

Client Agreement

Guaranteed Investment Certificate (GIC)



Special Conditions – RBC North American MarketSmart GIC

The RBC® North American MarketSmart GIC is a principal protected note through which you will deposit a principal amount and be eligible to earn a Variable Return Payment (as described below).

These **Special Conditions** supplement our Client Agreement – Guaranteed Investment Certificate (the “**Agreement**”) that you have entered into with us and set out the terms under which you can purchase an RBC North American MarketSmart GIC (the “**Deposit**”). In case of conflict between these Special Conditions and the Agreement, these Special Conditions will prevail.

1. What the Words Mean

When these Special Conditions refer to “**you**” and “**your**”, they mean any person in whose name a Deposit is held. If you hold a Deposit with others, it means each of those persons, individually and together. If a Deposit is held within a Royal Bank of Canada Retirement Savings Plan, Retirement Income Fund, Education Savings Plan, Disability Savings Plan or Tax-Free Savings Account (“**Registered Plan**”), then you are the annuitant, subscriber or holder of the plan, as may be applicable. When these Special Conditions refer to “**we**”, “**our**” and “**us**”, they mean the Royal Bank of Canada (the Bank) if a Deposit is with the Bank and Royal Trust Corporation of Canada, or in Quebec, The Royal Trust Company (Royal Trust), if a Deposit is with the Royal Trust.

“**Base Price**” has the meaning ascribed thereto under *Section 3 – Variable Return*.

“**Business Day**” means a day on which our main branch in Toronto, Ontario is open for business and, in respect of the Reference Portfolio, will only include a day which is a trading day on the applicable Principal Exchange for the Reference Portfolio, other than a day on which any such Principal Exchange is scheduled to close or closes prior to its regular weekday closing time.

“**Deposit**” has the meaning given to it above.

“**Investment Date**” means the investment date for a Deposit, as indicated on its certificate or confirmation notice we provide to you.

“**Maturity Date**” means the maturity date for a Deposit, as indicated on its certificate or confirmation notice we provide to you.

“**Maximum Return**” means the maximum return, expressed as a percentage rate per term, that we set for a Variable Return on the Investment Date for a Deposit, as indicated on its certificate or confirmation notice we provide to you.

“**Minimum Return**” means the minimum return, expressed as a percentage rate per term, that we set for a Variable Return on the Investment Date for a Deposit, as indicated on its certificate or confirmation notice we provide to you.

“**NYSE**” means New York Stock Exchange and its successors.

“**Percentage Change**” has the meaning ascribed thereto under *Section 3 – Variable Return*.

“**Principal Exchange**” means, in respect of a Share, any stock exchange or quotation system on which such Share is listed.

“**Reference Portfolio**” means an equally weighted notional basket consisting of the common shares (each, a “**Share**” and collectively, the “**Shares**”) of the following twenty (20) Canadian and U.S. companies (each, a “**Company**” and collectively, the “**Companies**”).

Company	Ticker	Principal Exchange	Currency
Royal Bank of Canada	RY	TSX	CAD
Toronto-Dominion Bank	TD	TSX	CAD
Bank of Nova Scotia	BNS	TSX	CAD
Bank of Montreal	BMO	TSX	CAD
Canadian Imperial Bank of Commerce	CM	TSX	CAD
Enbridge	ENB	TSX	CAD
Power Corporation of Canada	POW	TSX	CAD
Fortis	FTS	TSX	CAD
Emera	EMA	TSX	CAD
Bell	BCE	TSX	CAD
Lockheed Martin	LMT	NYSE	USD
AbbVie Inc.	ABBV	NYSE	USD
Pfizer	PFE	NYSE	USD
Johnson & Johnson	JNJ	NYSE	USD
Coca-Cola	KO	NYSE	USD
McDonald's	MCD	NYSE	USD
United Parcel Service	UPS	NYSE	USD
IBM	IBM	NYSE	USD
AT&T	T	NYSE	USD
Verizon	VZ	NYSE	USD

“**Savings Deposit**” means an interest-bearing deposit of funds that is held within an RBC Registered Plan.

“**Special Circumstances**” means the special circumstances more fully described in *Section 11* that could affect the Variable Return.

“**Settlement Price**” has the meaning ascribed thereto under *Section 3 – Variable Return*.

“**TSX**” means Toronto Stock Exchange and its successors.

“**Variable Return**” means, subject to any Special Circumstances that have occurred, the return earned on your Deposit as calculated in *Section 3* of these Special Conditions and expressed as a percentage rate per term.

“**Variable Return Payment**” means the amount, expressed in dollars and cents, equal to the product obtained by multiplying the principal amount of the Deposit by the Variable Return, the Minimum Return or the Maximum Return, as the case may be.

The other words used in these Special Conditions have the same meaning we have given to them in the Agreement. You will refer to the Agreement if needed when reading those words.

