

## Prospectus Supplement to the Short Form Base Shelf Prospectus dated March 27, 2007

This prospectus supplement, together with the short form base shelf prospectus dated March 27, 2007 to which it relates, as amended or supplemented, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Information has been incorporated by reference in this short form prospectus supplement from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of HSBC Bank Canada at the following address: Suite 900, 888 Dunsmuir Street, Vancouver, British Columbia, V6C 3K4 (telephone: (604) 641-2555) and are also available electronically at www.sedar.com. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the Corporate Secretary of HSBC Bank Canada at the above-mentioned address and telephone number and is also available electronically at www.sedar.com.

These securities have not been and will not be registered under the United States Securities Act of 1933 (the "1933 Act"), as amended and may not be offered, sold or delivered within the United States of America or to, or for the account of U.S. persons (as defined in the Regulation S under the 1933 Act). See "Plan of Distribution".

New Issue

April 3, 2007

### Prospectus Supplement



## HSBC Bank Canada

(a Canadian chartered bank)

**\$400,000,000**

### Series D Debentures (subordinated indebtedness)

The offering under this prospectus supplement (the "Prospectus Supplement") to the base shelf prospectus (the "Prospectus") of HSBC Bank Canada (the "Bank") dated March 27, 2007 consists of \$400,000,000 aggregate principal amount of unsecured Series D debentures due April 10, 2022 (the "Series D Debentures") of the Bank. The holders of the Series D Debentures will be entitled to receive payments of interest in the amount of 4.80% per annum, payable semi-annually in arrears on April 10 and October 10 in each year, commencing October 10, 2007 until April 10, 2017, and thereafter at a rate per annum equal to the 90-day Bankers' Acceptance Rate (as defined herein) plus 1.00%, payable quarterly in arrears on January 10, April 10, July 10 and October 10 of each year until April 10, 2022. See "Description of the Series D Debentures".

Subject to the provisions of the *Bank Act* (Canada) (the "Bank Act"), and with the consent of (i) the Superintendent of Financial Institutions (Canada) (the "Superintendent"), and (ii) the UK Financial Services Authority as defined in the *Financial Services and Markets Act 2000* (U.K.) (the "Financial Services Authority"), on or after April 10, 2017, the Bank may redeem, on any interest payment date, all, but not part, of the outstanding Series D Debentures on not less than 30 days' and not more than 60 days' prior notice upon payment of a redemption price equal to the principal amount of the Series D Debentures to be redeemed together with accrued and unpaid interest to but excluding the date fixed for redemption. See "Description of the Series D Debentures".

**The Series D Debentures will not be deposits insured under the *Canada Deposit Insurance Corporation Act* (Canada).**

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### Issue Price: \$998.90 per \$1,000 principal amount of Series D Debentures

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HSBC Securities (Canada) Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., Desjardins Securities Inc. and Trilon Securities Corporation (collectively the "Agents") have agreed to conditionally offer the Series D Debentures, on a reasonable efforts basis, subject to prior sale, if, as and when issued by the Bank and accepted by the Agents in accordance with the conditions contained in the Dealer Agreement referred to under "Plan of Distribution", and subject to approval of certain legal matters on behalf of the Bank by McCarthy Tétrault LLP and on behalf of the Agents by Stikeman Elliott LLP. **HSBC Securities (Canada) Inc., one of the Agents, is a wholly-owned subsidiary of the Bank. By virtue of such ownership, the Bank is a related and connected issuer of HSBC Securities (Canada) Inc. under applicable securities legislation.** See "Plan of Distribution".

	<u>Price to the Public</u>	<u>Agents' Fee</u>	<u>Net Proceeds to the Bank<sup>(1)</sup></u>
Per Series D Debenture .....	\$998.90	\$4.00	\$994.90
Total .....	\$399,560,000	\$1,600,000	\$397,960,000

(1) Before deduction of expenses of the issue estimated at \$300,000, which, together with the Agents' Fee, are payable by the Bank.

