

*This prospectus 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. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States or for the account or benefit of U.S. persons. Information has been incorporated by reference in this prospectus from documents filed with the securities commissions or similar authorities in Canada (the permanent information record in Québec). Copies of the documents incorporated by reference may be obtained on request without charge from the Corporate Secretary, HSBC Bank Canada, Suite 900, 888 Dunsmuir Street, Vancouver, British Columbia, Canada V6C 3K4, telephone (604) 641-2997.*

## Prospectus

New Issue

April 26, 2005



### HSBC Canada Asset Trust (a trust established under the laws of British Columbia)

\$200,000,000

#### 200,000 HSBC Canada Asset Trust Securities — Series 2015 (HSBC HaTS — Series 2015™)

HSBC Canada Asset Trust (the “Trust”) is a closed-end trust established under the laws of British Columbia by HSBC Trust Company (Canada) (the “Trustee”), a wholly-owned subsidiary of HSBC Bank Canada (alone or together with its subsidiaries, the “Bank”), pursuant to a declaration of trust. The Trust proposes to issue and sell to investors pursuant to this prospectus (the “Offering”) transferable trust units called HSBC Canada Asset Trust Securities — Series 2015 or “HSBC HaTS — Series 2015”, each of which represents an undivided beneficial ownership interest in the Trust Assets (as defined herein), principally comprised of co-ownership interests in a pool or pools of first mortgages on residential property insured by Canada Mortgage and Housing Corporation or Genworth Financial Mortgage Insurance Company Canada. The Offering will provide investors with the opportunity to invest, through the holding of HSBC HaTS — Series 2015, in the Trust Assets and will provide the Bank with a cost-effective means of raising Tier 1 capital for Canadian bank regulatory purposes. The HSBC HaTS — Series 2015 will constitute the second series of the class of HSBC Canada Asset Trust Securities (all HSBC Canada Asset Trust Securities, including the HSBC HaTS — Series 2015, referred to as the “HSBC HaTS™”) issued by the Trust. The first series, in the amount of \$200,000,000 and designated as “HSBC Canada Asset Trust Securities — Series 2010” (“HSBC HaTS — Series 2010”), was issued on June 28, 2000. The Trust has previously issued, and in connection with the Offering will also issue additional, securities called Special Trust Securities (the “Special Trust Securities” and, collectively with the HSBC HaTS, the “Trust Securities”) to the Bank. The Trust is not a trust company and does not carry on business as a trust company, and accordingly, the Trust is not registered under the trust company legislation of any jurisdiction.

The Trust distributes its Net Distributable Funds (as defined herein) on the last day of June and December of each year (each, a “Distribution Date”). On each Distribution Date, unless the Bank has failed to declare Dividends (as defined herein) on the basis described herein, a holder of HSBC HaTS — Series 2015 will be entitled to receive out of Net Distributable Funds a non-cumulative cash distribution of (i) in the case of any Distribution Date on or before June 30, 2015, other than June 30, 2005, \$25.75 per HSBC HaTS — Series 2015, representing an annual yield of 5.149% on the \$1,000 initial issue price, and (ii) in the case of any Distribution Date after June 30, 2015, an amount per HSBC HaTS — Series 2015 determined by multiplying \$1,000 by one half of the sum of the Bankers’ Acceptance Rate (as defined herein) for the Distribution Period (as defined herein) immediately preceding such Distribution Date and 1.50% (each such cash distribution, an “Indicated Yield”). The initial Indicated Yield payable on June 30, 2005 in respect of the period from and including the anticipated closing date of the Offering (the “Closing Date”) of May 3, 2005 up to but excluding June 30, 2005 will be \$8.18 per HSBC HaTS — Series 2015. Each Distribution Date will be either a Regular Distribution Date (as defined herein) or a Distribution Diversion Date (as defined herein). A Distribution Date will be a Regular Distribution Date if the Bank has declared Dividends in the ordinary course as described under “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Indicated Yield”. On a Regular Distribution Date, the applicable Indicated Yield will be payable by the Trust on all HSBC HaTS (including HSBC HaTS — Series 2015) and on any Regular Distribution Date that falls on the last day of a taxation year of the Trust, the Bank, as the sole holder of the Special Trust Securities, will be entitled to receive any Net Distributable Funds of the Trust remaining after payment of the applicable Indicated Yield on the HSBC HaTS. A Distribution Date will be a Distribution Diversion Date if the Bank has failed to declare Dividends on the basis described herein. **The applicable Indicated Yield will not be payable by the Trust on the HSBC HaTS (including HSBC HaTS — Series 2015) on a Distribution Diversion Date and, instead, the Net Distributable Funds of the Trust as at such Distribution Diversion Date will be payable to the Bank, as the sole holder of the Special Trust Securities.** For the purposes of this prospectus, for the HSBC HaTS — Series 2015, the period commencing on and including the Closing Date to but excluding June 30, 2005, being the initial Distribution Date, and thereafter the period from and including each Distribution Date to but excluding the next following Distribution Date, are each referred to as a “Distribution Period”.

Pursuant to the terms of a Bank Share Exchange Trust Agreement among the Bank, the Exchange Trustee (as defined herein) and the Trust (the “Bank Share Exchange Agreement”), the Bank has covenanted for the benefit of holders of HSBC HaTS — Series 2015 (the “Dividend Stopper Undertakings”) that if, on any Regular Distribution Date that is June 30 or December 31, the Trust fails to pay the Indicated Yield in full for the six month period then ending on the HSBC HaTS — Series 2015 (or in the case of the initial Indicated Yield payable on June 30, 2005, the Trust fails to pay such initial Indicated Yield in full for the period from and including the Closing Date to but excluding June 30, 2005), the Bank will not subsequently declare dividends of any kind on any Class 1 Preferred Shares of the Bank (“Bank Class 1 Preferred Shares”), common shares of the Bank (“Bank Common Shares”), Bank Parity Preferred Shares (as defined herein) or Bank Junior Preferred Shares (as defined herein) (collectively, the “Dividend Restricted Shares”) until the month commencing immediately after the fourth Dividend Declaration Month (as defined herein) following the Trust’s failure to pay the Indicated Yield on the HSBC HaTS — Series 2015 unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to holders of HSBC HaTS — Series 2015. The Bank has also covenanted for the benefit of the holders of HSBC HaTS — Series 2015, pursuant to the Bank Share Exchange Agreement, that as long as any HSBC HaTS — Series 2015 are outstanding, the Bank will have outstanding one or more series of preferred shares which are listed on a recognized stock exchange or quoted on a recognized quotation system or trading market. **It is in the interest of the Bank to ensure, to the extent within its control, that the Trust pays the Indicated Yield on the HSBC HaTS — Series 2015 on each Regular Distribution Date that is June 30 or December 31, so as to avoid triggering the Dividend Stopper Undertakings.** See “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Bank Dividend Stopper Undertakings” and “Risk Factors”.

™ Trade mark of HSBC Holdings plc used under license by HSBC Bank Canada and HSBC Trust Company (Canada).

Each HSBC HaTS — Series 2015 will be exchanged automatically (the “Automatic Exchange”), without the consent of the holder thereof, for 40 Class 1 Preferred Shares Series Y of the Bank (“Bank Class 1 Preferred Shares Series Y”) if (i) an application for a winding-up order in respect of the Bank pursuant to the *Winding-up and Restructuring Act* (Canada) is filed by the Attorney General of Canada or a winding-up order in respect of the Bank pursuant to that Act is granted by a court, (ii) the Superintendent (as defined herein) advises the Bank in writing that the Superintendent has taken control of the Bank or its assets pursuant to the *Bank Act* (Canada) (the “Bank Act”), (iii) the Superintendent advises the Bank in writing that the Superintendent is of the opinion that the Bank has a risk-based Tier 1 capital ratio of less than 5.0% or a risk-based total capital ratio of less than 8.0%, (iv) the Board of Directors of the Bank advises the Superintendent in writing that the Bank has a risk-based Tier 1 capital ratio of less than 5.0% or a risk-based total capital ratio of less than 8.0%, or (v) the Superintendent directs the Bank pursuant to the Bank Act to increase its capital or provide additional liquidity and the Bank elects to cause the exchange as a consequence of the issuance of such direction or the Bank does not comply with such direction to the satisfaction of the Superintendent within the time specified therein (each a “Loss Absorption Event”). Following the Automatic Exchange, holders of HSBC HaTS — Series 2015 will cease to have any direct claim or entitlement in relation to the Trust Assets. **If the Automatic Exchange were to occur and Bank Class 1 Preferred Shares Series Y were issued in exchange for HSBC HaTS — Series 2015, the cost-effective nature of the consolidated capital raised by the Bank through the issuance of the HSBC HaTS — Series 2015 would be lost. Accordingly, it is in the interest of the Bank to ensure that a Loss Absorption Event does not occur, although the events that could give rise to a Loss Absorption Event may be beyond the control of the Bank.** See “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Automatic Exchange” and “Description of Bank Class 1 Preferred Shares Series Y”.

Upon the occurrence of a Tax Event (as defined herein) or a Capital Disqualification Event (as defined herein and, collectively with a Tax Event, a “Special Event”), in each case prior to June 30, 2010, the Trust may, with Superintendent, FSA and Federal Reserve Approval (as defined herein), at its option, upon not less than 30 and not more than 90 days’ prior written notice, redeem the HSBC HaTS — Series 2015 (the “Trust Special Event Redemption Right”) in whole (but not in part) without the consent of the holders thereof, for a cash amount per HSBC HaTS — Series 2015 (the “Early Redemption Price”) equal to the greater of (i) the Redemption Price (as defined herein), and (ii) the HSBC HaTS Canada Yield Price (as defined herein). See “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Trust Special Event Redemption Right”.

On June 30, 2010 and on any Distribution Date thereafter, the Trust may, with Superintendent, FSA and Federal Reserve Approval, at its option, upon not less than 30 and not more than 60 days’ prior written notice, redeem the HSBC HaTS — Series 2015 (the “Trust Redemption Right”) in whole (but not in part) without the consent of the holders thereof, for a cash amount per HSBC HaTS — Series 2015 equal to (i) the Early Redemption Price if the redemption occurs prior to June 30, 2015, or (ii) the Redemption Price if the redemption occurs on or after June 30, 2015. See “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Trust Redemption Right”.

