

# Client Agreement

## Guaranteed Investment Certificate (GIC)



### Special Conditions – Global Market-Linked GIC

#### 1. What the Words Mean

In these Special Conditions, please remember that, “**you**” means any person in whose name a Global 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) that you have entered into with us;

“**Business Day**” means, in the case of a deposit, 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 prior to its regular weekday closing time;

“**CAC 40 Index**” means the capitalization weighted index composed of a selection of forty (40) French stocks known as the Compagnies Agents de Change – 40 Index, as calculated and disseminated by Société des Bourses Françaises from time to time in accordance with the rules Société des Bourses Françaises has established for this purpose;

“**Composite**” means the basket comprised of an assigned weighting of the Equity Indices, using the applicable Weighting Factor for each Equity Index in the basket;

“**Composite Index Base Level**” means the sum of the amounts for each Equity Index in the Composite equal to (a) the index base level for the Equity Index, times (b) the applicable Weighting Factor for that Equity Index;

“**Composite Index Settlement Level**” means

- (a) if we receive a Variable Return “lock in” notice in writing at the branch where your GIC account is located from you before the second anniversary of the Investment date for a deposit with a three (3) year term, the sum of amounts for

each Equity Index in the Composite equal to (i) the closing level for the Equity Index as quoted by the Sponsor of that Equity Index for the second Business Day immediately following the second anniversary of the Investment date for the deposit, times (ii) the applicable Weighting Factor for the Equity Index, and

- (b) in all other cases, the sum of amounts for each Equity Index in the Composite equal to (i) an amount equal to the average of the month end Business Day closing level for the Equity Index as quoted by the Sponsor of that index for the twelve (12) month period immediately preceding the maturity date for a deposit, times (ii) the applicable Weighting Factor for the Equity Index.

“**DAX Index**” means the capitalization weighted index composed of a selection of thirty (30) stocks known as the Deutsche Aktien<sup>‡</sup> Index, as calculated and disseminated by Deutsche Börse AG from time to time in accordance with the rules Deutsche Börse AG has established for this purpose;

“**Equity Index**” means the CAC 40<sup>‡</sup> Index, the DAX Index, the FT-SE 100 Index, the Nikkei 225 Index or the S&P 500 Index, as the context requires, and “**Equity Indices**” means all of these indices collectively;

“**FT-SE Index**” means the capitalization weighted index composed of a selection of one hundred (100) stocks of selected leading U.K. companies listed on the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (“London Stock Exchange”) known as the FT-SE 100<sup>‡</sup> Index, as calculated and disseminated by London Stock Exchange from time to time in accordance with the rules London Stock Exchange has established for this purpose;

“**Index Base Level**” means the closing level for the Equity Index on the second Business Day immediately following the Investment date for a deposit, as quoted by the applicable Sponsor of that Equity Index;

“**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;

“**Nikkei 225 Index**” means the capitalization weighted index composed of a selection of two hundred and twenty five (225) actively traded issues of the Tokyo Stock Exchange,

1st Section known as the Nikkei 225<sup>+</sup> Index, as calculated and disseminated by Nihon Keizai Shimbun, Inc. from time to time in accordance with the rules Nihon Keizai Shimbun, Inc. has established for this purpose;

**“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;

**“Principal Exchange”** means

- (a) in respect of the CAC 40 Index, the Paris Stock Exchange,
- (b) in respect of the DAX Index, the Frankfurt Stock Exchange,
- (c) in respect of the FT-SE 100 Index, the London Stock Exchange,
- (d) in respect of the Nikkei 225 Index, the Tokyo Stock Exchange, and
- (e) in respect of the S&P 500 Index, the New York Stock 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:

$$\left( \frac{\text{Composite Index Settlement Level} - \text{Composite Index Base Level}}{\text{Composite Index Base Level}} \right) \times \text{Participation Factor} = \text{Variable Return}$$

*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 deposit by the Variable Return.

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

**“S&P 500 Index”** means the capitalization weighted index of a selection of five hundred (500) stocks known as the *Standard & Poor’s 500<sup>+</sup>* Index, as calculated and disseminated by Standard & Poor’s, a division of The McGraw Hill Companies, Inc., from time to time in accordance with the rules Standard & Poor’s has established for this purpose;

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

**“Sponsor”** means

- (a) in respect of the CAC 40 Index, Société des Bourses Françaises,
- (b) in respect of the DAX Index, the Deutsche Börse AG,
- (c) in respect of the FT-SE 100 Index, the London Stock Exchange,

(d) in respect of the Nikkei 225 Index, Nihon Keizai Shimbun, Inc., and

(e) in respect of the S&P 500 Index, Standard & Poor’s, a division of The McGraw Hill Companies, Inc.; and

**“Weighting Factor”** means, in respect of an Equity Index and a deposit, the Weighting Factor we have assigned to the Equity Index. The Weighting Factor is multiplied by the Equity Index to determine the assigned weighting of the Composite when determining the Composite Index Base Level and Composite Index Settlement Level. An approximation of the weighting factors are as follows:

CAC 40	DAX 30	FT-SE 100	NIKKEI 225	S&P 500
18	13	10	3	56

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 located from you before the end of that second anniversary, and
- (ii) at the end of its term, in all other cases.

There is no Variable Return payable unless the Composite Index Settlement Level is greater than your Composite 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 Instructions 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 Equity Indices. No assurance may be given that the Equity Indices will perform adequately; and
  - (iv) The deposit is not equivalent to a direct investment in the stocks of the Equity Indices and the deposit does not entitle you to any interest in the stocks of the Equity Indices, including any right to receive dividend or distribution payments. As such the deposit is subject to different risks than a direct investment in the stocks of the Equity Indices and any return payable will not be identical to the return associated with the stocks of the Equity Indices.
- (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 Equity Indices.

(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 Equity Indices:**

If, for any reason, the Sponsor of an Equity Index ceases to calculate or publish its Equity Index or materially changes the numerical form of (or the method of calculating) that 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.

**7. Equity Indices Disclaimer**

The deposit is not sponsored, endorsed, sold or promoted by any Sponsor. Neither we nor the Sponsors (collectively and individually) 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 regarding the usefulness of the Equity Indices (or any of them) in assessing or tracking stock market performance or any other economic factor. The Sponsors' only relationship to us is the licensing of certain trademarks and other properties of the Equity Indices and the stock indices to which those Equity Indices relate, which are prepared and published by the Sponsors without regard to us or you. The Sponsors have not participated in and are not responsible for the issue, promotion 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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