

Client Agreement

Guaranteed Investment Certificate (GIC)



Special Conditions – Canadian Market-Linked GIC

1. What the Words Mean

In these Special Conditions, please remember that, “**you**” means any person in whose name a Canadian Market-Linked GIC deposit is held. If more than one person holds the GIC, then “**you**” means each of those persons, individually and together; and

“**we**”, “**our**” and “**us**” means the Royal Bank of Canada if a deposit is with the Bank, Royal Bank Mortgage Corporation (RBMC) if a deposit is with RBMC and Royal Trust if a deposit is with Royal Trust Corporation of Canada, or in Quebec, The Royal Trust Company.

Please also remember that,

“**Agreement**” means the Client Agreement – Guaranteed Investment Certificate (GIC) you have entered into with us.

“**Business Day**” means a day on which our main branch in Toronto, Ontario is open for business and which is a trading day on the TSX;

“**Index Base Level**” means the closing level for the S&P/TSX 60 Index[‡] on the Business Day following the Investment Date for a deposit;

“**Index Settlement Level**” means:

- (a) if we receive a Variable Return “lock in” notice in writing at the branch where our GIC account is located from you before the second anniversary of the Investment Date for a deposit with a three (3) year term, the closing level for the S&P/TSX 60 Index for the Business Day immediately following the second anniversary of the Investment Date for the GIC deposit; and
- (b) in all other cases, the average of the month end Business Day closing levels for the S&P/TSX 60 Index for the twelve (12) month period immediately preceding the maturity date for a deposit.

“**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;

“**Participation Factor**” means the percentage rate we set at the time the deposit is purchased based on our assessment of market conditions. The Participation Factor for a deposit is indicated on its certificate or confirmation notice we provide to you;

“**Variable Return**” means, subject to any Special Circumstances that have occurred, the result calculated in accordance with the following formula and expressed as a percentage rate:

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

If the Variable Return, calculated in accordance with the above formula, is a negative percentage rate, the Variable Return will be zero;

“**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. If the Variable Return is zero, this amount will be zero;

“**Special Circumstances**” means the Special Circumstances described in section 6 of these Special Conditions;

“**S&P**” means Standard and Poor’s[‡], a division of The McGraw-Hill Companies, Inc.

“**S&P/TSX 60 Index**” means the modified capitalization weighted index composed of 60 Canadian securities known as the S&P/TSX 60 Index, as calculated and disseminated by S&P from time to time (or by an agent of S&P appointed for this purpose) in accordance with rules S&P has established for this purpose; and

“**TSX**” means The Toronto Stock Exchange, or a successor to this Exchange.

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 you need to when reading those words.

2. General

These Special Conditions will form part of the Agreement and will apply to each deposit to which a Variable Return applies. It replaces all prior agreements between you and us for those deposits. If there is a conflict between these Special Conditions and the Agreement, these Special Conditions will prevail.

3. Renewal

If you do not provide us with instructions as to what to do with the principal of the deposit and the Variable Return Payment, if any, on the Maturity Date and this is a deposit held outside a registered plan, we will automatically invest them both in a One Year Cashable GIC at the then prevailing interest rate and upon the terms and conditions applicable to such product at that time. If this is a deposit held within a Royal Bank of Canada retirement savings plan, retirement income fund, or education savings plan within a registered plan, the principal and return will be credited to a Savings Deposit within the plan. Accordingly, all provisions of the Agreement relating to renewal are amended to the extent necessary to adapt to the present.

4. Payments

- (a) **Principal:** We will repay or renew a deposit, together with any unpaid Variable Return Payment earned on it during its term, in accordance with the Agreement and these Special Conditions.
- (b) **Interest:** We will not pay interest on a deposit during the term. Accordingly, the Interest section of the Agreement will not apply to any deposit to which these Special Conditions apply.
- (c) **Variable Return Payment:** We will pay the Variable Return Payment (if any) earned on a deposit:
 - (i) at the end of the second anniversary of the Investment Date for a deposit with a three (3) year term, if we receive a Variable Return “lock in” notice in writing at the branch where your GIC account is held from you before the end of that second anniversary,
 - (ii) at the end of its term, in all other cases.

There is no Variable Return payable unless the Index Settlement Level is greater than your Index Base Level. The Participation Factor, set at the time of purchase, will limit the amount of the Variable Return. This factor is necessary so that your principal is guaranteed while providing the potential of higher returns.

The Payment and Renewal Section of the Agreement will apply to the payment (if any) as if it were an interest payment.

5. Disclosures

- (a) **Term:** The term of the deposit or the Maturity Date is indicated on the certificate or confirmation notice.
- (b) **Fees:** There are no fees and expenses applicable to this deposit.
- (c) **Variable Return:** The method of calculating the Variable Return and any limitations in respect of the Variable Return Payment are described in sections 1 and 4(c) above.
- (d) **Risk Factors / Considerations:** The following are some risks and considerations associated with this deposit:

- (i) No Variable Return will be payable on the Maturity Date unless the Settlement Level is greater than the Base Level;
 - (ii) This deposit will not give a guaranteed rate of return;
 - (iii) The amount of Variable Return Payment will depend upon the performance of the S&P/TSX 60 Index. No assurance may be given that the S&P/TSX 60 Index will perform adequately; and
 - (iv) The deposit is not equivalent to a direct investment in the securities of the S&P/TSX 60 Index and the deposit does not entitle you to any interest in the securities of the S&P/TSX 60 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 S&P/TSX 60 Index and any return payable will not be identical to the return associated with the securities of the S&P/TSX 60 Index.
- (e) **Differences from 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 S&P/TSX 60 Index.
- (f) **Suitability:** 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 no return or a minimal return but at the same time wish to have their principal guaranteed. We make no representations as to the suitability of the deposit for your investment purposes.
- (g) **CDIC Insurance:** This deposit is eligible for deposit insurance coverage by the Canada Deposit Insurance Corporation.
- (h) **No Redemption:** A deposit may not be redeemed until its Maturity Date.
- (i) **No Secondary Market:** This deposit is not transferable. There shall not be any secondary market for this deposit.
- (j) **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 Royal Bank of Canada retirement savings plan, retirement income fund, or education savings plan, the deposit will be credited to a Savings Deposit within the plan.

- (k) **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 Payment. Our calculations and determinations will (absent manifest error) be final and binding on you. Consequently, potential conflicts between the interests of the deposits and our interests may arise.
- (l) **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.

6. 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 Payment.
- (b) **Discontinuation or Modification of S&P/TSX 60 Index:** If, for any reason, S&P ceases to calculate or publish the S&P/TSX 60 Index or materially changes the numerical form of (or the method of calculating) the S&P/TSX 60 Index, we may determine the Variable Return as we deem appropriate, including consulting independent calculation experts to make any necessary calculations they deem appropriate.

7. S&P/TSX 60 Index Disclaimers

The deposit is not sponsored, endorsed, sold or promoted by S&P or the TSX (collectively called "Index Publisher"). Neither we nor the Index Publisher 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 S&P/TSX 60 Index to track general stock market performance. The Index Publisher's only relationship to us is the licensing (or sub-licensing) of certain trademarks and trade names of the Index Publisher and/or of the S&P/TSX 60 Index which is determined, composed and calculated by S&P without regard to us or the deposit. The Index Publisher is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the deposit to be issued or in the determination or calculation of the equation by which the deposit is to be converted into cash. The Index Publisher has no obligation or liability in connection with the marketing, trading or administration of the deposit.

8. Availability of Information

- (a) The information contained in section 5 above may be obtained on our public website at rbc.com and a paper copy 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 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 Market Access GIC™ 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.

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