It is expected that additional Eligible Trust Assets (as defined herein) will be purchased primarily from the Bank and/or its affiliates. The Bank acts as Administrative Agent (as defined herein) to the Trust, and the Bank and/or its affiliates collectively act as Servicer (as defined herein) of the Trust Assets. See “The Trust” and “Business of the Trust”.

**An investment in HSBC HaTS — Series 2015 could be replaced in certain circumstances, without the consent of the holder, by an investment in Bank Class 1 Preferred Shares Series Y. Investors should therefore carefully consider the disclosure with respect to the Bank incorporated by reference and included in this prospectus. An investment in HSBC HaTS — Series 2015 is subject to certain risks. There can be no assurance that an active trading market in the HSBC HaTS — Series 2015 will develop or be sustained, or that HSBC HaTS — Series 2015 may be resold at or above the initial offering price. See “Risk Factors”.**

**There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under the prospectus.**

**The Trust is a registered investment for purposes of the *Income Tax Act* (Canada) (the “Tax Act”) and, as such, the HSBC HaTS — Series 2015 will be qualified investments, and will not be foreign property, for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. See “Eligibility for Investment”.**

### **Price: \$1,000 per HSBC HaTS — Series 2015**

	Price to the Public	Underwriters’ Fee (1)	Net Proceeds to the Trust (1)(2)
Per HSBC HaTS — Series 2015 .....	\$1,000	\$10	\$990
Total .....	\$200,000,000	\$2,000,000	\$198,000,000

(1) The Underwriters’ Fee is \$10 for each HSBC HaTS — Series 2015 sold to certain institutions and \$30 per HSBC HaTS — Series 2015 for all other HSBC HaTS — Series 2015 sold. The amounts set forth in the table represent the Underwriters’ Fee and the Net Proceeds to the Trust assuming that all HSBC HaTS — Series 2015 are sold to such institutions.

(2) Before deduction of expenses of the Offering, estimated at \$800,000, which, together with the Underwriters’ Fee, are payable by the Trust.

The Underwriters (as defined herein), as principals, conditionally offer the HSBC HaTS — Series 2015, subject to prior sale, if, as and when issued by the Trust and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” subject to the approval of certain legal matters on behalf of the Trust and the Bank by Borden Ladner Gervais LLP, and on behalf of the Underwriters by Stikeman Elliott LLP. In connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the HSBC HaTS — Series 2015. Such transactions, if commenced, may be discontinued at any time. **HSBC Securities (Canada) Inc., one of the Underwriters, is an indirect wholly-owned subsidiary of the Bank. Each of the Trust and the Bank is a related issuer of HSBC Securities (Canada) Inc. under applicable securities legislation by virtue of the Bank’s interest in the Trust and HSBC Securities (Canada) Inc.** See “Plan of Distribution”. This prospectus also qualifies for distribution the Automatic Exchange and the Subscription Right (as defined herein) to be issued by the Bank.

Subscriptions for the HSBC HaTS — Series 2015 will be received by the Underwriters subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the Closing Date will be on or about May 3, 2005 or such later date as the Trust, the Bank and the Underwriters may agree, but in any event not later than June 15, 2005. The HSBC HaTS — Series 2015 will be issued in “book-entry only” form and, accordingly, physical certificates representing HSBC HaTS — Series 2015 will not be available except in limited circumstances. See “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Book-Entry Only Form”.

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
Eligibility for Investment .....	3	Use of Proceeds .....	42
Caution Regarding Forward-Looking Statements .....	4	Material Contracts .....	43
Documents Incorporated by Reference .....	4	Risk Factors .....	44
Prospectus Summary .....	5	Principal Holder of Securities .....	46
Glossary .....	13	Interests of the Bank and its Affiliates in Material Transactions .....	46
The Trust .....	21	Legal Matters .....	46
HSBC Bank Canada .....	21	Transfer Agent and Registrar and Exchange Trustee .....	46
Business of the Trust .....	22	Auditors .....	47
Capitalization of the Trust .....	26	Legal Proceedings .....	47
Description of the Trust Securities .....	26	Promoter .....	47
Description of Bank Class 1 Preferred Shares Series Y .....	35	Statutory Rights of Withdrawal and Rescission	47
Certain Canadian Federal Income Tax Considerations .....	38	Auditors' Consent .....	48
Plan of Distribution .....	41	Certificate of the Trust .....	C-1
Ratings .....	42	Certificate of the Bank .....	C-2
		Certificate of the Underwriters .....	C-3

## ELIGIBILITY FOR INVESTMENT

The Trust is a registered investment for purposes of the Tax Act and, as such, in the opinion of Borden Ladner Gervais LLP, counsel to the Trust and the Bank, and Stikeman Elliott LLP, counsel to the Underwriters, the HSBC HaTS — Series 2015 would, if issued on the date hereof, be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans and may be held in such plans subject to the terms of the particular plan or trust, and will not be prohibited investments for registered pension plans. The HSBC HaTS — Series 2015 will not be foreign property for purposes of Part XI of the Tax Act. The Federal Budget of February 23, 2005 proposes that the limit in respect of foreign property that may be held by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered pension plans be eliminated for months that end in the 2005 and subsequent calendar years. No assurance can be given that this proposal will become law as proposed or at all.

---

**THE HSBC HaTS — SERIES 2015, WHILE EXCHANGEABLE IN CERTAIN CIRCUMSTANCES FOR PREFERRED SHARES OF THE BANK, DO NOT REPRESENT OBLIGATIONS OF OR INTERESTS IN, AND ARE NOT GUARANTEED OR INSURED BY, HSBC BANK CANADA, HSBC HOLDINGS plc, HSBC TRUST COMPANY (CANADA) OR ANY OF THEIR RESPECTIVE AGENTS OR AFFILIATES. THE HSBC HaTS — SERIES 2015 ARE NOT INSURED OR GUARANTEED BY THE CANADA DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY OR INSTRUMENTALITY.**

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the documents incorporated by reference, includes forward-looking statements with respect to the Trust and the Bank, including their respective business operations and strategy, and financial performance and condition. These statements generally can be identified by the use of forward-looking words such as “may”, “could”, “should”, “would”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe” or “continue”, or the negative thereof or similar variations. Although management believes that the expectations reflected in such forward-looking statements are reasonable and represent projections, expectations and belief at this time, such statements involve unknown risks and uncertainties which may cause actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, including interest rates, business competition, changes in government regulations or in tax laws, difficulties in developing or enhancing new or existing distribution channels or products, and other factors discussed or referenced under “Risk Factors”. See “Risk Factors”.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference into this prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated by reference herein may be obtained on request without charge from the Corporate Secretary, HSBC Bank Canada, Suite 900, 888 Dunsmuir Street, Vancouver, British Columbia, Canada V6C 3K4, telephone (604) 641-2997. For the purpose of the Province of Québec, this prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may also be obtained from the Corporate Secretary at the address and telephone number mentioned above. These documents are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

The following documents with respect to the Bank, filed with the Superintendent and securities commissions or similar authorities in Canada, are specifically incorporated by reference into, and form an integral part of, this prospectus:

- (a) the Bank’s annual information form dated March 17, 2005; and
- (b) the Bank’s audited consolidated financial statements for the fiscal year ended December 31, 2004 with comparative consolidated financial statements for the fiscal year ended December 31, 2003, prepared in accordance with Canadian generally accepted accounting principles, together with the auditors’ report thereon and management’s discussion and analysis as contained in the Bank’s Annual Report for the year ended December 31, 2004.

**Any documents of the type referred to in the preceding paragraph and any unaudited interim financial statements for three, six or nine month financial periods and management’s discussion and analysis thereon, any information circulars and any material change reports (excluding confidential material change reports) filed by the Bank with a securities commission or similar authority in Canada after the date of this prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference into this prospectus.**

**Any statement contained in a document incorporated or deemed to be incorporated by reference into this prospectus or contained in this prospectus shall be deemed to be modified or superseded, for the purposes of this prospectus, to the extent that a statement contained in this prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference into this prospectus 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 is required to be stated or that is 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.**

## PROSPECTUS SUMMARY

*The following is a summary only and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere, or incorporated by reference, into this prospectus. Reference is made to the Glossary for the meaning of certain defined terms.*

### The Offering

<b>Issuer:</b>	HSBC Canada Asset Trust, a closed-end trust established on May 26, 2000 under the laws of the Province of British Columbia pursuant to the Declaration of Trust.
<b>Offering:</b>	200,000 HSBC Canada Asset Trust Securities — Series 2015 (“HSBC HaTS — Series 2015”), being a series of a class of units of the Trust.
<b>Amount of Offering:</b>	\$200,000,000.
<b>Price:</b>	\$1,000 per HSBC HaTS — Series 2015.
<b>Ratings:</b>	The HSBC HaTS — Series 2015 have been provisionally rated “A-/P-1(Low)” by S&P and “A(low)yn” by DBRS. Neither of these ratings should be construed as a recommendation to buy, sell or hold the HSBC HaTS — Series 2015.
<b>Use of Proceeds:</b>	The estimated net proceeds to the Trust from the Offering of approximately \$197,200,000 (after deducting the estimated Underwriters’ fee and the estimated expenses of the Offering), together with the net proceeds to be received on the Closing Date by the Trust of approximately \$100,000,000 from the subscription by the Bank for Special Trust Securities, will be used to fund the acquisition by the Trust of additional Eligible Trust Assets from the Bank and/or its Mortgage Subsidiaries. See “Use of Proceeds”.
<b>Summary of Attributes of HSBC HaTS — Series 2015:</b>	<p>Each HSBC HaTS — Series 2015 represents an undivided beneficial ownership interest in the assets of the Trust, principally comprised of co-ownership interests in a pool or pools of first mortgages on residential property insured by Canada Mortgage and Housing Corporation or Genworth Financial Mortgage Insurance Company Canada.</p> <p>Unless the Bank has failed to declare regular cash dividends on the Bank Class 1 Preferred Shares of any series or the Bank Parity Preferred Shares (if any), the Trust will make non-cumulative semi-annual cash distributions to the holders of HSBC HaTS — Series 2015 in amounts to provide an effective annual yield of 5.149% (based on the \$1,000 issue price) to June 30, 2015, and the Bankers’ Acceptance Rate (reset semi-annually) plus 1.50% thereafter.</p> <p>Under the Dividend Stopper Undertakings, the Bank has covenanted that if the Trust fails to pay the Indicated Yield in full for the six month period then ending on the HSBC HaTS — Series 2015 on any Regular Distribution Date that is June 30 or December 31, the Bank will not declare dividends on any of its shares for a specified period unless the Trust first pays such Indicated Yield (or the unpaid portion thereof).</p> <p>The HSBC HaTS — Series 2015 are not redeemable by the holders. The Trust may redeem the HSBC HaTS — Series 2015 on June 30, 2010 and on any Distribution Date thereafter. Prior to June 30, 2010, the Trust may redeem the HSBC HaTS — Series 2015 only upon the occurrence of a Tax Event or a Capital Disqualification Event. Upon the occurrence of a Loss Absorption Event, each HSBC HaTS — Series 2015 will be exchanged automatically for 40 Bank Class 1 Preferred Shares Series Y. In such event, the holders of HSBC HaTS — Series 2015 would cease to have any direct claim or entitlement with respect to the assets of the Trust.</p>

**Indicated Yield:**

The effective annual yield payable on the HSBC HaTS — Series 2015 will be 5.149% (based on the \$1,000 issue price) from and including the Closing Date to but excluding June 30, 2015, and the Bankers' Acceptance Rate (reset semi-annually) plus 1.50% thereafter, as more particularly set forth below.

