

qualify for exemptive provisions of the Rule. Two significant elements of the Rule are:

1. a formula for a cash reserve which restricts a broker-dealer from using customer funds and securities in their own business; and,
2. a requirement that brokers or dealers maintain and obtain physical possession or control, as defined in the Rule, of fully paid and excess margin securities.

6.13.2 Exemptions From 15c3-3

Because of the nature of the Firm's business, the Firm operates under the following exemptions to 15c3-3(k)(2)(ii).

6.13.3 15c3-3 Procedures

Operations is responsible for establishing procedures that are consistent with requirements for safekeeping and handling customer funds and securities. With regard to clearing firm accounts, customer funds and securities shall be promptly delivered to the clearing firm by noon of the next business day. When customer checks or securities are held at the Firm overnight, the checks and securities will be held in a safe in Operations. When customer checks or securities are held at the branch overnight, the checks and securities will be held in a safe or locked location in the branch.

When clients send checks to a branch office, RRs are responsible for ensuring that the check is entered onto a Checks Received Blotter, entering date of check, amount of check, date received, name of customer, to whom sent and date of disbursement.

All securities received from clients must be logged onto a securities received blotter and forwarded to Operations as needed. This blotter should include: date securities received, from whom received, account for which receipt was made, security name, number of shares or units of each security and certificate numbers. All such reviews will be documented, evidencing reviews by initials and dates.

Blotters should be prepared no later than the following business day. Branches should send the checks or securities to Operations or product sponsor promptly by noon of the next business day following receipt in the branch.

A checks received blotter will be forwarded to Operations and reviewed minimally on a monthly basis, to ensure that all checks are appropriately forwarded in a timely manner. Failure to immediately forward the checks could put us in net capital jeopardy. All such reviews will be documented, evidencing reviews by initials and dates.

Red flags triggering reviews of a more in-depth nature include, but are not limited to:

- significant increase/decrease in transaction frequency
- material change in the type of securities purchased/sold in an account
- increase in commissions generated by an account
- significant increase in canceled transactions or extension requests.

Documentation of any red flag, or other reviews, generated to ensure that there has been no improper handling of customer funds will be maintained in the files, indicating what caused the review, who undertook the review, the dates of such review activities, what the review entailed, and any findings and corrective measure taken.

Checks improperly made payable or endorsed incorrectly must be handled in the following manner:

Dear Valued Customer:

___ 1). The enclosed check copy is being sent to you because your recent check deposit was not made payable to RBC. In this case your deposit was made, however, in the future, deposits made into your brokerage account must be made payable to RBC.

___ 2) The enclosed check is being returned to you because we are prohibited from accepting checks for brokerage accounts that are not made payable to RBC. Please submit a check payable to RBC.

___ 3) The enclosed check copy is being sent to you because your recent check deposit was not properly endorsed. In this case your deposit was made, however in the future, we must have the name of the account and the account number listed in the endorsement and it must be signed by the person(s) listed in the payee section on the front of the check. No one else may endorse the check other than the person(s) listed on the front of the check. Checks not endorsed or simply marked "For Deposit Only" are not acceptable under our regulatory guidelines. For your protection, please note that a check endorsed "For Deposit Only" with no account number or name listed may be deposited into anyone's account - not just yours. Please ensure future check deposits are endorsed properly.

___ 4) The enclosed check is being returned to you because it is not properly endorsed. We must have the name of the account and account number listed in the endorsement and it must be signed by the person(s) listed in the payee section on the front of the check. No one else may endorse the check other than the person(s) listed on the front of the check. Checks not endorsed or simply marked "For Deposit Only" are not acceptable under our regulatory guidelines. For your protection please note that a check endorsed "For Deposit Only" with no account number or name listed may be deposited into anyone's account - not just yours.

We apologize for any inconvenience this may cause, but hope you understand that this is for your protection as well as ours. Please feel free to contact your Financial Advisor if you have any questions or concerns.

Sincerely,