

Client Agreement

Guaranteed Investment Certificate (GIC)



Special Conditions – Canadian Market-Linked GIC®

The Canadian Market-Linked 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 a Canadian Market-Linked 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, 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 which is a trading day on the TSX;

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

“**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 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 (as defined below) 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;

“**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;

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

“**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; and

“**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.

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 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 each such Deposit. If there is a conflict between these Special Conditions and the Agreement, these Special Conditions will prevail.

3. 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, if any, in accordance with your instructions. If this is a Deposit held 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 these Special Conditions.

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 at the end of its term.

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. 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. Tax Considerations

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.

8. 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) **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 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) **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 Payment. 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.

9. 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. If this happens, we will disclose this to you.

10. 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, prices or quantities of the Deposit to be issued, nor 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.

11. Availability of Information

- (a) The information contained in section 8 (Disclosures) above may be obtained on our public website at rbc.com, and a paper copy may be obtained 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 or its applicable index, 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.

12. 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 we nor the Index Publisher guarantees the accuracy and/or the completeness of the S&P/TSX 60 Index or any data included therein. In addition, neither we nor the Index Publisher will be liable (whether in negligence or otherwise) to any person for any error, omission or interruption in the publication of the S&P/TSX 60 Index. We and the Index Publisher are not obliged to advise any person of any such event. We and the Index Publisher make no warranty, express or implied, as to results to be obtained by you or by us, or by any other person or entity from the use of the S&P/TSX 60 Index or any data included therein. We and the Index Publisher make no express or implied warranties or conditions and expressly disclaim all warranties or conditions of merchantability, merchantable quality or fitness for a particular purpose or use and any other express or implied warranty with respect to the S&P/TSX 60 Index. Without limiting the foregoing, we and the Index Publisher will at no time have any liability for any special, punitive, indirect or consequential losses, damages, costs, claims and expenses (including lost profits), even if notified of the possibility of such losses, damages, costs, claims and expenses.