The Trust distributes its Net Distributable Funds on the last day of June and December of each year. Distributions with respect to HSBC HaTS — Series 2015 will commence on June 30, 2005. Each HSBC HaTS — Series 2015 entitles the holder to receive out of Net Distributable Funds an Indicated Yield of \$25.75 on each Distribution Date on or before June 30, 2015, other than June 30, 2005, provided that such date is a Regular Distribution Date. For each Distribution Date after June 30, 2015, the Indicated Yield will be an amount determined by multiplying \$1,000 by one half of the sum of the Bankers' Acceptance Rate for the Distribution Period immediately preceding such Distribution Date and 1.50%, payable on the last day of June and December of each year commencing December 31, 2015, provided that such date is a Regular Distribution Date. The initial Indicated Yield, payable on June 30, 2005, will be \$8.18 per HSBC HaTS — Series 2015 for the period from and including the anticipated Closing Date of May 3, 2005 to but excluding June 30, 2005. A Distribution Date will be a Regular Distribution Date unless the Bank has failed to declare (such failure being a "Distribution Diversion Event") regular cash dividends on the Bank Class 1 Preferred Shares of any series or the Bank Parity Preferred Shares (if any) in accordance with the Bank's customary dividend practice in effect from time to time ("Dividends") in the Reference Dividend Declaration Month. The Reference Dividend Declaration Month in respect of any Distribution Date (other than June 30, 2005) is the most recent Dividend Declaration Month preceding the commencement of the Distribution Period for such Distribution Date. The Reference Dividend Declaration Month in respect of the June 30, 2005 Distribution Date is the month of April 2005 and, for the purposes of the HSBC HaTS — Series 2015, Dividends will be deemed to have been declared in such month. Accordingly, whether the Indicated Yield on the HSBC HaTS — Series 2015 will be payable by the Trust on any Distribution Date after June 30, 2005 will be determined prior to the commencement of the Distribution Period for such Distribution Date.

On any Regular Distribution Date, the Indicated Yield will be payable by the Trust to each holder of HSBC HaTS — Series 2015 and on any Regular Distribution Date that falls on the last day of a taxation year of the Trust, any Net Distributable Funds of the Trust remaining after payment of the applicable Indicated Yield in respect of each series of HSBC HaTS, will be payable to the Bank, as the sole holder of the Special Trust Securities. In the event of the occurrence of a Distribution Diversion Event in any Reference Dividend Declaration Month, the Distribution Date occurring on the day following the first Distribution Period commencing following such Distribution Diversion Event will be a Distribution Diversion Date. **The applicable Indicated Yield on the HSBC HaTS (including the HSBC HaTS — Series 2015) will not be payable by the Trust on a Distribution Diversion Date and, instead, the Net Distributable Funds of the Trust will be distributed to the Bank, as the sole holder of the Special Trust Securities. The Indicated Yield is non-cumulative and, as a result, if the Indicated Yield is not paid on a Distribution Date by reason of the occurrence of a Distribution Diversion Event, a holder of HSBC HaTS — Series 2015 will not be entitled to receive such Indicated Yield subsequently.**

**Bank Dividend Stopper Undertakings:**

See “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Indicated Yield”.

Pursuant to the terms of the Bank Share Exchange Agreement, the Bank has covenanted for the benefit of holders of HSBC HaTS — Series 2015 that, in the event that the Trust fails to pay the Indicated Yield in full for the six month period then ending (or in the case of the initial Indicated Yield payable on June 30, 2005, for the period from and including the Closing Date to but excluding June 30, 2005) on the HSBC HaTS — Series 2015 on any Regular Distribution Date that is June 30 or December 31, the Bank will not subsequently declare dividends of any kind on the Dividend Restricted Shares, being the Bank Class 1 Preferred Shares, the Bank Common Shares, the Bank Parity Preferred Shares and the Bank Junior Preferred Shares, until the Dividend Declaration Resumption Month, being the month commencing immediately after the fourth Dividend Declaration Month following the Trust’s failure to pay the Indicated Yield in full for the six month period then ending on the HSBC HaTS — Series 2015, unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to holders of HSBC HaTS — Series 2015. **It is in the interest of the Bank to ensure, to the extent within its control, that the Trust pays the Indicated Yield on the HSBC HaTS — Series 2015 on each Regular Distribution Date that is June 30 or December 31, so as to avoid triggering the Dividend Stopper Undertakings.** See “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Bank Dividend Stopper Undertakings” and “Risk Factors”.

The table below describes the relationship among the Reference Dividend Declaration Month, the Distribution Period, the Distribution Date and the Dividend Declaration Resumption Month.

<b>Reference Dividend Declaration Month (1)</b>	<b>Commencement of Current Distribution Period (2)</b>	<b>Distribution Date</b>	<b>Dividend Declaration Resumption Month (3)</b>
April 2005 (4)	May 3, 2005	June 30, 2005	May 2006
April 2005	June 30, 2005	December 31, 2005	November 2006
October 2005	December 31, 2005	June 30, 2006	May 2007

- (1) The Reference Dividend Declaration Months are based on the Bank’s customary practice, from time to time, with respect to declaring Dividends, including, with respect to the Bank Class 1 Preferred Shares Series A, its current practice of declaring Dividends thereon in the months of February, April, July and October of each year. If such practice were to change in the future in terms of the timing or frequency of the declaration of Dividends, the Reference Dividend Declaration Months referred to above may change. However, the Reference Dividend Declaration Month in respect of any Distribution Date would, in all events, continue to be the Dividend Declaration Month closest to but preceding the commencement of the Distribution Period ending on the day preceding such Distribution Date.
- (2) The May 3, 2005 date for the commencement of the initial Distribution Period assumes a Closing Date of May 3, 2005. Given that the Reference Dividend Declaration Month precedes the commencement of the applicable Distribution Period, whether the Distribution Date immediately following such Distribution Period will be a Regular Distribution Date or a Distribution Diversion Date, and the entitlement of holders of each series of HSBC HaTS to receive the applicable Indicated Yield, will have been determined prior to the commencement of such Distribution Period.
- (3) The Dividend Declaration Resumption Month is only relevant if the Trust fails to pay the applicable Indicated Yield in full on each series of HSBC HaTS on any Regular Distribution Date that is June 30 or December 31.
- (4) For purposes of the HSBC HaTS — Series 2015, Dividends will be deemed to have been declared in April 2005.

**Voting Rights:**

The HSBC HaTS — Series 2015 are non-voting except in certain limited circumstances. See “Description of the Trust Securities — Certain Provisions of the HSBC Canada Asset Trust Securities as a Class — Voting Rights” and “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Voting Rights”.

**Automatic Exchange:**

Each HSBC HaTS — Series 2015 will be exchanged automatically, without the consent of the holder thereof, for 40 Bank Class 1 Preferred Shares Series Y upon the occurrence of a Loss Absorption Event, being any one of the following: (i) an application for a winding-up order in respect of the Bank pursuant to the *Winding-up and Restructuring Act* (Canada) is filed by the Attorney General of Canada or a winding-up order in respect of the Bank pursuant to that Act is granted by a court; (ii) the Superintendent advises the Bank in writing that the Superintendent has taken control of the Bank or its assets pursuant to the Bank Act; (iii) the Superintendent advises the Bank in writing that the Superintendent is of the opinion that the Bank has a risk-based Tier 1 capital ratio of less than 5.0% or a risk-based total capital ratio of less than 8.0%; (iv) the Board of Directors advises the Superintendent in writing that the Bank has a risk-based Tier 1 capital ratio of less than 5.0% or a risk-based total capital ratio of less than 8.0%; or (v) the Superintendent directs the Bank pursuant to the Bank Act to increase its capital or provide additional liquidity and the Bank elects to cause the exchange as a consequence of the issuance of such direction or the Bank does not comply with such direction to the satisfaction of the Superintendent within the time period specified therein. The Automatic Exchange will be deemed to occur as of 8:00 a.m. (Toronto time) on the date that a Loss Absorption Event occurs. Following the Automatic Exchange, holders of HSBC HaTS — Series 2015 will cease to have any claim or entitlement with respect to the Trust Assets. If, for any reason, the Automatic Exchange does not result in the exchange of all HSBC HaTS — Series 2015 then outstanding for Bank Class 1 Preferred Shares Series Y, the Trust will redeem each HSBC HaTS — Series 2015 not so exchanged for consideration consisting of 40 Bank Class 1 Preferred Shares Series Y. Pursuant to the Subscription Right, the Trust will have the right to require the Bank to issue to it a sufficient number of Bank Class 1 Preferred Shares Series Y to enable the Trust to redeem the HSBC HaTS — Series 2015, if any, remaining outstanding following the Automatic Exchange. **If the Automatic Exchange were to occur and Bank Class 1 Preferred Shares Series Y were issued in exchange for the HSBC HaTS — Series 2015, the cost-effective nature of the consolidated capital raised by the Bank through the issuance of the HSBC HaTS — Series 2015 would be lost. Accordingly, it is in the interest of the Bank to ensure that a Loss Absorption Event does not occur, although the events that could give rise to a Loss Absorption Event may be beyond the Bank’s control.** See “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Automatic Exchange” and “Description of Bank Class 1 Preferred Shares Series Y”.