**It is not anticipated that the Series D Debentures will be listed on any securities exchange or quotation system and, consequently, there is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this Prospectus Supplement. This may affect the pricing of the securities in the secondary market and the liquidity of the securities. See "Risk Factors" in the Prospectus and this Prospectus Supplement.**

It is expected that the closing date will be on April 9, 2007 or such later date as the Bank and Agents may agree, but in any event not later than May 14, 2007. A book-entry only certificate representing the Series D Debentures will be issued in registered form only to CDS Clearing and Depository Services Inc. ("CDS"), or its nominee, and will be deposited with CDS on closing of this offering. A purchaser of the Series D Debentures will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Series D Debentures are purchased. See "Description of the Series D Debentures — Depository Services".

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In this Prospectus Supplement, unless otherwise indicated, capitalized terms which are defined in the Prospectus are used herein with the meanings defined therein.

### ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, and Stikeman Elliott LLP, counsel to the Agents, the Series D Debentures to be issued under this Prospectus Supplement, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) (the "Tax Act") for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans or deferred profit sharing plans (other than a trust governed by a deferred profit sharing plan to which contributions are made by the Bank or by an employer with which the Bank does not deal at an arm's length within the meaning of the Tax Act) at that time.

### DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus Supplement is deemed to be incorporated by reference into the Prospectus solely for the purpose of the offering of the Series D Debentures. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for the full particulars thereof.

Any statement contained in this Prospectus Supplement or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus Supplement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that was required to be stated or that was necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus Supplement.

### DESCRIPTION OF THE SERIES D DEBENTURES

The following is a summary of the material attributes and characteristics attaching to the Series D Debentures as a series. See "Description of the Debt Securities" in the Prospectus for a description of the material attributes and characteristics of the subordinated indebtedness of the Bank evidenced by the Debt Securities (as defined in the Prospectus). The Series D Debentures will be issued as a series of Debt Securities pursuant to the provisions of a master trust indenture dated June 13, 2002 between the Bank and Computershare Trust Company of Canada, as trustee (the "Trustee"), as supplemented from time to time (including by a supplemental trust indenture to be dated the date of closing of the offering of the Series D Debentures, with respect to the Series D Debentures) (collectively, the "Trust Indenture"). A copy of the Trust Indenture may be obtained on request from the Corporate Secretary of the Bank at the following address: Suite 900 – 800 Dunsmuir Street, Vancouver, British Columbia, V6C 3K4 (telephone: (604) 641-2555) and is also available electronically at [www.sedar.com](http://www.sedar.com).

## **General**

All Debt Securities issued and to be issued under the Trust Indenture, including the Series D Debentures, will be unsecured general obligations of the Bank constituting subordinated indebtedness for the purposes of the Bank Act and will rank *pari passu* with all other unsecured and subordinated indebtedness of the Bank from time to time outstanding. The Trust Indenture does not limit the aggregate principal amount of Debt Securities which may be issued thereunder and Debt Securities may be issued thereunder in such principal amounts as the directors of the Bank, or their delegates, may determine from time to time.

## **Issue Price**

The Series D Debentures will have an issue price of \$998.90 per \$1,000 aggregate principal amount of Series D Debentures.

## **Interest on Series D Debentures**

The holders of the Series D Debentures will be entitled to receive payments of interest in the amount of 4.80% per annum, payable semi-annually in arrears on April 10 and October 10 in each year, commencing on October 10, 2007 until April 10, 2017, and thereafter at a rate per annum equal to the 90-day Bankers' Acceptance Rate plus 1.00%, payable quarterly in arrears on January 10, April 10, July 10, and October 10 each year until April 10, 2022. The 90-day Bankers' Acceptance Rate, for any quarterly interest period, means the average bid rate of interest (expressed as an annual percentage) for Canadian dollar bankers' acceptances with maturities of three months which appears on the Reuters Screen CDOR Page as of 10:00 a.m., Toronto time, on the first business day of such quarterly interest period.

