

# RBC® Canadian Banking MarketSmart GIC

Ensure that your investment is guaranteed to grow: get a guaranteed minimum return, plus the potential for a higher return based on the stock market's performance.



The **RBC Canadian Banking MarketSmart GIC** delivers the best of both worlds — the security of a GIC with a guaranteed minimum return *and* the potential for a higher return tied to the performance of a Canadian Banking equity index. This is ideal if you need the growth potential of equity but want to preserve your principal.

## Is this GIC right for you?

This GIC may be an appropriate choice if you:

- ✓ Want a guaranteed minimum return with the potential for a higher rate of return
- ✓ Want peace of mind knowing you'll get 100% of your principal as well as at least the guaranteed minimum
- ✓ Want the simplicity of principal protection and growth in one solution
- ✓ Will not need regular income from this investment

## How returns are calculated

Unlike traditional GICs that guarantee a specific rate of return, the RBC Canadian Banking MarketSmart GIC's return is variable and depends on how much the Canadian Banking index increases over the 2-, 3- or 5-year term of the GIC. The index used to calculate returns for the RBC Canadian Banking MarketSmart GIC is the S&P<sup>®</sup>/TSX<sup>®</sup> Banks Index.<sup>†</sup>

You will always receive 100% of your principal as well as the guaranteed minimum return. However, the additional return is calculated on the day the GIC comes due and is based on three factors:

- **Minimum and Maximum Returns:** With the RBC Canadian Banking MarketSmart GIC, you are always guaranteed to receive at least the minimum return. This means that even if the markets perform poorly, you still receive the guaranteed minimum return. If the markets perform well and the underlying Canadian Banking

index increases, you will get a higher rate of return, up to the maximum rate set out at the time of purchase.

- **Index Settlement Level (ISL):** The closing level for the S&P/TSX Banks Index for the business day preceding the maturity date.
- **Index Base Level (IBL):** The closing index value on the first business day after the GIC issue date.

The formula used to calculate your variable return is the percentage change in the level of the S&P/TSX Banks Index.