**No Redemption at the Option of Holders:**

The HSBC HaTS (including the HSBC HaTS — Series 2015) are not redeemable at the option of the holders thereof.

**Trust Special Event Redemption Right:**

Upon the occurrence of a Tax Event or a Capital Disqualification Event, in each case prior to June 30, 2010, the HSBC HaTS — Series 2015 will, upon not less than 30 and not more than 90 days’ prior written notice by the Trust, with Superintendent, FSA and Federal Reserve Approval, be redeemable by the Trust, at its option in whole (but not in part) and without the consent of the holders thereof, for a cash amount per HSBC HaTS — Series 2015 equal

to the Early Redemption Price, being the greater of (i) the Redemption Price (being \$1,000 plus the Unpaid Indicated Yield, if any), and (ii) a price per HSBC HaTS — Series 2015 calculated to provide an annual yield thereon to June 30, 2015 equal to the Government of Canada Yield plus 0.23%, determined on the Business Day immediately preceding the date on which the Trust has given notice of the redemption of the HSBC HaTS — Series 2015 as a consequence of the exercise of the Trust Special Event Redemption Right, plus the Unpaid Indicated Yield. For the HSBC HaTS — Series 2015, the “Government of Canada Yield”, on any day, will be the average of the yields determined by two registered Canadian investment dealers, as being the yield to maturity on such day, compounded semi-annually, which a non-callable Government of Canada bond with a maturity date of June 30, 2015 would carry if issued on such day in Canadian dollars in Canada at 100% of its principal amount. See “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Trust Special Event Redemption Right”.

**Trust Redemption Right:**

On June 30, 2010 and on any Distribution Date thereafter, the Trust may, with Superintendent, FSA and Federal Reserve Approval, at its option, upon not less than 30 and not more than 60 days’ prior written notice, redeem the HSBC HaTS — Series 2015 in whole (but not in part) without the consent of the holders thereof, for a cash amount per HSBC HaTS — Series 2015 equal to (i) the Early Redemption Price, if the redemption occurs prior to June 30, 2015, or (ii) the Redemption Price, if the redemption occurs on or after June 30, 2015. See “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Trust Redemption Right”.

**Purchase for Cancellation:**

On or after the date that is five years from the Closing Date, the HSBC HaTS — Series 2015 may be purchased, in whole or in part, by the Trust, with Superintendent, FSA and Federal Reserve Approval, in the open market or by tender or private contract at any price. HSBC HaTS — Series 2015 purchased by the Trust will be cancelled and will not be reissued.

**Termination of the Trust:**

As long as any HSBC HaTS are outstanding, the Trust may only be terminated with the approval of the Bank, as the sole holder of the Special Trust Securities, and with Superintendent, FSA and Federal Reserve Approval (i) upon the occurrence of a Special Event prior to June 30, 2010 or (ii) for any reason on June 30, 2010 or on any Distribution Date thereafter. Pursuant to the Bank Share Exchange Agreements, the Bank has covenanted for the benefit of holders of HSBC HaTS (including HSBC HaTS — Series 2015) that, as long as any HSBC HaTS are outstanding, the Bank will not approve the termination of the Trust unless the Trust has sufficient funds to pay to all holders of HSBC HaTS the Early Redemption Price or the Redemption Price, as applicable, in respect of such HSBC HaTS. The Declaration of Trust provides that holders of HSBC HaTS are not entitled to initiate proceedings for the termination of the Trust.

Holders of HSBC HaTS of each series and the Bank, as the sole holder of the Special Trust Securities, will rank *pari passu* in the distribution of the property of the Trust in the event of a termination of the Trust, after the discharge of the claims of creditors, if any.

See “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Rights on Termination of the Trust”.

**Additional Bank Covenants:**

In addition to the Dividend Stopper Undertakings, the Bank has covenanted for the benefit of the holders of HSBC HaTS — Series 2015, pursuant to the Bank Share Exchange Agreement among other things, that as long as any HSBC HaTS — Series 2015 are outstanding:

- (a) all of the outstanding Special Trust Securities will be owned at all times by the Bank;
- (b) the Bank will not take any action to cause the termination of the Trust except as set forth under “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Rights on Termination of the Trust” and with Superintendent, FSA and Federal Reserve Approval;
- (c) the Bank will not assign or otherwise transfer its obligations under the Bank Share Exchange Agreement, except in the case of a merger, consolidation, amalgamation, reorganization or a sale of all or substantially all of the assets of the Bank;
- (d) the Bank will not amend the rights, privileges, restrictions and conditions attaching to the Bank Class 1 Preferred Shares Series Y without the prior approval of the Superintendent and the prior consent of the holders of 66<sup>2</sup>/<sub>3</sub>% of the HSBC HaTS — Series 2015 then outstanding or the prior approval of such holders by Extraordinary Resolution, provided that such prior consent or approval of the holders of HSBC HaTS — Series 2015 will not be required in the case of an amendment relating to the Bank Class 1 Preferred Shares as a class; and
- (e) the Bank will have outstanding one or more series of preferred shares which are listed on a recognized stock exchange or quoted on a recognized quotation system or trading market.

See “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Additional Bank Covenants”.

**Book-Entry Only Form:**

The HSBC HaTS — Series 2015 will be issued under the book-entry only system operated by The Canadian Depository for Securities Limited and must be purchased or transferred through participants (collectively, “Participants”) in the depository service of The Canadian Depository for Securities Limited. Participants include securities brokers and dealers, banks and trust companies. Accordingly, physical certificates representing the HSBC HaTS — Series 2015 will not be available except in the limited circumstances described under “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Book-Entry Only Form”.

**HSBC HaTS — Series 2010:**

On June 28, 2000, the Trust issued 200,000 of the initial series of HSBC HaTS designated “HSBC Canada Asset Trust Securities — Series 2010” (“HSBC HaTS — Series 2010”) at a price of \$1,000 per HSBC HaTS — Series 2010 for total gross proceeds of \$200,000,000. Holders of HSBC HaTS — Series 2010 are entitled to receive an Indicated Yield of 7.78% (based on the \$1,000 issue price) to December 31, 2010, and the Bankers’ Acceptance Rate (reset semi-annually) plus 2.37% thereafter. HSBC HaTS — Series 2010 will, in certain circumstances, be automatically exchanged for Bank Class 1 Preferred Shares Series Z.

HSBC HaTS — Series 2010 and HSBC HaTS — Series 2015 rank *pari passu* in respect of the applicable Indicated Yield payable on each series of HSBC HaTS and rank *pari passu* (together with the Special Trust Securities) with

respect to the distribution of property of the Trust in the event of a termination of the Trust.

See “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2010”.

**Special Trust Securities:**

On the Closing Date, the Bank will subscribe for additional Special Trust Securities. These securities allow the Bank to vote with respect to certain matters regarding the Trust and, on any Regular Distribution Dates that fall on the last day of a taxation year of the Trust, to receive any Net Distributable Funds of the Trust remaining after payment of the applicable Indicated Yield on each series of HSBC HaTS. In certain limited circumstances, the Trustee may, in its sole discretion with prior approval of the Superintendent, upon the request of the holder redeem or make a distribution as a return of capital in respect of Special Trust Securities. See “Description of the Trust Securities — Special Trust Securities — Redemption/Return of Capital”.

**The Trust**

**General**

The Trust is a closed-end trust established by the Trustee on May 26, 2000 under the laws of the Province of British Columbia pursuant to the Declaration of Trust. The Offering will provide investors with the opportunity to invest, through the holding of HSBC HaTS — Series 2015, in the Trust Assets, and will provide the Bank with a cost-effective means of raising Tier 1 capital for Canadian bank regulatory purposes. All of the Special Trust Securities are and will be owned by the Bank. See “Description of the Trust Securities — Special Trust Securities”.

**Business of the Trust**

The Trust’s business is the acquisition and holding of Trust Assets that will generate net income for distribution to holders of Trust Securities. The Trust Assets consist primarily of undivided co-ownership interests in one or more pools of Canada Mortgage and Housing Corporation (“CMHC”) or Genworth Financial Mortgage Insurance Company Canada (“Genworth Financial”) insured first mortgages on residential property situated in Canada, such as single family dwellings, semi-detached dwelling units, duplexes, townhouses, condominium units or multiple-unit family dwellings (collectively, “Residential Mortgages”) originated by the Sellers. The Sellers have entered into one or more Mortgage Sales, Pooling and Servicing Agreements and have entered and will enter into Purchase Agreements which, together, will provide for the transfer of undivided co-ownership interests in one or more pools of Residential Mortgages and Eligible Investments. The Trust has acquired and intends to continue to acquire the Trust Assets primarily from the Bank and/or its affiliates. The Trust Assets are and will be serviced directly or indirectly by the Bank. The Trust will, from time to time, purchase additional Eligible Trust Assets out of proceeds received in connection with the Trust Assets. The price of any Eligible Trust Asset purchased by the Trust is intended to be equal to the fair market value thereof. See “Business of the Trust — Description of Eligible Trust Assets”.

**Capitalization**

Immediately after the issuance by the Trust of the HSBC HaTS — Series 2015 pursuant to the Offering, the concurrent subscription by the Bank for additional Special Trust Securities and the purchase by the Trust of additional Eligible Trust Assets, the Trust will have approximately \$613 million in Trust Assets, \$400 million of capital attributable to HSBC HaTS (\$200 million with respect to the HSBC HaTS — Series 2010 and \$200 million with respect to the HSBC HaTS — Series 2015), and approximately \$217 million of capital attributable to Special Trust Securities. See “Capitalization of the Trust” and “Risk Factors”.

**Conflicts of Interest**

Due to the nature of the Trust’s relationship with the Bank and its affiliates, it is possible that conflicts of interest may arise with respect to certain transactions between the parties. It is intended that any agreements or transactions between the Trust, on the one hand, and the Bank or its affiliates, on the other hand, will be fair to all

parties and consistent with market terms and conditions for such types of transactions. However, there can be no assurance that any such agreement or transaction will be on terms as favourable to the Trust as would have been obtained from unaffiliated third parties. See “Business of the Trust — Conflict of Interest Policies”.

