

Broker-dealers regulated by the SEC are required to furnish their audited financial statements to the SEC. As a result, these broker-dealers technically meet the definition of an SEC filer under the Master Glossary even though they may not have any external equity or debt investors, i.e. even though they are not publicly traded reporting entities. The SEC's definition of an SRC excludes investment companies, asset-backed issuers and majority-owned subsidiaries of parents that are not SRCs. In addition, the SRC definition applies only to SEC registrants that are publicly-traded reporting entities, which may result in similarly-sized companies that are both SEC filers as defined in the Master Glossary applying different effective dates. For example, a publicly traded reporting entity that meets the criteria of an SRC will be in bucket 2, while the same-sized SEC-registered broker-dealer will not be able to apply the SRC definition and will remain in bucket 1.

Under the proposed approach, our broker-dealer entities are in bucket 1 (early adopters) while the parent company (IHC) and the remaining entities comprising our US Operations are in bucket 2 (adopters with extended timeline). This outcome will result in many of the entities in our US Operations being required to adopt new accounting standards several years earlier than the other entities in our US Operations. The consolidation of these US subsidiaries under the IHC will create an inconsistent presentation of financial statements that will require the IHC to either (i) unwind the adoption of new accounting standards for its broker-dealer subsidiaries (early adopters) to remain consistent with the rest of the consolidated group, or (ii) make consistent the adoption of new accounting standards by moving adopters with an extended timeline (bucket 2) to be in-line with early adopters (bucket 1). Both options create operational complexities as discussed below:

- i) In the first option, broker-dealers will be required to maintain multiple US GAAP ledgers and dedicate additional resources to establish and maintain internal controls over dual US GAAP financial information and reconciliation between both views. Currently, RBC maintains accounting records under both IFRS (for purposes of consolidation with the Parent) and US GAAP (requirements for US subsidiaries) so setting up another view under US GAAP will introduce additional complexity into an already complex the existing process.
- ii) The second option will push the IHC and the other entities in our US Operations to adopt the accounting standards earlier at the broker-dealer timeline of bucket 1. The IHC and other US subsidiaries (that are other than broker-dealers) are not large publicly traded reporting entities and are eligible for deferral under bucket 2.

Finally, although the US subsidiaries of RBC are viewed as subsidiaries of a large accelerated SEC registrant, they will not be able to benefit from the adoption efforts of the parent as RBC reports under IFRS, which may not be aligned to US GAAP. Furthermore, many of these subsidiaries operate as separate smaller companies and do not necessarily benefit from the synergies and resources of the consolidated group. As a result, these subsidiaries face challenges similar to those set forth in the Proposed Update for smaller companies. In addition, our US GAAP reporting subsidiaries generally apply a much lower materiality threshold than IFRS group reporting, potentially subjecting the US GAAP subsidiaries to a higher degree of precision and operational complexity when adopting new accounting standards.

Based on these factors, we believe that it is critical that the FASB revise or clarify (i) the definition of an SEC filer in the Master Glossary and (ii) its scoping criteria between the two groups of entities to provide relief for broker-dealers registered with the SEC from being captured in the bucket 1 group of large publicly traded reporting entities simply because of their requirement to provide financial statements to their regulator.

Thank you again for the opportunity to provide our comments on the Proposed Update. Please contact Madina Nigmatulina at Madina.Nigmatulina@rbc.com or 212-858-7412 if we can provide any additional information regarding our comments.

Sincerely,



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