### Formula:

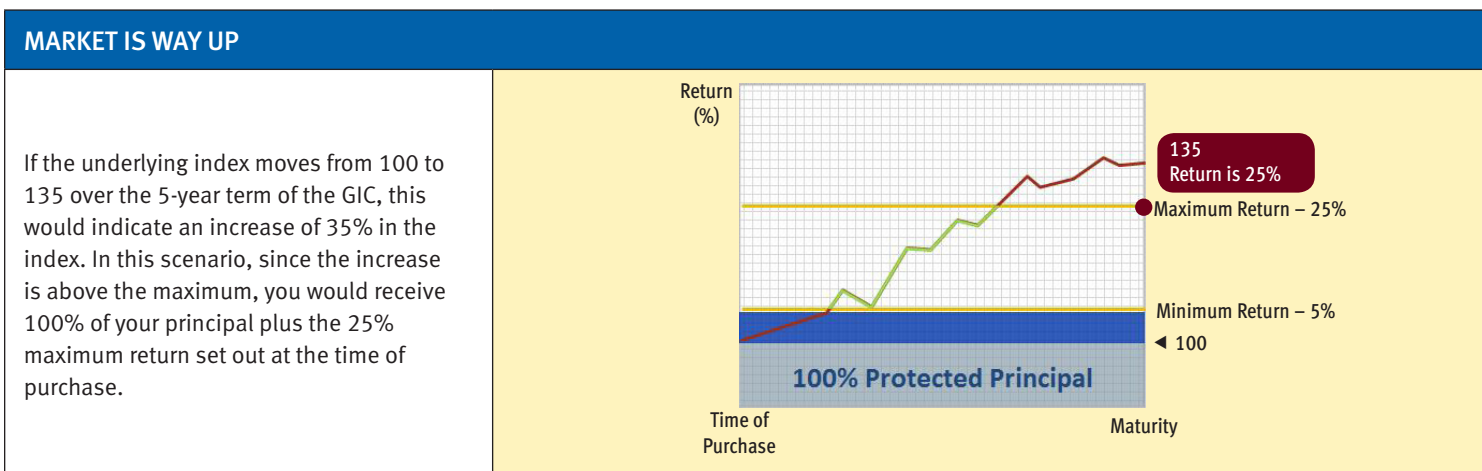
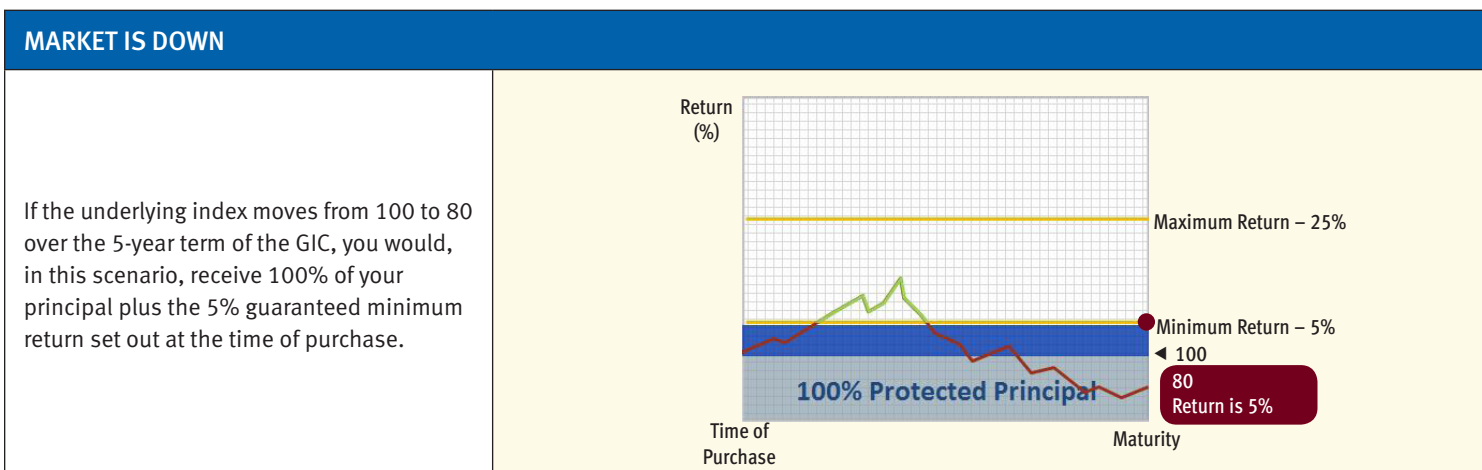
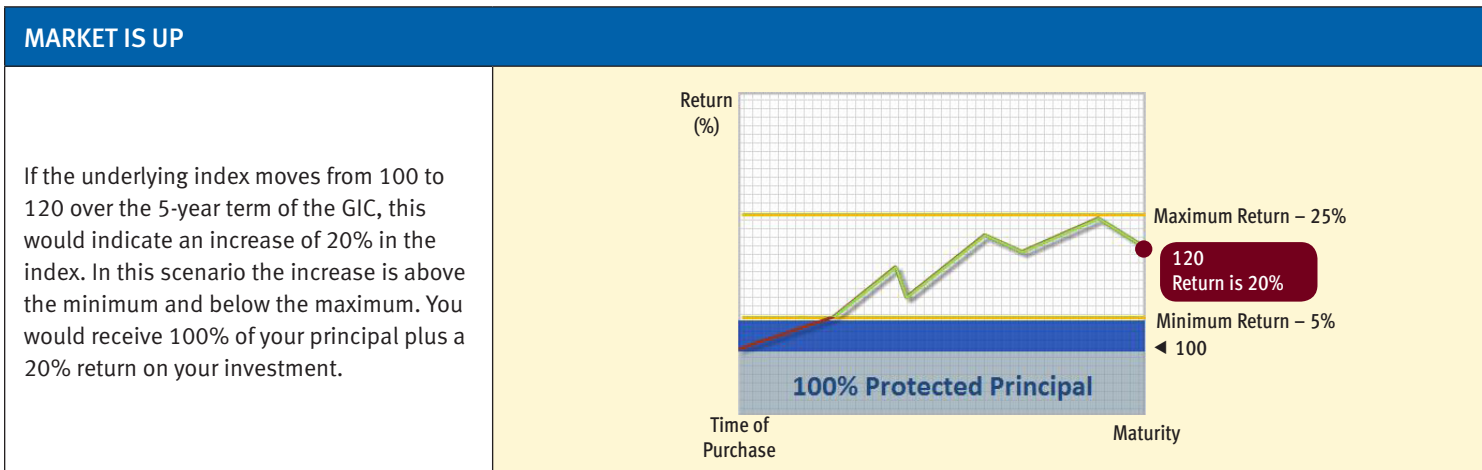
$$\text{Variable Return} = \frac{\text{ISL} - \text{IBL}}{\text{IBL}}$$

To calculate your variable return payment, multiply the principal by the variable return. If the variable return is below the minimum return, adjust it upwards to the minimum return set out at the time of purchase. If the variable return is above the maximum return, adjust it downwards to the maximum return set at the time of purchase.