2. Deposit

The Variable Return on the RBC North American MarketSmart GIC is determined by the performance of the companies in the underlying Reference Portfolio.

3. Variable Return

We will calculate the Variable Return using the following formula and express it as a percentage rate per term:

Variable Return = Average of the Percentage Change for each of the 20 Companies in the Reference Portfolio

Where “**Percentage Change**” for each Company will be equal to:

(Settlement Price – Base Price)

Base Price

“**Base Price**” of a Share is, subject to circumstances described under *Section 11*, the price of the Share as of the close of trading on the Principal Exchange on the Business Day following the Investment Date.

“**Settlement Price**” of a Share is, subject to circumstances described under *Section 11*, the price of a Share as of the close of trading on the Principal Exchange on the Business Day preceding the Maturity Date.

If the Variable Return is below the Minimum Return, the Minimum Return will be used to calculate the Variable Return Payment. If the Variable Return is above the Maximum Return, the Maximum Return will be used to calculate the Variable Return Payment. The Variable Return will represent the return on the Deposit for the entire period that the Deposit is issued and outstanding.

4. Payments

- a) **Principal:** We will repay the principal and pay any Variable Return Payment earned on the principal, at the end of the term, in accordance with these Special Conditions. For a Deposit held within a Registered Plan, all such transactions will occur within your Registered Plan.
- b) **Interest and Variable Return:** We will not pay interest on a Deposit. Instead we will make a Variable Return Payment as described in *Section 3* above at the end of the term. Accordingly, the reference to interest or interest payment in the Agreement will be adjusted to mean a Variable Return or Variable Return Payment, as applicable. The amount and method of determining the Variable Return and the timing of the payment of the Variable Return, if any, may be affected by certain Special Circumstances as described in *Section 11*.

5. Registered Plan Redemptions

If this Deposit is held within a Registered Plan, we will redeem the Deposit in full and you will not receive any Variable Return Payment if:

- a) You direct a payment or withdrawal of any kind from the Registered Plan or we are otherwise required by law to make a payment (“Registered Plan Payment”), and
- b) There is not sufficient cash or other investments in the Registered Plan which we can redeem or sell to make the Registered Plan Payment in full without using part or all of this Deposit.

It is your responsibility to give instructions and to make certain there is sufficient cash in the Registered Plan to make a Registered Plan Payment in full. If you fail to do so, you understand we may redeem the Deposit in full since we will not process partial redemptions if a Registered Plan Payment must be made from the Deposit. We will invest any funds remaining from the redeemed Deposit in a Savings Deposit within the Registered Plan.

6. Redemptions

If a Deposit is held outside a Registered Plan, there may be instances where we will be required by law to make a payment, such as to a judgment creditor. You understand we may redeem the Deposit in full since we will not process partial redemptions, which will result in no Variable Return or Variable Return Payment for the entire time you held the Deposit. We will invest any funds remaining from the redeemed Deposit in a One Year Redeemable GIC at the then prevailing interest rate and upon the terms and conditions applicable to such product at that time.

7. At Maturity

This product cannot be renewed. If the Deposit is not held within a Registered Plan, upon maturity we will pay out your principal and the Variable Return Payment in accordance with your instructions. If the Deposit is held within a Registered Plan, the principal and Variable Return Payment will be credited to a Savings Deposit within the Registered Plan. Accordingly, all provisions of the Agreement relating to renewal are amended to the extent necessary to adapt to the Special Conditions.

8. Tax Considerations

We understand the Deposit is a “prescribed debt obligation” within the meaning of the *Income Tax Act (Canada)* and *Income Tax Regulations*, section 7000(1)(d). We also understand that the income tax rules that apply to the Deposit require a taxpayer to accrue in each taxation year the maximum amount of any interest, bonus or premium receivable from the Deposit and in respect of that year. Based on our understanding of the current administrative practice of the Canada Revenue Agency, only an amount based on accruing the Minimum Return over the term and calculated on each Anniversary Day (as defined in the *Income Tax Act (Canada)*) would be considered receivable for each year up to the final calendar year. We will report this amount to you annually on a tax slip if the accrued income is \$50 or more. For the final calendar year that includes the Maturity Date, you will receive a tax slip reflecting the Variable Return Payment amount less the income amounts accrued in previous years. Please also note that if you hold any RBC MarketSmart or Market-Linked GIC product (except an RBC Canadian Utilities MarketSmart GIC, RBC US MarketSmart GIC, RBC ESG Market-Linked GIC, or Global Market-Linked GIC) and you become a non-resident during its term, applicable non-resident withholding tax will be deducted when the return is paid on the applicable RBC MarketSmart or Market-Linked GIC.