## **Redemption of Series D Debentures**

The Series D Debentures will not be redeemable prior to April 10, 2017. On and after April 10, 2017, but subject to the provisions of the Bank Act, including the prior consent of the Superintendent and the Financial Services Authority, the Bank may redeem, on any interest payment date, all, but not part, of the outstanding Series D Debentures upon payment of a redemption price equal to the principal amount of the Series D Debentures to be redeemed, together with accrued and unpaid interest to but excluding the date fixed for redemption.

Notice of any redemption of the Series D Debentures will be given in writing by the Bank not more than 60 days' and not less than 30 days' prior to the date fixed for redemption.

## **Purchase of Debentures**

Subject to the provisions of the Bank Act, including the prior consent of the Superintendent, and the prior consent of the Financial Services Authority, and provided that the Bank is not in default under the terms of the Trust Indenture, the Bank may purchase at any time and from time to time, at any price, any or all of the outstanding Series D Debentures in the open market, by invitation to tender to all of the holders of the Series D Debentures, or by private contract. If upon an invitation to tender, more Series D Debentures are tendered than the Bank is prepared to accept, the Series D Debentures to be purchased by the Bank will be selected by Computershare Trust Company of Canada on a *pro rata* basis (to the nearest multiple of \$1,000). All of the Series D Debentures purchased by the Bank will be cancelled and will not be reissued.

## **Issuance of Additional Series of Debt Securities**

So long as any Series D Debentures remain outstanding, the Bank will not create, issue or incur any indebtedness subordinate in right of payment to the deposit liabilities of the Bank which would rank in right of payment in priority to the Series D Debentures. The Bank may issue other series of Debt Securities ranking *pari passu* with the Series D Debentures without the approval of the holders of the Series D Debentures.

## **Events of Default for Series D Debentures**

The Trust Indenture provides that the following events are each an "Event of Default" in respect of the Series D Debentures:

- (a) the Bank becomes insolvent or bankrupt or an order for the winding up or liquidation of the Bank is made by a court of competent jurisdiction;

- (b) the Bank passes a resolution for its winding-up or liquidation; or
- (c) the Bank institutes proceedings to be adjudicated bankrupt or insolvent, or consents to the institution of bankruptcy, winding up or insolvency proceedings against it.

### **Consolidation, Amalgamation, Merger or Wind-Up of the Bank**

The Bank, without the consent of any holders of any debentures outstanding under the Trust Indenture, may consolidate, amalgamate, merge or wind-up the Bank with or into any other bank or corporation, or sell, transfer, convey or lease all or substantially all of the undertaking and assets of the Bank to any other bank or corporation authorized to acquire and operate such undertaking and assets, provided that (i) immediately after such consolidation, amalgamation, merger, wind-up, sale, transfer, conveyance or lease, no “Event of Default” (as defined in the Trust Indenture), and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing under the Trust Indenture; (ii) the bank or corporation (the “Successor Bank”) formed by or surviving such consolidation, amalgamation, merger or wind-up or to which such sale, transfer, conveyance or lease shall have been made expressly assumes, by entering into a supplemental indenture to the Trust Indenture reasonably satisfactory to the Trustee, the due and punctual payment of the principal of and interest on all debentures outstanding under the Trust Indenture and the due and punctual performance and observance of all of the covenants and conditions of the Trust Indenture to be performed or observed by the Bank; and (iii) the Successor Bank shall be a “Financial Institution” (as defined in the Bank Act) incorporated and existing under the laws of Canada or any province or territory of Canada.

### **Modification**

The Trust Indenture provides that modifications and alterations of the Trust Indenture and of the debentures outstanding under the Trust Indenture may be made if authorized by “Extraordinary Resolution” (as defined in the Trust Indenture). The Trust Indenture provides that the quorum for meetings of holders of debentures outstanding thereunder at which an Extraordinary Resolution will be considered will be holders representing at least 50% in principal amount of all debentures then outstanding under the Trust Indenture. If any modification or alteration affects the rights of the holders of any series of debentures in a manner substantially different from that in which it affects the holders of other series, such Extraordinary Resolution must, in addition, be approved in a similar manner by the holders of the series of debentures so affected.