### **Servicing of Trust Assets**

The Trust Assets are and will be serviced directly or indirectly by the Bank and/or its affiliates. The Trust Assets have been and will generally be acquired by the Trust on a fully-serviced basis. See “Business of the Trust — Description of Eligible Trust Assets — General”.

### **Administration and Advisory Agreement**

The Trustee has entered into an administration and advisory agreement with the Bank (the “Administration and Advisory Agreement”) pursuant to which the Trustee has delegated certain of its duties in relation to the Trust to the Bank. The Bank, in its role as advisor and administrative agent under the Administration and Advisory Agreement (the “Administrative Agent”), provides the Trust advice and counsel with respect to the management of the Trust Assets, administers the day-to-day operations of the Trust and provides other advice or counsel as may be requested from time to time by the Trust. The Administrative Agent may from time to time delegate or sub-contract all or a portion of its obligations under the Administration and Advisory Agreement to one or more of its qualified affiliates. The Bank and certain of its affiliates and their respective personnel have substantial experience in mortgage finance and in the administration of Trust Assets. See “Business of the Trust — The Administrative Agent”.

### **Liquidity**

The Trust may, from time to time, borrow funds from the Bank pursuant to the Credit Facility extended by the Bank to the Trust for the purposes of ensuring liquidity in the normal course of the Trust’s activities. The Bank charges interest rates on any borrowings by the Trust that are not higher than prevailing market rates. See “Business of the Trust — Liquidity”.

### **Risk Factors**

The purchase of HSBC HaTS — Series 2015 is subject to certain risks including the following: (i) in certain specified circumstances, including at a time when the Bank’s financial condition is deteriorating or proceedings for the winding-up of the Bank have been commenced, the HSBC HaTS — Series 2015 will be automatically exchanged for Bank Class 1 Preferred Shares Series Y without the consent of the holders of HSBC HaTS — Series 2015 and, as a result, holders of HSBC HaTS — Series 2015 will have no claim or entitlement to the Trust Assets other than indirectly in their capacity as preferred shareholders of the Bank; (ii) an interest rate environment in which there is a significant decline in interest rates could adversely affect the Trust’s ability to pay the Indicated Yield on the HSBC HaTS — Series 2015 in full on Regular Distribution Dates that are June 30 or December 31; (iii) there can be no assurance that the income and gains of the Trust from the Trust Assets will be sufficient to pay the Indicated Yield on the HSBC HaTS — Series 2015 in full on Regular Distribution Dates that are June 30 or December 31; (iv) the ownership of shares of the Bank is subject to certain restrictions; (v) the Trust is dependent in virtually every phase of its operations on the diligence and skill of the Bank or its sub-contractors and delegates under the Administration and Advisory Agreement and the Bank and its Mortgage Subsidiaries as Servicer; (vi) it is not expected that the HSBC HaTS — Series 2015 will be listed on any stock exchange, and there can be no assurance that an active trading market in the HSBC HaTS — Series 2015 will develop or be sustained, or that the HSBC HaTS — Series 2015 may be resold at or above the initial public offering price; (vii) the Indicated Yield is not cumulative and, as a result, if the Indicated Yield is not paid on a Distribution Date by reason of the occurrence of a Distribution Diversion Event, a holder of HSBC HaTS — Series 2015 will not be entitled to receive such Indicated Yield subsequently; and (viii) the HSBC HaTS — Series 2015 have no fixed final maturity date and holders of HSBC HaTS — Series 2015 have no right to call for the redemption of the HSBC HaTS — Series 2015. See “Risk Factors”.

## GLOSSARY

In this prospectus, unless the context otherwise requires:

**Accumulated Unpaid Indicated Yield** means with respect to a series of HSBC HaTS, at any time, an amount per HSBC HaTS of that series equal to the Indicated Yield payable by the Trust thereon in respect of all previous Regular Distribution Dates remaining unpaid by the Trust, if any (holders of HSBC HaTS having no entitlement to receive such amount, except to the extent that such amount forms part of the Early Redemption Price or Redemption Price).

**Administration and Advisory Agreement** means the agreement between the Trust and the Bank pursuant to which the Bank serves as advisor and administrative agent to the Trust, as it may be amended or amended and restated from time to time.

**Administrative Action** means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of an intention to adopt such procedures or regulations) by any legislative body, court, governmental authority or regulatory body having appropriate jurisdiction.

**Administrative Agent** means the Bank in its capacity as advisor and administrative agent to the Trust pursuant to the Administration and Advisory Agreement or any successor to the Bank in such capacity.

**Automatic Exchange** means the automatic exchange of each HSBC HaTS for Bank Class 1 Preferred Shares (40 Bank Class 1 Preferred Shares Series Y in the case of the HSBC HaTS — Series 2015) upon the occurrence of a Loss Absorption Event.

**Bank or HSBC Bank Canada** means HSBC Bank Canada, either alone or together with its subsidiaries.

**Bank Act** means the *Bank Act* (Canada), as amended from time to time.

**Bank Class 1 Preferred Shares** means the Class 1 Preferred Shares without par value in the capital of the Bank (including the Bank Class 1 Preferred Shares Series A, the Bank Class 1 Preferred Shares Series B, the Bank Class 1 Preferred Shares Series C, the Bank Class 1 Preferred Shares Series Y and the Bank Class 1 Preferred Shares Series Z).

**Bank Class 1 Preferred Shares Series A** means the Non-Cumulative Redeemable Class 1 Preferred Shares Series A in the capital of the Bank.

**Bank Class 1 Preferred Shares Series B** means the Non-Cumulative Redeemable Class 1 Preferred Shares Series B in the capital of the Bank.

**Bank Class 1 Preferred Shares Series C** means the Non-Cumulative Redeemable Class 1 Preferred Shares Series C in the capital of the Bank.

**Bank Class 1 Preferred Shares Series Y** means the Non-Cumulative Redeemable Class 1 Preferred Shares Series Y in the capital of the Bank.

**Bank Class 1 Preferred Shares Series Z** means the Non-Cumulative Redeemable Class 1 Preferred Shares Series Z in the capital of the Bank.

**Bank Class 2 Preferred Shares** means the Class 2 Preferred Shares without par value in the capital of the Bank.

**Bank Class 2 Preferred Shares Series A** means the Non-Cumulative Redeemable Class 2 Preferred Shares Series A in the capital of the Bank.

**Bank Common Shares** means the common shares without par value in the capital of the Bank.

**Bank Junior Preferred Shares** means preferred or preference shares in the capital of the Bank ranking junior to the Bank Class 1 Preferred Shares (including the Bank Class 2 Preferred Shares).

**Bank Parity Preferred Shares** means preferred or preference shares in the capital of the Bank ranking *pari passu* with the Bank Class 1 Preferred Shares.

**Bank Share Exchange Agreements** means the Bank Share Exchange Trust Agreements among the Bank, the Trust and the Exchange Trustee providing for, among other things, the Dividend Stopper Undertakings and other covenants of the Bank as well as the respective rights and obligations of the Bank, the Trust and the holders of the HSBC HaTS with respect to the Subscription Right and with respect to the exchange of HSBC HaTS for Bank Class 1 Preferred Shares in connection with the Automatic Exchange, and **Bank Share Exchange Agreement** means the Bank Share Exchange Trust Agreement among the Bank, the Trust and the Exchange Trustee with respect to HSBC HaTS — Series 2015.

**Bankers' Acceptance Rate** means, for any Distribution Period in respect of a Distribution Date or other period, the average bid rate of interest (expressed as an annual percentage rate) rounded to the nearest one hundred-thousandth of one percent (with 0.000005 percent being rounded up) for Canadian dollar bankers' acceptances with maturities of six months which appears on the Reuters Screen CDOR Page as of 10:00 a.m. (Toronto time) on the first Business Day of such period, provided that if such rate does not appear on the Reuters Screen CDOR Page on such day, the Bankers' Acceptance Rate for such period will be the average of the bid rates of interest (expressed and rounded as set forth above) for Canadian dollar bankers' acceptances with maturities of six months for same day settlement as quoted by such of the Schedule I Canadian chartered banks as may quote such a rate as of 10:00 a.m. (Toronto time) on the first Business Day of such period. For such purposes, a Distribution Period in respect of a Distribution Date will be deemed to commence on the most recent Distribution Date that is June 30 or December 31 occurring prior to such Distribution Date.

**Board of Directors** means the board of directors of the Bank, as constituted from time to time.

**Business Day** means a day on which the Bank is open for business in the cities of Vancouver and Toronto, other than a Saturday, Sunday or any statutory or civic holiday in either of such cities.

**Capital Disqualification Event** means a Tier 1 Capital Disqualification Event or a Total Capital Disqualification Event.

**Capital Guidelines** means the Canadian bank regulatory guidelines issued from time to time by the Superintendent or other governmental authority in Canada concerning capital requirements, capital adequacy and the maintenance of adequate capital reserves by Canadian chartered banks, including the Bank.

**CDS** means The Canadian Depository for Securities Limited and its nominees, or any successor thereto, carrying on the business of a depository.

**CDS Procedures** means the customary practices and procedures of CDS.

**Closing Date** means the date of closing of the Offering.

**CMHC** means Canada Mortgage and Housing Corporation.

**Co-Owner** means each person who acquires an Ownership Interest in the assets held by the Custodian.

**Co-Ownership Assets** means Residential Mortgages (and all related security interests, guarantees and other agreements and arrangements supporting or securing payment thereof), the collections therefrom and proceeds thereof, any Eligible Investments acquired with such collections and proceeds, and the collection from and proceeds of all of the foregoing.

**Credit Facility** means the unsecured credit facility provided by the Bank to the Trust, as amended from time to time.

**Current Unpaid Indicated Yield** means with respect to a series of HSBC HaTS, at any date, an amount per HSBC HaTS of that series equal to the unpaid Indicated Yield which would be payable by the Trust thereon to but excluding such date, if any, in respect of the Distribution Period in which such date occurs (calculated on a per diem basis for the Distribution Period), and, for the purposes of calculating the Early Redemption Price in respect of a Trust Special Event Redemption Right, **Current Unpaid Indicated Yield** means with respect to a series of HSBC HaTS an amount per HSBC HaTS of that series equal to the unpaid Indicated Yield which would be payable thereon from and including the preceding Distribution Date to but excluding the Trust Special Event Redemption Right redemption date (calculated on a per diem basis for the Distribution Period).