9. Disclosures

- a) **Term:** The term of the Deposit or the Maturity Date, as well as how and when the principal and Variable Return Payment are to be paid are indicated on the certificate or confirmation notice.
- b) **Fees:** There are no fees or charges applicable to the Deposit.
- c) **Variable Return:** The method of calculating the Variable Return and any limitations in respect of the Variable Return Payment are described herein.
- d) **Risk Factors/Considerations:** The following are some risks and considerations associated with the Deposit:
 - i. If the Variable Return is less than the Minimum Return on the Maturity Date, the Minimum Return will be used to calculate the Variable Return Payment;
 - ii. If the Variable Return is greater than the Maximum Return on the Maturity Date, the Maximum Return will be used to calculate the Variable Return Payment;
 - iii. The Variable Return will depend upon the performance of the applicable Reference Portfolio. No assurance may be given as to how a Reference Portfolio will perform;
 - iv. If payments are required to be made as described in *Sections 5 and 6* above, you understand we may redeem the Deposit in full since we will not process partial redemptions, which will result in no Variable Return Payment for the entire time you held the Deposit;
 - v. The Deposit is not equivalent to a direct investment in the securities of the Reference Portfolio and the Deposit does not entitle you to any interest in the securities of the Reference Portfolio, including any right to receive dividend or distribution payments or the right to vote or attend shareholders' meetings. As such the Deposit is subject to different risks than a direct investment in the securities of the Reference Portfolio and any return payable will not be identical to the return associated with the securities of the Reference Portfolio; and
 - vi. Since the return on the Deposit is tied to changes in the stock market, this Deposit carries a higher level of risk than a traditional fixed rate investment. It is possible that the yield based on the performance of the stock market may be nil at the Maturity Date and only the Minimum Return could be paid.
- e) **Differences from a Fixed Rate Investment:** Unlike a fixed rate investment, this Deposit will not provide a guaranteed rate of return. The return on this Deposit will depend on the performance of the applicable Reference Portfolio and will be known for certain at the Maturity Date and is a function of the appreciation of the securities, which could be subject to major fluctuations in the stock market. Consequently, we can guarantee only the Minimum Return at the Maturity Date.
- f) **Appropriateness:** This Deposit provides opportunities but may pose risks, which should be carefully considered. This Deposit is designed for those who wish to earn a higher rate of return than traditional deposits, such as fixed rate guaranteed investment certificates, and are willing to accept the risk of earning a minimal return but at the same time wish to have their principal guaranteed.
- g) **No Redemption before Maturity:** Except as described in *Section 6*, a Deposit may not be redeemed until its Maturity Date.
- h) **No Secondary Market:** This Deposit is not transferable. There shall not be any secondary market for this Deposit.
- i) **Right of Cancellation:** You may cancel any purchase of a Deposit made by electronic means or by telephone by notifying us within 2 days of the earlier of actual receipt or deemed receipt of the written disclosures related to the Deposit. Upon cancellation, you are entitled to a refund of the Deposit, but if the Deposit was held within a Registered Plan, the Deposit will be credited to a Savings Deposit within the plan.
- j) **Potential Conflict of Interest:** We will be responsible in most cases for determining the Variable Return and may exercise judgment and discretion in relation to the calculations and determinations undertaken in respect of the Variable Return. Our calculations and determinations will (absent manifest error) be final and binding on you. Consequently, potential conflicts between the interests of the depositors and our interests may arise.
- k) **Restrictions on Sale:** This Deposit may only be sold in Canada and to Canadian residents. It is subject to all other restrictions on sale that may apply under federal or provincial laws.
- l) **Currency:** This Deposit is in Canadian dollars. The redemption of the principal and the Variable Return Payment (if any) will be made in Canadian dollars.

10. Availability of Information

- a) The information contained in *Section 9* (Disclosures) above may be obtained on our public website at rbc.com and a paper copy may be made available upon request by visiting our branches or by calling toll free at 1 (800) 769-2511;
- b) If you wish to obtain an indication of the current or past value of your Deposit or its applicable Reference Portfolio, you may do so by visiting our branches, by calling 1 (800) 769-2511 or by using our **RBC Equity-Linked GICs Return Calculator**, on the GIC page of our public website at rbc.com. Note the actual return on your Deposit may only be determined on the Maturity Date.

11. Special Circumstances

You understand and agree that there is the possibility of the occurrence of a market disruption or other event beyond our reasonable control, including but not limited to a merger, a share split or a Company bankruptcy, which has or will have a material adverse effect on our ability to calculate the Variable Return, to manage the related risk, or to otherwise perform our obligations under these Special Conditions. If such an event occurs, we may, acting reasonably and at our sole discretion, take such action as we deem necessary, including (without limitation) adjusting, advancing or delaying the calculation or payment of any Variable Return or determining the Variable Return in a different manner, substituting a Company with a new company or estimating the value of a Company. If this happens, we will disclose this to you.



The RBC North American MarketSmart GIC is offered by Royal Bank of Canada, Royal Trust Corporation of Canada and The Royal Trust Company.

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