

Client Agreement

Guaranteed Investment Certificate (GIC)



Special Conditions for RBC® U.S. MarketSmart GIC RBC® Canadian Banking MarketSmart GIC RBC® Canadian Utilities MarketSmart GIC

The RBC U.S. MarketSmart GIC, the RBC Canadian Banking MarketSmart GIC and the RBC Canadian Utilities MarketSmart GIC are a principal protected notes through which you will deposit 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 U.S. MarketSmart GIC, RBC Canadian Banking MarketSmart GIC and/or RBC Canadian Utilities 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.

“**Business Day**” means a day on which our main branch in Toronto, Ontario is open for business and, in respect of a particular Equity Index, will only include (a) a day on which commercial banks are open for business in the city where the Sponsor for that Equity Index is located, and (b) a day which is a trading day on the applicable Principal Exchange for that Equity Index, other than a day on which any such Principal Exchange is scheduled to close or closes prior to its regular weekday closing time;

“**Equity Index**” means the S&P 500[±] Index, the S&P/TSX[±] Banks Index or the S&P/TSX[±] Capped Utilities Sector Index, as the case may be, depending on the Deposit, more fully described in section 2;

“**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;

“**Principal Exchange**” means

- (a) in respect of the S&P 500 Index, the New York Stock Exchange and the Nasdaq Stock Market;
- (b) in respect of the S&P/TSX Banks Index, the Toronto Stock Exchange; and
- (c) in respect of the S&P/TSX Capped Utilities Sector Index, the Toronto Stock Exchange;

“**S&P[±]**” means Standard & Poor’s[±];

“**S&P 500 Index**” means the capitalization weighted index of a selection of five hundred (500) stocks known as the Standard & Poor’s 500 Index, as calculated and disseminated by Standard & Poor’s from time to time in accordance with the rules Standard & Poor’s has established for this purpose;

“**S&P/TSX Banks Index**” means an index which includes Global Industry Classification Standard sub industry groups of diversified banks, commercial banks whose businesses are derived primarily from commercial lending operations and retail banking, regional banks whose businesses are similar but who have limited geographic exposure, and thrift and mortgage finance companies, which include financial institutions that provide mortgage and mortgage related services. The parent index for the S&P/TSX Banks index is the S&P/TSX Composite Index;

“**S&P/TSX Capped Utilities Sector Index**” means a modified capitalization-weighted index whose equity weights are capped at 25%. The index constituents are derived from a subset stock pool of S&P/TSX Composite Index stocks. Sector classification is based on the Global Industry Classification Standard. The base date is September 29, 2000 and has a base of 100;

“**Special Circumstances**” means the Special Circumstances more fully described in section 11 that could affect the Variable Return;

“**Sponsor**” means Standard & Poor’s;

“**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.

Each of the other capitalized terms used in these Special Conditions has the meaning given to it elsewhere herein, or else has the meaning given to it in the Agreement. You will refer to the Agreement if needed when reading those words.

2. Deposit

If you have selected the **RBC U.S. MarketSmart GIC**, the Variable Return of your Deposit is determined by the **S&P 500 Index**.

If you have selected the **RBC Canadian Banking MarketSmart GIC**, the Variable Return of your Deposit is determined by the **S&P/TSX Banks Index**.

If you have selected the **RBC Canadian Utilities MarketSmart GIC**, the Variable Return of your Deposit is determined by the **S&P/TSX Capped Utilities Sector Index**.

3. Variable Return

We will calculate the Variable Return in accordance with the following formula and express it as a percentage rate per term. In this calculation “**Index Base Level**” is the closing level for the Equity Index linked to your Deposit on the Business Day following the Investment Date, and “**Index Settlement Level**” is the closing level for the Equity Index linked to your Deposit on the Business Day preceding the Maturity Date:

$$\frac{\text{Index Settlement Level} - \text{Index Base Level}}{\text{Index Base Level}} = \text{Variable Return}$$

If the Variable Return, calculated in accordance with the above formula, is below the Minimum Return, the Minimum Return will be used to calculate the Variable Return Payment. If the Variable Return, calculated in accordance with the above formula, is above the Maximum Return, the Maximum Return will be used to calculate the Variable Return Payment.

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.

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 this is a Deposit 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 Regulation 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 reported 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 Index Settlement Level is less than the Index Base Level on the Maturity Date, the Minimum Return will be used to calculate the Variable Return Payment;
 - (ii) If the Index Settlement Level is greater than the Index Base Level and exceeds 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 Equity Index. No assurance may be given as to how an Equity Index 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; and
 - (v) The Deposit is not equivalent to a direct investment in the securities of the Equity Index and the Deposit does not entitle you to any interest in the securities of the Equity Index, including any right to receive dividend or distribution payments. As such the Deposit is subject to different risks than a direct investment in the securities of the Equity Index, and any return payable will not be identical to the return associated with the securities of the Equity Index.
- (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 Equity Index.
 - (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 the actual receipt or the 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 1-800-769-2511.
- (b) If you wish to obtain an indication of the current or past value of your Deposit at any time, 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

- (a) **Extraordinary Events:** You understand and agree that there is the possibility of the occurrence of a market disruption or other event beyond our reasonable control 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, take such action as we deem necessary, including (without limitation) adjusting, advancing or delaying the calculation or payment of any Variable Return. If this happens, we will disclose this to you.

- (b) **Discontinuation or Modification of an Equity Index:** If, for any reason, the Sponsor ceases to calculate or publish an Equity Index or materially changes the numerical form of (or the method of calculating) an Equity Index, we may determine the Variable Return as we deem appropriate, including consulting independent calculation experts to make any necessary calculations they deem appropriate. If this happens, we will disclose this to you.

12. Sponsor and Equity Index Disclaimers

The Deposit is not sponsored, endorsed, sold or promoted by any Sponsor or their third party licensors. Neither the Sponsors, nor their third party licensors, make any representation or warranty, express or implied, to you or any member of the public regarding the advisability of investing in securities generally or in the Deposit particularly, or the ability of the Equity Index to assess or track general stock market performance or any other economic factor. The Sponsor's and their third party licensors' only relationship to us is the licensing (or sub-licensing) of certain trademarks and trade names of the Sponsor, their third party licensors and the Equity Index, which is determined, composed and calculated by the Sponsor or their third party licensors without regard to us or the Deposit. The Sponsor and their third party licensors have no obligation to take our needs into consideration in determining, composing or calculating the Index. Neither the Sponsor nor any third party licensor is responsible for and has not participated in the determination or calculation of the Variable Return or the Variable Return Payment. The Sponsor has no obligation or liability in connection with the marketing, trading or administration of the Deposit.

13. Changing This Agreement

We may make changes to this Agreement at any time. If we do, we will let you know before the changes take effect.

Neither the Sponsor, nor its affiliates, nor their third party licensors guarantee the adequacy, accuracy, timeliness or completeness of any Equity Index or any data included therein or any communications, including but not limited to oral or written communications (including electronic communications) with respect thereto. The Sponsor, its affiliates and their third party licensors shall not be subject to any damages or liability for any errors, omissions or delays therein. The Sponsor makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the marks, the index or any data included therein. Without limiting any of the foregoing, in no event whatsoever shall the Sponsor, its affiliates or their third party licensors be liable for any indirect, special, incidental, punitive or consequential damages, including but not limited to loss of profits, trading losses, lost time or goodwill, even if they have been advised of the possibility of such damages, whether in contract, tort, strict liability or otherwise.