### **Depository Services**

Except as otherwise provided below, the Series D Debentures will be issued in “book-entry only” form and must be purchased, transferred, converted or redeemed through participants (“Participants”) in the depository service of CDS or its nominee. Each of the Agents is a Participant. On the closing of this offering, the Bank will cause a global certificate or certificates representing the Series D Debentures to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Series D Debentures will be entitled to a certificate or other instrument from the Bank or CDS evidencing that purchaser’s ownership thereof, and no purchaser will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such purchaser. Each purchaser of Series D Debentures will receive a customer confirmation of purchase from the registered dealer from which the Series D Debentures are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for Participants having interests in the Series D Debentures. Reference in this Prospectus Supplement to a holder of Series D Debentures means, unless the context otherwise requires, the owner of the beneficial interest in the Series D Debentures.

If the Bank determines, or CDS notifies the Bank in writing, that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Series D Debentures and the Bank is unable to locate a qualified successor, or if the Bank at its option elects, or is required by law, to withdraw the Series D Debentures from the book-entry system, then Series D Debentures will be issued in fully registered form to holders or their nominees.

### ***Transfer, Conversion and Redemption of The Series D Debentures***

Transfers of ownership, conversions or redemptions of the Series D Debentures will be effected only through records maintained by CDS for such Series D Debentures with respect to interests of Participants and on the records of Participants with respect to interests of persons other than Participants. Holders of Series D Debentures who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the Series D

Debentures, may do so only through Participants. The ability of a holder to pledge Series D Debentures or otherwise take action with respect to such holder's interest in Series D Debentures (other than through a Participant) may be limited due to the lack of a physical certificate.

### ***Payments and Deliveries***

The Bank will make, or cause to be made, payments of principal, redemption price, if any, dividends and interest, as applicable, on the Series D Debentures to CDS as the registered holder of the Series D Debentures and the Bank understands that the payment will be forwarded by CDS to Participants in accordance with the customary practices and procedures of CDS. As long as CDS is the registered owner of the Series D Debentures, CDS will be considered the sole owner of the Series D Debentures for the purposes of receiving notices or payments on the Series D Debentures. As long as the Series D Debentures are held in the CDS book-entry only system, the responsibility and liability of the Bank in respect of the Series D Debentures is limited to making payments of principal, redemption price, if any, and interest, as applicable, on the Series D Debentures to CDS, as registered holder of the Series D Debentures. The Bank expects that CDS, upon receipt of any payment in respect of the Series D Debentures, will credit Participants' accounts in amounts proportionate to their respective interests in the principal amount of such Series D Debentures as shown on the records of CDS in accordance with the customary practices and procedures of CDS. The Bank also expects that payments by Participants to the owners of beneficial interests in Series D Debentures held through such Participants will be governed by standing instructions and customary practices, and will be the responsibility of such Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS, and persons other than Participants having an interest in Series D Debentures must look solely to Participants, for payments or deliveries made by or on behalf of the Bank to CDS in respect of such Series D Debentures.

Each beneficial owner must rely on the procedures of CDS and, if such beneficial owner is not a Participant, on the procedures of the Participant through which such beneficial owner owns its interest to exercise any rights with respect to the Series D Debentures. The Bank understands that under existing policies of CDS and industry practices, if the Bank requests any action of a beneficial owner or if a beneficial owner desires to give any notice or take any action which a registered holder is entitled to give or take with respect to the Series D Debentures, CDS would authorize the Participant acting on behalf of the beneficial owner to give such notice or to take such action in accordance with the procedures established by CDS or agreed to from time to time by the Bank, any Trustee and CDS. Any beneficial owner that is not a Participant must rely on the contractual arrangement it has directly, or indirectly through its financial intermediary, with its Participant to give such notice or take such action.

None of the Bank, the Agents, the Trustee and any other trustee (in the case of the Series D Debentures) will assume liability or responsibility for (i) any aspect of the records relating to the beneficial ownership of the Series D Debentures held by CDS or the payments or deliveries relating thereto, (ii) maintaining, supervising or reviewing any records relating to the Series D Debentures, or (iii) any advice or representation made by or with respect to CDS relating to the rules governing CDS or any action to be taken by CDS or at the direction of Participants.

