

Affiliated trading programs (10b5-1 plans)



Wealth Management

As a corporate insider, transactions in your company's stock are subject to public and regulatory agency scrutiny under Rule 10b5. Furthermore, transactions in your company's stock made by your spouse, family members who live with you and other entities, such as trusts or corporations affiliated with you, are also subject to the same regulatory requirements.

What is SEC rule 10b5?

Rule 10b5 states that company affiliates cannot trade their company's stock while in possession of material, non-public information. It is one of the most important rules promulgated by the U.S. Securities and Exchange Commission to help prevent securities fraud.

About rule 10b5-1

Corporate insiders can gain an exception to SEC Rule 10b5 by creating a Rule 10b5-1 plan to provide an "affirmative defense" from insider trading liability.

Rule 10b5-1 offers a way to systematically sell shares of your company stock, even during issuer trading blackouts. Before becoming aware of material, non-public information, you must enter into a binding contract to purchase or sell the security. The contract must be implemented during an open window and an officer or legal counsel of your company must approve of the plan.

With respect to such contracts, you must specify the amount, price and date of such purchases or sales or provide a written formula, algorithm or computer program for determining amounts, prices and dates.

The plan does not permit you to exercise influence over how, when or whether to effect purchases or sales. Any purchase or sale must be executed pursuant to the plan exactly as it is outlined in the contract.

Benefits

Beyond providing the ability to buy or sell stock during quiet periods, a 10b5-1 plan may help facilitate future trades on a more predictable and consistent basis. Your plan may help you liquidate a portion of a concentrated position.

Plus, it can be customized to reflect your monetization needs.

RBC Corporate and Executive Services assists with 10b5-1 plans

The experienced specialists at RBC Corporate and Executive Services can work with your RBC Wealth Management financial advisor to help develop and execute a properly designed 10b5-1 plan.

Consistent with established best practices, our services include:

- Providing a compliance-approved plan template
- Identifying an appropriate liquidity strategy
- Executing the plan
- Filing all required Rule 144 forms with the SEC (on behalf of the affiliate) when necessary and notifying the issuer to facilitate Section 16 filing requirements
- Coordinating stock clearance with the transfer agent

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

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