**Custodian** means HSBC Trust Company (Canada), as agent, nominee and bare trustee under the Mortgage Sales, Pooling and Servicing Agreements.

**DBRS** means Dominion Bond Rating Service Limited.

**Declaration of Trust** means the declaration of trust by the Trustee made May 26, 2000 establishing the Trust and the rights, privileges, restrictions and conditions attached to the Trust Securities, as it may be amended or amended and restated from time to time.

**Deferred Income Plans** means registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans and registered pension plans.

**Distribution Date** means the last day of June and December of each year and any other date that is the last day of a taxation year of the Trust as determined under the Tax Act, the first such Distribution Date being December 31, 2000 in the case of the HSBC HaTS — Series 2010 and June 30, 2005 in the case of the HSBC HaTS — Series 2015, which will be either (i) a Regular Distribution Date, if the Bank declares Dividends in the Reference Dividend Declaration Month or (ii) a Distribution Diversion Date, if the Bank does not declare Dividends in the Reference Dividend Declaration Month.

**Distribution Diversion Date** means a Distribution Date, other than a Regular Distribution Date, on which the Indicated Yield on the HSBC HaTS is not payable by the Trust and, instead, the Bank as the sole holder of the Special Trust Securities is entitled to receive the Net Distributable Funds of the Trust.

**Distribution Diversion Event** means the failure of the Bank to declare Dividends in a Reference Dividend Declaration Month, in which event the Distribution Date occurring on the day following the first Distribution Period commencing following such month will be a Distribution Diversion Date.

**Distribution Period** means:

- (a) with respect to HSBC HaTS — Series 2010, the period from and including June 28, 2000 to but excluding December 31, 2000, and thereafter the period from and including each Distribution Date to but excluding the following Distribution Date; and
- (b) with respect to the HSBC HaTS — Series 2015, the period from and including the Closing Date to but excluding June 30, 2005, and thereafter the period from and including each Distribution Date to but excluding the next following Distribution Date,

and in respect of a Distribution Date means the Distribution Period ending on the day before that Distribution Date.

**Dividend Declaration Month** means each month in which the Bank customarily declares Dividends in accordance with the Bank's dividend practice in effect from time to time, before giving effect to any stoppage on the declaration of Dividends pursuant to the Dividend Stopper Undertakings.

**Dividend Declaration Resumption Month** means the month commencing immediately after the fourth Dividend Declaration Month following the Trust's failure to pay the applicable Indicated Yield in full on any series of HSBC HaTS, being the month in which the Bank may resume declaring dividends on the Dividend Restricted Shares.

**Dividend Restricted Shares** means, collectively, the Bank Class 1 Preferred Shares, the Bank Parity Preferred Shares (if any), the Bank Junior Preferred Shares and the Bank Common Shares, being the shares of the Bank that are subject to the Dividend Stopper Undertakings.

**Dividend Stopper Undertakings** means the undertakings of the Bank, each for the benefit of the holders of a different series of HSBC HaTS, which are set forth in the Bank Share Exchange Agreements, to refrain from declaring dividends of any kind on the Dividend Restricted Shares until the Dividend Declaration Resumption Month in the event that, on any Regular Distribution Date that is June 30 or December 31, the Trust fails to pay the Indicated Yield in full for the six month period then ending on that series of HSBC HaTS (or in the case of the initial Indicated Yield payable on June 30, 2005, the Trust fails to pay such initial Indicated Yield in full for the period from and including the Closing Date to but excluding June 30, 2005).

**Dividends** means the regular cash dividends declared by the Bank on the Bank Class 1 Preferred Shares of any series and the Bank Parity Preferred Shares (if any) in accordance with the Bank's customary dividend practice in effect from time to time.

**Early Redemption Price** means with respect to a series of HSBC HaTS, at any time, a cash amount per HSBC HaTS of that series equal to the greater of (i) the Redemption Price and (ii) the HSBC HaTS Canada Yield Price.

**Eligible Investments** means money and any debt obligation that is a qualified investment under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans, except where the qualification of such property contains conditions regarding the annuitant, the beneficiary, the employer or the subscriber under the plan unless the Trust is satisfied that such conditions are satisfied.

**Eligible Trust Assets** means Residential Mortgages, Mortgage Co-Ownership Interests, Mortgage-Backed Securities, Eligible Investments and certain contractual rights in respect of the business and operations of the Trust, each of which would not disqualify the Trust as a registered investment for the purposes of the Tax Act.

**Exchange Trustee** means Computershare Trust Company of Canada, as trustee for the holders of HSBC HaTS, pursuant to the Bank Share Exchange Agreements.

**Extraordinary Resolution** means a resolution passed by holders of the affected series of HSBC HaTS representing not less than 66⅔% of the total number of outstanding HSBC HaTS of such series represented and voted at a meeting of holders of the affected series of HSBC HaTS at which a quorum is present, or a resolution in writing signed by holders of the affected series of HSBC HaTS representing not less than 66⅔% of the outstanding HSBC HaTS of such series.

**Federal Reserve** means the Board of Governors of the Federal Reserve System (United States) and includes any successor organization responsible for the supervision of banks in the United States.

**FSA** means the Financial Services Authority (United Kingdom) and includes any successor organization responsible for the supervision of banks in the United Kingdom.

**Genworth Financial** means Genworth Financial Mortgage Insurance Company Canada.

**Government of Canada Yield** means with respect to a series of HSBC HaTS, on any day, the average of the yields determined by any two registered Canadian investment dealers (or their respective successors), as may be designated from time to time by the Board of Directors, as being the yield to maturity on such day, compounded semi-annually, which a non-callable Government of Canada bond, with a maturity date of December 31, 2010 in the case of HSBC HaTS — Series 2010 and of June 30, 2015 in the case of HSBC HaTS — Series 2015, would carry if issued on such day in Canadian dollars in Canada at 100% of its principal amount.

**HSBC** means HSBC Holdings, either alone or together with its direct and indirect subsidiaries.

**HSBC HaTS** means HSBC HaTS — Series 2010 and HSBC HaTS — Series 2015.

**HSBC HaTS — Series 2010** means the 200,000 HSBC Canada Asset Trust Securities — Series 2010 issued by the Trust on June 28, 2000.

**HSBC HaTS — Series 2015** means the 200,000 HSBC Canada Asset Trust Securities — Series 2015 to be issued by the Trust pursuant to the Offering.

**HSBC HaTS Canada Yield Price** means:

- (a) with respect to HSBC HaTS — Series 2010, a price per HSBC HaTS — Series 2010 calculated to provide an annual yield thereon to December 31, 2010 equal to the Government of Canada Yield plus 0.46%, determined on the Business Day immediately preceding the date on which the Trust has given notice of the redemption of the HSBC HaTS — Series 2010 (whether pursuant to the Trust Special Event Redemption Right or the Trust Redemption Right) or the Business Day immediately preceding the date of the termination of the Trust, as the case may be, plus the Unpaid Indicated Yield. For such purposes, the Indicated Yield, excluding the Current Unpaid Indicated Yield, will be assumed to be paid on each Distribution Date that is June 30 or December 31 to December 31, 2010; and
- (b) with respect to HSBC HaTS — Series 2015, a price per HSBC HaTS — Series 2015 calculated to provide an annual yield thereon to June 30, 2015 equal to the Government of Canada Yield plus 0.23%, determined on the Business Day immediately preceding the date on which the Trust has given notice of the redemption of the HSBC HaTS — Series 2015 (whether pursuant to the Trust Special Event

Redemption Right or the Trust Redemption Right) or the Business Day immediately preceding the date of the termination of the Trust, as the case may be, plus the Unpaid Indicated Yield. For such purposes, the Indicated Yield, excluding the Current Unpaid Indicated Yield, will be assumed to be paid on each Distribution Date that is June 30 or December 31 to June 30, 2015.

**HSBC Holdings** means HSBC Holdings plc.

**Indicated Yield** means:

- (a) with respect to HSBC HaTS — Series 2010, the non-cumulative cash distribution per HSBC HaTS — Series 2010 payable by the Trust on a Regular Distribution Date (i) in the case of any such Regular Distribution Date on or before December 31, 2010, in the amount of \$38.90 (except in the case of the Regular Distribution Date on December 31, 2000, on which the Indicated Yield payable by the Trust was \$39.86), and (ii) in the case of any such Regular Distribution Date after December 31, 2010, in an amount determined by multiplying \$1,000 by one half of the sum of the Bankers' Acceptance Rate for the Distribution Period immediately preceding such Regular Distribution Date and 2.37%; and
- (b) with respect to HSBC HaTS — Series 2015, the non-cumulative cash distribution per HSBC HaTS — Series 2015 payable by the Trust on a Regular Distribution Date (i) in the case of any such Regular Distribution Date on or before June 30, 2015, in the amount of \$25.75 (except in the case of the Regular Distribution Date on June 30, 2005, on which the Indicated Yield payable by the Trust will be \$8.18 assuming a Closing Date of May 3, 2005), and (ii) in the case of any such Regular Distribution Date after June 30, 2015, in an amount determined by multiplying \$1,000 by one half of the sum of the Bankers' Acceptance Rate for the Distribution Period immediately preceding such Regular Distribution Date and 1.50%.

Where the Distribution Period in respect of a Distribution Date is less than six months, the applicable Indicated Yield will be pro rated based upon the proportion that the number of days in such Distribution Period is of 183 days.

**Ineligible Person** means any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of, any jurisdiction outside of Canada to the extent that the issuance by the Bank to such person, pursuant to the Automatic Exchange, of Bank Class 1 Preferred Shares Series Y would require the Bank to take any action to comply with securities, banking or analogous laws of such jurisdiction.

**Invested Amount** means, in respect of each Special Trust Security, at any time the aggregate of all amounts paid by or on behalf of the holder of such Special Trust Security at or prior to such time to the Trust as the subscription price for such Special Trust Security pursuant to a Subscription Agreement or as a contribution of capital, less the amount of cash or the agreed value of property which has been paid or distributed as a return of capital in respect of such Special Trust Security prior to such time.