### **RATINGS**

The Series D Debentures have been given a preliminary rating of "AA (low)" with a stable trend by DBRS and "AA-" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies (Canada) Corporation.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. The credit ratings assigned to the Series D Debentures may not reflect the potential impact of all risks on the value of the Series D Debentures. A rating is therefore not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, and Stikeman Elliott LLP, counsel to the Agents, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Series D Debentures pursuant to this Prospectus Supplement (a “Holder”) who, for purposes of the *Income Tax Act* (Canada) (the “Tax Act”), at all relevant times, is a resident of Canada, deals at arm’s length with and is not affiliated with the Bank, holds his or her Series D Debentures as capital property and is not exempt from tax under Part I of the Tax Act. This summary does not take into account the “mark-to-market” rules contained in the Tax Act which apply to certain financial institutions. Such financial institutions should consult their own advisors.

The Series D Debentures will generally be considered to be capital property to an Holder unless: (i) the Holder holds the Series D Debentures in the course of carrying on or otherwise as part of a business of trading or dealing in or buying and selling securities; or (ii) the Holder acquired the Series D Debentures as an adventure in the nature of trade. Certain Holders resident in Canada whose Series D Debentures might not otherwise be considered to be capital property or who desire certainty with respect to the treatment of the Series D Debentures as capital property may be entitled to make an irrevocable election to have the Series D Debentures and all of the Holder’s other “Canadian securities” (as defined in the Tax Act) deemed to be capital property pursuant to subsection 39(4) of the Tax Act.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder (the “Regulations”), all specific proposals to amend the Tax Act and the Regulations (the “Proposed Amendments”) publicly announced by the Minister of Finance (Canada) prior to the date hereof and counsel’s understanding of the current administrative and assessing practices published in writing by the Canada Revenue Agency (the “CRA”). This summary is not exhaustive of all possible Canadian federal income tax considerations, and, except for the Proposed Amendments, does not take into account or anticipate any change in law or administrative or assessing practice, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign tax legislation or considerations. With respect to the Proposed Amendments, no assurance can be given that the Proposed Amendments will become law as proposed or at all.

**This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular holder. This summary is not exhaustive of all federal income tax considerations. Accordingly, prospective purchasers of Series D Debentures should consult their own tax advisors with respect to their particular circumstances.**

### Interest on Series D Debentures

A Holder of a Series D Debenture that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include, in computing its income for a taxation year, any interest or amount that is considered for the purposes of the Tax Act to be interest on the Series D Debenture that accrued to it to the end of the year or became receivable or was received by it before the end of the year, to the extent that the interest (or amount considered to be interest) was not included in computing its income for a preceding taxation year.

A Holder of a Series D Debenture (other than a Holder referred to in the previous paragraph) will be required to include in computing the Holder’s income for a taxation year any amount received or receivable (depending upon the method regularly followed by the Holder in computing profit) by the Holder as interest in the year on the Series D Debenture, to the extent that such amount was not included in computing the Holder’s income for a preceding taxation year. If such a Holder has not otherwise included interest on a Series D Debenture in computing the Holder’s income at periodic intervals of not more than one year, such a Holder will also be required to include in computing the Holder’s income, for any taxation year that includes an “anniversary day” (as defined in the Tax Act) of the Series D Debenture, any interest or amount that is considered for the purposes of the Tax Act to be interest on the Series D Debenture which accrues to the Holder to the end of such day, to the extent that such interest was not otherwise included in computing the Holder’s income for the year or any preceding taxation year.

In the event the Series D Debentures are issued at a discount from their face value, a Holder may be required to include an additional amount in computing income either in the taxation year in which such amount accrues or is deemed to accrue in accordance with the interest accrual rules contained in the Tax Act or in the taxation year in which the discount is received or receivable by the Holder. Holders should consult their own tax advisors in these circumstances, as the treatment of the discount may vary with the facts and circumstances giving rise to the discount.