### Charting out return scenarios

To get a better idea of how it works, let's take a look at some return scenarios. For example, let's assume you purchase a 5-year RBC Canadian Banking MarketSmart GIC and, at the time of purchase, the minimum return is set at 5% and the maximum return is set at 25%.

Depending on the growth of the underlying index over the 5-year term, there are three possible scenarios: the market is up, the market is down or the market is way up.



### Before you invest ...

As with any investment choice, it's important that you make a fully informed decision. With the RBC Canadian Banking MarketSmart GIC, you should be aware of the following:

- Past performance of the S&P/TSX Banks Index is not indicative of future returns.
- Investing in this type of GIC is not the same as investing directly in the stocks of the S&P/TSX Banks Index. For example, you won't have

the right to receive any dividends or distributions. The return on your GIC will not be identical to the return associated with the index.

- We determine the Variable Return and may exercise judgment and discretion in calculating it. Our calculations and determinations will be final. Potential conflicts between the interests of the depositors and the interests of RBC may arise.
- Any RBC Canadian Banking MarketSmart GIC deposit made over the phone may be cancelled by

notifying us within two days of receipt of the Fact Sheet and confirmation.

- For each year you hold your RBC Canadian Banking MarketSmart GIC, you will receive a T5 slip (Relevé 3 in Quebec) based on the minimum return at the time of purchase. In the final calendar year that includes the Maturity Date of your RBC Canadian Banking MarketSmart GIC, you will receive a tax slip reflecting the return paid for the term, minus the interest income reported in previous years.

## Highlights

Term	2-, 3- and 5-year terms (non-redeemable and non-transferable)
Minimum deposit	\$1,000
Underlying investment	S&P/TSX Banks Index is a sub-sector index comprised of the major banks within the S&P/TSX Composite Index. The individual constituents are: Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Canadian Western Bank, Genworth MI Canada Inc., Home Capital Group Inc., Laurentian Bank of Canada, National Bank of Canada, Royal Bank of Canada, The Toronto-Dominion Bank
Variable return payment†	The variable return will be calculated using the formula displayed on the first page, adjusted to a minimum or maximum return, if applicable, and will be paid at maturity.
Plan eligibility	Available for RRSPs, TFSAs, RESPs, RDSPs, RRIAs and non-registered accounts
CDIC-eligible	Yes

### Staying in the know

The confirmations, regular statements and maturity notices we send out make it easy for you to keep track of your investments. After purchasing your GIC, you can get its estimated current value by using the online **RBC MarketSmart™ GIC Return Calculator** at [rbc.com/marketsmart-calculator](http://rbc.com/marketsmart-calculator).

**For more information or to invest in an RBC Canadian Banking MarketSmart GIC, visit your nearest RBC branch, call 1-800-463-3863 or go online to [www.rbcroyalbank.com/gic](http://www.rbcroyalbank.com/gic).**

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



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† The RBC Canadian Banking MarketSmart GIC is not sponsored, endorsed, sold or promoted by Standard & Poor's (S&P) or the TSX, and neither party makes any representation regarding the advisability of investing in the RBC Canadian Banking MarketSmart GIC.

## Special Conditions for

RBC U.S. MarketSmart GIC  
RBC Canadian Banking MarketSmart GIC  
RBC Canadian Utilities MarketSmart GIC

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 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: In these Special Conditions:**

When these Special Conditions refer to "**you**", 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 day (a) 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<sup>±</sup> Index, the S&P/TSX<sup>±</sup> Banks Index or the S&P/TSX<sup>±</sup> 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<sup>±</sup>**" means STANDARD & POORS<sup>±</sup>;

"**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;

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

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, for the Business Day preceding the Maturity Date:

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

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 into 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. 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 on the Maturity Date and this is a Deposit held outside a Registered Plan, we will automatically invest them both 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. 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 and you should include it in your income for the applicable taxation year. 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.

## 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:** 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) **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 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:** 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.

## 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 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 MarketSmart™ 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.

## 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;
- (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.

## 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 trade-marks 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.

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