**Loss Absorption Event** means an event giving rise to the Automatic Exchange, being the occurrence of any one of the following: (i) an application for a winding-up order in respect of the Bank pursuant to the *Winding-up and Restructuring Act* (Canada) is filed by the Attorney General of Canada or a winding-up order in respect of the Bank pursuant to that Act is granted by a court; (ii) the Superintendent advises the Bank in writing that the Superintendent has taken control of the Bank or its assets pursuant to the Bank Act; (iii) the Superintendent advises the Bank in writing that the Superintendent is of the opinion that the Bank has a risk-based Tier 1 capital ratio of less than 5.0% or a risk-based total capital ratio of less than 8.0%; (iv) the Board of Directors of the Bank advises the Superintendent in writing that the Bank has a risk-based Tier 1 capital ratio of less than 5.0% or a risk-based total capital ratio of less than 8.0%; or (v) the Superintendent directs the Bank pursuant to the Bank Act to increase its capital or provide additional liquidity and the Bank elects to cause the Automatic Exchange as a consequence of the issuance of such direction or the Bank does not comply with such direction to the satisfaction of the Superintendent within the time specified therein.

**Minister of Finance** means the Minister of Finance (Canada).

**Mortgage-Backed Securities** means securities representing undivided co-ownership interests in one or more Residential Mortgages (and all related security interests, guarantees and other agreements and arrangements supporting or securing payment thereof).

**Mortgage Co-Ownership Interests** means undivided co-ownership interests in one or more pools of Residential Mortgages or Eligible Investments.

**Mortgage Sales, Pooling and Servicing Agreements** means one or more master Mortgage Sales, Pooling and Servicing Agreements between the Bank and the Sellers as sellers and initial Servicers and the Custodian as agent, nominee and bare trustee for and on behalf of such sellers, the Co-owners and persons who from time to time are parties to purchase agreements providing for the transfer of and servicing of Mortgage Co-Ownership Interests, as such agreements are amended or amended and restated from time to time.

**Mortgage Subsidiaries** means any or all of HSBC Mortgage Corporation (Canada) and other subsidiaries of the Bank, from time to time, engaged in mortgage operations.

**Net Distributable Funds** means, in respect of a Distribution Date in a taxation year of the Trust, the sum of (i) where the Distribution Date is other than the last day of such taxation year, the Trustee's reasonable estimate of the income of the Trust (including any net taxable capital gains) in accordance with the Tax Act and the non-taxable portion of realized capital gains for such portion of the taxation year since the immediately preceding Distribution Date, (ii) where the Distribution Date is the last day of such taxation year, both the income of the Trust (including any net taxable capital gains) in accordance with the Tax Act and the non-taxable portion of realized capital gains for such taxation year less the amount of the Net Distributable Funds in respect of a preceding Distribution Date in such taxation year distributed to holders of Trust Securities in respect of such preceding Distribution Date, and (iii) the amount that is received by the Trust from the Bank, if any, that is designated by the Bank as such in respect of such Distribution Date.

**New Bank Preferred Shares** means the Bank Class 1 Preferred Shares of a new series that may be created by the Bank as contemplated by the rights attached to the Bank Class 1 Preferred Shares Series Y.

**Offering** means the offering of HSBC HaTS — Series 2015 by the Trust pursuant to this prospectus.

**Ownership Interest** means an undivided co-ownership interest in Co-Ownership Assets, as provided for and sold by the Sellers and purchased by the Co-Owner pursuant to a Purchase Agreement.

**Participants** means the participants in the depository service of CDS.

**Purchase Agreements** means one or more of the Purchase Agreements among the Bank, the Custodian and the Trust providing for the transfer to the Trust of Ownership Interests in Co-ownership Assets.

**Redemption Price** means with respect to a series of HSBC HaTS, at any time, an amount per HSBC HaTS of that series equal to \$1,000 plus the Unpaid Indicated Yield thereon, if any.

**Reference Dividend Declaration Month** means, in respect of any Distribution Date (other than June 30, 2005 in the case of HSBC HaTS — Series 2015), the most recent Dividend Declaration Month occurring prior to the commencement of the Distribution Period ending on the day preceding such Distribution Date, such months currently being April and October under the Bank's current practice with respect to declaring Dividends in February, April, July and October of each year, and, in respect of the June 30, 2005 Distribution Date for the HSBC HaTS — Series 2015, will be deemed to be the month of April 2005. For the purposes of this definition only, a Distribution Period in respect of a Distribution Date will be deemed to commence on the most recent Distribution Date that is December 31 or June 30 occurring prior to such Distribution Date.

**Regular Distribution Date** means a Distribution Date on which the Indicated Yield on the HSBC HaTS is payable by the Trust, by virtue of the Bank having declared Dividends in the Reference Dividend Declaration Month.

**Residential Mortgages** means CMHC-insured or Genworth Financial-insured first mortgages, charges or hypothecs on residential property situated in Canada such as single family dwellings, semi-detached dwelling units, duplexes, townhouses, condominium units or multiple-unit family dwellings.

**Reuters Screen CDOR Page** means the display designated as the "CDOR" page on the Reuters Monitor Money Rates Service (or such other page as may replace the CDOR page on that service) for the purpose of displaying, among other things, Canadian dollar bankers' acceptance rates.

**S&P** means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

**Sellers** means the Bank and/or its Mortgage Subsidiaries.

**Servicer** means, collectively, the Bank and its Mortgage Subsidiaries, in their respective capacities as servicer of the Trust Assets pursuant to the terms of the Mortgage Sales, Pooling and Servicing Agreements.

**Significant Shareholder** means any person who beneficially owns directly, or indirectly through entities controlled by such person or persons acting jointly or in concert with such person, shares of any class of the Bank in excess of 10% of the total number of outstanding shares of that class.

**Special Event** means a Tax Event or a Capital Disqualification Event, as the case may be.

**Special Trust Securities** mean the Special Trust Securities issued or to be issued by the Trust to the Bank.

**Subscription Agreement** means an agreement between the Bank and the Trust pursuant to which the Bank subscribes for Special Trust Securities.

**Subscription Right** means the right of the Trust to require the Bank to issue to it, upon receipt of appropriate consideration therefor, sufficient number of Bank Class 1 Preferred Shares (Bank Class 1 Preferred Shares Series Y in the case of HSBC HaTS — Series 2015) to enable the Trust to redeem HSBC HaTS, if any, remaining outstanding following the Automatic Exchange.

**Superintendent** means the Superintendent of Financial Institutions (Canada) and includes any successor authority responsible for the supervision of banks in Canada.

**Superintendent and FSA Approval** means the prior approval of the Superintendent and of the FSA in respect of an act or event, which will not, for greater certainty, be required in the case of an act or event constituting or arising as a consequence of a Total Capital Disqualification Event.

**Superintendent, FSA and Federal Reserve Approval** means the prior approval of the Superintendent, of the FSA, and of the Federal Reserve in respect of an act or event, which will not, for greater certainty, be required in the case of an act or event constituting or arising as a consequence of a Total Capital Disqualification Event.

**Tax Act** means the *Income Tax Act* (Canada), as amended from time to time.

**Tax Event** means the receipt by the Bank of an opinion of a nationally recognized law firm in Canada experienced in such matters (who may be counsel to the Bank or the Trust) to the effect that, as a result of (i) any amendment to, clarification of, or change (including any pronounced prospective change) in, the laws, or any regulations thereunder, of Canada or any political subdivision or taxing authority thereof or therein, affecting taxation, (ii) any Administrative Action, or (iii) any amendment to, clarification of, or change in, the official position or the interpretation of any Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective or such pronouncement or decision is announced on or after the date of issue of the HSBC HaTS, there is more than an insubstantial risk that (x) the treatment of any of the Bank's or the Trust's items of income or expense (including the treatment by the Bank or the Trust of distributions made on the Trust Securities) as reflected in the tax returns filed (or to be filed) will not be respected by a taxing authority, which subjects the Bank or the Trust to more than a *de minimis* amount of additional taxes, duties or other governmental charges or civil liabilities, or (y) the Bank or the Trust is, or will be, subject to more than a *de minimis* amount of additional taxes, duties or other governmental charges or civil liabilities.

**Termination Distribution Ratio** means a fraction, the numerator of which is the value of the Trust Assets to be distributed to holders of Trust Securities in connection with a termination of the Trust and the denominator of which is an amount equal to the sum of (i) (A) if the termination is as a result of action taken by the Bank and occurs prior to December 31, 2010, the aggregate of the Early Redemption Price of all HSBC HaTS then outstanding, (B) if the termination is as a result of action taken by the Bank and occurs on or after December 31, 2010 and prior to June 30, 2015, the aggregate of the Redemption Price of all HSBC HaTS — Series 2010 then outstanding and the Early Redemption Price of all HSBC HaTS — Series 2015 then outstanding, or (C) in all other cases, the aggregate of the Redemption Price of all HSBC HaTS then outstanding, and (ii) the total Invested Amount of all Special Trust Securities then outstanding.

**Tier 1 Capital Disqualification Event** means with respect to a series of HSBC HaTS the determination by the Bank, after consultation with the Superintendent, that that series of HSBC HaTS cannot be included in calculating the risk-based Tier 1 capital of the Bank on a consolidated basis under the Capital Guidelines, but that such series can be included in calculating the risk-based total capital of the Bank on a consolidated basis under the Capital Guidelines.

**Total Capital Disqualification Event** means with respect to a series of HSBC HaTS the determination by the Bank, after consultation with the Superintendent, that that series of HSBC HaTS cannot be included in calculating the risk-based total capital of the Bank on a consolidated basis under the Capital Guidelines.

**Trust** means HSBC Canada Asset Trust, the issuer of the Trust Securities.

**Trust Assets** means the Eligible Trust Assets held by the Trustee on behalf of the Trust from time to time and all income, profit and gains which may from time to time be derived therefrom or accrue thereon.