## **Dispositions**

On a disposition or deemed disposition of the Series D Debenture, a purchase or redemption by the Bank prior to maturity, or a repayment by the Bank upon maturity, a Holder will generally be required to include in computing its income for the taxation year in which the disposition occurred the amount of interest (including amounts considered to be interest) that has accrued on the Series D Debenture to the date of disposition to the extent that such amount has not otherwise been included in computing the Holder's income for the year in which the disposition occurred or a preceding taxation year.

In general, on a disposition or deemed disposition of Series D Debentures, a Holder will realize a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any amount included in the Holder's income as interest and any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Series D Debentures to the Holder immediately before the disposition or deemed disposition.

Generally, a Holder is required to include in computing its income for a taxation year one-half of the amount of any such capital gain (a "taxable capital gain"). Subject to and in accordance with the provisions of the Tax Act, a Holder is required to deduct one-half of the amount of any such capital loss (an "allowable capital loss") realized in a taxation year from taxable capital gains realized by the Holder in the year and allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years. Capital gains realized by an individual may give rise to alternative minimum tax under the Tax Act.

## **Additional Refundable Tax**

A Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6⅓% on certain investment income including amounts in respect of interest and taxable capital gains.

## **EARNINGS COVERAGE**

After giving effect to the issuance of the Series D Debentures, the Bank's interest requirements on debentures would have amounted to \$46 million for the 12 months ended December 31, 2006. The Bank's dividend requirements on all its outstanding Class 1 Preferred Shares, adjusted to a before-tax equivalent using an effective income tax rate of 35.6% for the twelve months ended December 31, 2006, amounted to \$27 million for the 12 months ended December 31, 2006. The Bank's earnings before interest and income tax for the 12 months ended December 31, 2006 was \$827 million, which would have been 11.3 times the Bank's aggregate dividend and interest requirements for this period.

## **PLAN OF DISTRIBUTION**

Pursuant to an agency agreement (the "Dealer Agreement") dated as of April 3, 2007 between the Bank and the Agents, the Agents have agreed to offer for sale, on a reasonable efforts basis, the Series D Debentures. The obligations of the Agents under the Dealer Agreement are conditional and may be terminated by the Agents in their discretion upon the occurrence of certain stated events.

The Dealer Agreement provides that the Agents will be paid a fee equal to \$4.00 per \$1,000 aggregate principal amount of Series D Debentures on account of services rendered in connection with this offering, which fee will be paid out of the proceeds of the offering.

HSBC Securities (Canada) Inc., one of the Agents, is a wholly-owned subsidiary of the Bank. By virtue of such ownership, the Bank is a related and connected issuer of HSBC Securities (Canada) Inc. under applicable securities legislation. The decision to distribute the Series D Debentures and the determination of the terms of the distribution were made through negotiations between the Bank on the one hand and the Agents on the other hand. HSBC Securities (Canada) Inc. will not receive any benefit in connection with this offering, other than its share of the Agents' Fee payable by the Bank.

Under applicable securities laws, TD Securities Inc. ("TDSI") is an independent investment dealer in connection with this offering and is not related or connected to the Bank or to HSBC Securities (Canada) Inc. In that capacity, TDSI has participated with all other Agents in due diligence meetings relating to this Prospectus Supplement with the Bank and its representatives, has reviewed this Prospectus Supplement and has had the opportunity to propose such changes to this Prospectus Supplement as it considered appropriate. In addition, TDSI has participated, together with the other Agents, in the structuring and pricing of this offering.

## **RISK FACTORS**

An investment in the Series D Debentures is subject to certain risks including those set out and incorporated by reference in the Prospectus and the following:

### **Market Value of the Series D Debentures**

The value of the Series D Debentures is subject to the general creditworthiness of the Bank and market value fluctuations based upon factors which influence the Bank's operations, such as legislative or regulatory developments, competition, technological change and global capital market activity. Real or anticipated changes in credit ratings on the Series D Debentures may affect the market value of the Series D Debentures.

