law enforcement agency can do to protect the cardholder as any transactions completed with the debit card and PIN will have the appearance of being authorized.

Investment advice: An investor may believe that the recommendations of their investment advisor are not in accordance with their risk appetite or investment objectives. These complaints are challenging and often involve “he said/she said” situations. It is important to read and understand investment statements – if we don’t understand

a prospectus or report, we should probably stay away from that investment. Ask your investment advisor for a copy of the firm’s “Know Your Client” report so you can verify that your risk parameters and investment objectives are understood by your investment advisor. Review the Investment Dealers’ Association, the Mutual Funds Dealers’ Association, and provincial securities commissions’ websites – these provide excellent summaries of investor and investment advisor responsibilities and accountabilities.

Disputed Internet transactions: We have reviewed a number of questionable Internet transactions including situations where clients’ services are engaged over the web. For example, some companies “hire” employees or agents over the net. These “employees” are being asked to act as agents for the companies who generally say they are located outside Canada. The “new” employee or agent provides their personal banking information to the “employer” and then receives a wire transfer or cheque to deposit into their bank account with instructions to wire part of the proceeds to another party, generally outside Canada. After the new employee or agent wires the funds, the original deposit may be returned as fraudulent and the person is left with a debt to the bank. We have observed many instances where people did not stop to ask themselves questions such as - Why does this transaction have to occur so quickly? Why am I placing such a high degree of trust in people I’ve never met? These scams prey on people wanting to believe they have found a great deal. If it sounds too good to be true, it usually is. If in doubt, discuss with your banker. There is no legislated time limit to a cheque or deposit being reversed, not even 30 days or 12 months. This will be covered in your bank account operating agreements.

C. Where you can obtain assistance:

In Canada, clients who are not able to resolve complaints after review by the RBC Ombudsman have the option to refer their complaint to one of the financial service sector Ombudservices; either the Ombudsman for Banking Services and Investments (OBSI), the General Insurance Ombudsman (GIO) or the Canadian Life and Health Insurance Ombudsman (CHLIO).

In the USA, clients who are not able to resolve their complaints with RBC Centura or RBC Dain or other member RBC companies, may refer their complaint to the RBC Ombudsman. If the complaint remains unresolved, clients may choose to refer their issue to any of their local state banking regulators, as established by state law.

The following links provide website information concerning the complaint resolution process:

Canada and International, including US:
<http://www.rbc.com/customercare/index.html>

The brochure, How to make a compliment or complaint, is available in all RBC branches in Canada. In the US, the brochure “We’re Listening” is available in RBC Centura branches.

If this information is not available to you, please contact the RBC Ombudsman at P.O. Box 1, 200 Bay Street, Toronto, Ontario M5J 2J5
 1-800-769-2542 Fax: (416) 974-6922
ombudsman@rbc.com

D. What we need to know to assist you:

Please review the following guide for the information we need from you when you wish us to review your unresolved issue.

Making a complaint to the Office of the Ombudsman

You may refer your complaint in writing to this office after receiving a final response from RBC Royal Bank, RBC Dominion Securities, RBC Insurance, RBC Centura, RBC Dain or any other RBC subsidiary or affiliate. To provide us with sufficient information to understand the basic premise of your issue, please provide the following information with your written complaint:

Date

Name

Address, including postal code

Include surface mail address. The Ombudsman will not respond by e-mail as we are unable to guarantee confidentiality and privacy of your communication over the Internet.

Telephone contact number including area code

Date the complaint commenced

If the complaint consists of more than one transaction or event, please include all relevant dates.

The response by an RBC unit

Please provide the date and the response, including a copy of the response if it was provided to you in written form. Please note the Ombudsman will not open an investigation into your complaint until the appropriate RBC unit has completed its review and provided you with a response to your request.

Your requested resolution

This is what you are seeking to resolve the issue. Please note the mandate of the Ombudsman is not to award punitive damages, or damages for stress and inconvenience. Where warranted, the Ombudsman may recommend reversal of certain costs or reimbursement of certain quantifiable financial expenses.

Complaint Summary

Be specific with respect to dates, monetary claim amounts, individuals involved, noting who you communicated with (and when). Attach documentation as necessary.

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

If we determine a full assessment is necessary, we will provide you with a consent agreement for your signature and return. As we operate independently of RBC, we do not have automatic access to the RBC electronic or paper client files without your express consent. Your consent provides the approval for us to request the relevant client file for review. We will explain this process to you in greater detail when we contact you to discuss your complaint.