### **No Established Trading Market**

Upon issuance, the Series D Debentures will not have an established trading market. The Series D Debentures will not be listed on any securities exchange. Each of the Agents may from time to time purchase and sell Series D Debentures in the secondary market, but no Agent is obligated to do so, and there can be no assurance that there will be a secondary market for the Series D Debentures or liquidity in the secondary market if one develops. From time to time, each of the Agents may make a market in the Series D Debentures, but the Agents are not obligated to do so and may discontinue any market-making activity at any time.

### **Optional Redemption by the Bank**

The optional redemption feature of the Series D Debentures is likely to limit their market value. During any period when the Bank may elect to redeem Series D Debentures, the market value of those Series D Debentures generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

If Series D Debentures are redeemable at the option of the Bank, the Bank may redeem all of the Series D Debentures when its cost of borrowing is lower than the interest rate on the Series D Debentures. At those times, a holder of a Series D Debenture generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Series D Debentures being redeemed and may only be able to do so at a significantly lower rate. Potential purchasers should consider reinvestment risk in light of other investments available at that time.

### **Modification and Waivers**

The terms and conditions of the Series D Debentures contain a provision for calling meetings of holders of Series D Debentures to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of Series D Debentures including holders of Series D Debentures who did not attend and vote at the relevant meeting and holders of Series D Debentures who voted in a manner contrary to the majority.

### **Subordination**

The Series D Debentures are unsecured and subordinated obligations of the Bank. The Series D Debentures will, in the event of the insolvency or winding-up of the Bank, be subordinated in right of payment to all deposit liabilities and all other liabilities of the Bank except those which by their terms rank equally with or are subordinate to such subordinated indebtedness and except as otherwise prescribed by law. In the event of the insolvency or winding-up of the Bank, the Bank may not have enough assets remaining after payments to senior creditors to pay amounts due under the Series D Debentures.

## **USE OF PROCEEDS**

The net proceeds to the Bank from the sale of the Series D Debentures, after deducting expenses of issue, will be added to the Bank's Tier 2 capital base and utilized for general corporate purposes.

## **LEGAL MATTERS**

In connection with the issue and sale of the Series D Debentures, certain legal matters will be passed upon on behalf of the Bank by McCarthy Tétrault LLP and on behalf of the Agents by Stikeman Elliott LLP. As of the date hereof, partners, counsel and associates of McCarthy Tétrault LLP and Stikeman Elliott LLP, respectively, as a group, beneficially own, directly or indirectly, less than one percent of any securities of the Bank or any associates or affiliates of the Bank.

## **TRANSFER AGENT AND REGISTRAR**

Computershare Trust Company of Canada is the transfer agent and registrar for the Series D Debentures.

## **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

## CERTIFICATE OF THE BANK

Dated: April 3, 2007

The short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and this supplement as required by the *Bank Act* (Canada) and the regulations thereunder and the securities legislation of all provinces and territories of Canada. For the purpose of the Province of Québec, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(signed) LINDSAY GORDON  
President and Chief  
Executive Officer

(signed) GRAHAM McISAAC  
Chief Financial Officer

On Behalf of the Board of Directors

(signed) ROBERT W. MARTIN  
Director

(signed) ROSS S. SMITH  
Director

## CERTIFICATE OF THE AGENTS

Dated: April 3, 2007

To the best of our knowledge, information and belief, the short form base shelf prospectus dated March 27, 2007, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the *Bank Act* (Canada) and the regulations thereunder and the securities legislation of all provinces and territories of Canada. For the purpose of the Province of Québec, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

HSBC SECURITIES (CANADA) INC.

By: (signed) CATHERINE CODE

TD SECURITIES INC.

By: (signed) JONATHAN BROER

BMO NESBITT BURNS INC.

NATIONAL BANK FINANCIAL INC.

RBC DOMINION SECURITIES INC.

By: (signed) BRADLEY J. HARDIE

By: (signed) DAVID FANNING

By: (signed) BARRY NOWOSELSKI

CIBC WORLD MARKETS INC.

SCOTIA CAPITAL INC.

By: (signed) DONALD A. FOX

By: (signed) JOHN TKACH

DESIARDINS SECURITIES INC.

TRILON SECURITIES CORPORATION

By: (signed) JAMES DARLING

By: (signed) TREVOR D. KERR