**Trust Redemption Right** means

- (a) with respect to HSBC HaTS — Series 2010, the right of the Trust, at its option, to redeem all, but not less than all, of the HSBC HaTS — Series 2010 at a price per HSBC HaTS — Series 2010 equal to (i) the Early Redemption Price, if the redemption occurs on June 30, 2005 or on any Distribution Date thereafter and prior to December 31, 2010, or (ii) the Redemption Price, if the redemption occurs on December 31, 2010, or on any Distribution Date thereafter, subject, in each case, to Superintendent and FSA Approval; and
- (b) with respect to HSBC HaTS — Series 2015, the right of the Trust, at its option, to redeem all, but not less than all, of the HSBC HaTS — Series 2015 at a price per HSBC HaTS — Series 2015 equal to (i) the Early Redemption Price, if the redemption occurs on June 30, 2010 or on any Distribution Date thereafter and prior to June 30, 2015, or (ii) the Redemption Price, if the redemption occurs on June 30, 2015, or on any Distribution Date thereafter, subject, in each case, to Superintendent, FSA and Federal Reserve Approval.

**Trust Securities** means, collectively, the HSBC HaTS and the Special Trust Securities.

**Trust Special Event Redemption Right** means

- (a) with respect to HSBC HaTS — Series 2010, the right of the Trust, at its option, to redeem all, but not less than all, of the HSBC HaTS — Series 2010 at a price per HSBC HaTS — Series 2010 equal to the Early Redemption Price upon the occurrence of a Special Event prior to June 30, 2005, subject to Superintendent and FSA Approval; and
- (b) with respect to HSBC HaTS — Series 2015, the right of the Trust, at its option, to redeem all, but not less than all, of the HSBC HaTS — Series 2015 at a price per HSBC HaTS — Series 2015 equal to the Early Redemption Price upon the occurrence of a Special Event prior to June 30, 2010, subject to Superintendent, FSA and Federal Reserve Approval.

**Trustee** means HSBC Trust Company (Canada), as trustee of the Trust.

**Underwriters** means, collectively, HSBC Securities (Canada) Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., TD Securities Inc., CIBC World Markets Inc., National Bank Financial Inc. and Scotia Capital Inc.

**Underwriting Agreement** means the agreement dated April 26, 2005 among the Trust, the Bank and the Underwriters.

**Unpaid Indicated Yield** means with respect to a series of HSBC HaTS, at any time, an amount per HSBC HaTS of that series equal to the sum of (i) the Accumulated Unpaid Indicated Yield and (ii) the Current Unpaid Indicated Yield.

---

*Unless otherwise indicated, all dollar amounts in this prospectus are expressed in Canadian dollars. Subject to applicable law, in the event that any date on or by which a payment or any other action in respect of the HSBC HaTS — Series 2015 or the Bank Class 1 Preferred Shares Series Y is required to be made or taken by the Trust or the Bank, as the case may be, is not a Business Day, then such payment will be payable, or such other action will be required to be taken, on or by the next succeeding day that is a Business Day.*

## THE TRUST

The Trust is a closed-end trust established by the Trustee on May 26, 2000 under the laws of British Columbia pursuant to the Declaration of Trust. The Trust was formed for the purposes of creating and selling the Trust Securities and acquiring the Trust Assets, which will generate income for distribution to holders of Trust Securities, and provide the Bank with a cost-effective means of raising Tier 1 capital for Canadian bank regulatory purposes.

The Trust has acquired, and it is expected that the Trust will continue to acquire, the Trust Assets primarily from the Bank and/or its affiliates. However, the Trust may also from time to time acquire Trust Assets from unrelated third parties. Pursuant to the Administration and Advisory Agreement, the Trustee has delegated certain of its duties with respect to the Trust to the Bank as Administrative Agent. As Administrative Agent, the Bank provides advice and counsel to the Trust and administers the day-to-day operations of the Trust as set forth under “Business of the Trust — The Administrative Agent”. The Bank and/or its affiliates service the Trust Assets in their collective role as Servicer under the Mortgage Sales, Pooling and Servicing Agreements. Immediately following the completion of the Offering, the Trust will have outstanding 200,000 HSBC HaTS — Series 2010, 200,000 HSBC HaTS — Series 2015 and the Special Trust Securities. Pursuant to the Bank Share Exchange Agreement, the Bank has covenanted for the benefit of holders of HSBC HaTS — Series 2015 that, for so long as any HSBC HaTS — Series 2015 are outstanding, the Bank will maintain ownership of all of the Special Trust Securities. For a further description of the operations of the Trust, see “Business of the Trust”.

The principal office of the Trust is located at the 300 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3E9. The Trustee is a wholly-owned subsidiary of the Bank.

The Trust is not a trust company and does not carry on business as a trust company and, accordingly, the Trust is not registered under the trust company legislation of any jurisdiction. Trust Securities are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation.

## HSBC BANK CANADA

HSBC Bank Canada was established in 1981 and is a Canadian Schedule II chartered bank operating under the provisions of the Bank Act. HSBC Bank Canada’s head office is located at 300 – 885 West Georgia Street, Vancouver, British Columbia V6C 3E9. The Bank is an indirect wholly-owned subsidiary of HSBC Holdings plc (“HSBC Holdings” and, alone or together with its direct and indirect subsidiaries, including the Bank, “HSBC”). HSBC Holdings is a public limited company incorporated in England and Wales. HSBC Holdings’ head office is located at 8 Canada Square, London E14 5HQ, United Kingdom.

### Subsidiaries

A list of the principal subsidiaries directly or indirectly owned or controlled by the Bank as at December 31, 2004 is included in the Bank’s annual information form dated March 17, 2005, which is incorporated by reference into this prospectus.

### Business of HSBC

HSBC Bank Canada is the largest full service, globally-integrated foreign-owned bank in Canada and the seventh largest Canadian bank overall, with more than 170 offices and total assets of \$43 billion as at December 31, 2004. HSBC Bank Canada and its subsidiaries provide a wide range of personal and commercial banking services, corporate, investment banking and market services, on-line and full service brokerage services, investment management and personal trust services. As an indirect wholly-owned subsidiary of HSBC Holdings, HSBC Bank Canada provides its clients with access to one of the largest banking and financial services organizations in the world. Through its global network of more than 9,800 offices in 77 countries and territories, HSBC provides a comprehensive range of financial services to clients worldwide. At December 31, 2004, HSBC Holdings had total assets of US\$1,277 billion on a consolidated basis and a market capitalization of US\$190 billion.

Additional information with respect to the Bank’s business is included in the Bank’s annual information form dated March 17, 2005, which is incorporated by reference into this prospectus.

## Subordinated Debentures, Non-controlling Interest in Trust and Subsidiary and Shareholders' Equity

Certain selected consolidated financial data set forth below has been derived from the Bank's audited consolidated financial statements and related notes for the year ended December 31, 2004. The table below shows the subordinated debentures, non-controlling interest in trust and subsidiary and shareholders' equity of the Bank as at December 31, 2004.

	<b>December 31, 2004</b>
	<b>(\$ millions)</b>
Subordinated Debentures . . . . .	426
Non-controlling Interest in Trust and Subsidiary (1)(2) . . . . .	230
Shareholders' Equity	
Preferred Shares (3) . . . . .	125
Common Shares . . . . .	1,125
Contributed Surplus . . . . .	177
Retained Earnings . . . . .	770

(1) Includes HSBC HaTS — Series 2010 of \$200 million.

(2) After giving effect to the Offering, Non-controlling Interest in Trust and Subsidiary would have amounted to \$430 million as at December 31, 2004.

(3) After giving effect to the offering of Bank Class 1 Preferred Shares Series C that was completed on April 19, 2005, Preferred Shares would have amounted to \$300 million as at December 31, 2004.

Certain additional information regarding the Bank is incorporated by reference into this prospectus. See "Documents Incorporated by Reference".

## BUSINESS OF THE TRUST

### General and Capitalization

The Trust's business is the acquisition and holding of Trust Assets that will generate income for distribution to holders of Trust Securities. Immediately after the issuance by the Trust of the HSBC HaTS — Series 2015 pursuant to the Offering, the concurrent subscription by the Bank for additional Special Trust Securities pursuant to the Subscription Agreement, and the purchase by the Trust of additional Eligible Trust Assets, the Trust will have approximately \$613 million in Trust Assets, \$400 million of capital attributable to HSBC HaTS (\$200 million with respect to the HSBC HaTS — Series 2010 and \$200 million with respect to the HSBC HaTS — Series 2015), and approximately \$217 million of capital attributable to Special Trust Securities. See "Capitalization of the Trust".

### Liquidity

The Trust may, from time to time, borrow funds from the Bank pursuant to the Credit Facility extended by the Bank to the Trust for the purposes of ensuring liquidity in the normal course of the Trust's activities. The Bank charges interest rates on any borrowings by the Trust that are not higher than prevailing market rates.

### Description of Eligible Trust Assets

#### General

The Eligible Trust Assets may consist of Residential Mortgages, Mortgage Co-Ownership Interests, Mortgage-Backed Securities, Eligible Investments and contractual rights in respect of the business and operations of the Trust, each of which would not disqualify the Trust as a registered investment for the purposes of the Tax Act. On the Closing Date, the Trust Assets will consist primarily of Mortgage Co-Ownership Interests. Collections of principal received in respect of Trust Assets will be reinvested in additional Eligible Trust Assets. The Trust has to date acquired and intends to continue to acquire the Trust Assets primarily from the Bank and/or its affiliates. The Trust Assets are and will be serviced directly or indirectly by the Bank and/or its affiliates. The price of any Eligible Trust Asset purchased by the Trust is intended to be equal to the fair market value thereof. The net income and gains received by the Trust from the Trust Assets will first be distributed by way of payment of the aggregate Indicated

Yield on the HSBC HaTS on Regular Distribution Dates. Any balance will be distributed to the Bank as holder of the Special Trust Securities on Regular Distribution Dates that fall on the last day of a taxation year of the Trust. There can be no assurance that the net income and gains derived from the Trust Assets by the Trust, from time to time, will be sufficient to satisfy the Indicated Yield in full on the HSBC HaTS on any Regular Distribution Date. **However, it is in the interest of the Bank to ensure, to the extent within its control, that the Trust complies with its obligation to pay the Indicated Yield on the HSBC HaTS on each Regular Distribution Date that is June 30 or December 31 so as to avoid triggering the Dividend Stopper Undertakings.** See “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Bank Dividend Stopper Undertakings” and “Risk Factors.”

One or more Mortgage Sales, Pooling and Servicing Agreements have been and will be entered into by the Sellers, and the Custodian, as agent, nominee and bare trustee for the Sellers and each Co-Owner, which provide (i) for the sale and conveyance by the Sellers to the Custodian, as agent, nominee and bare trustee for the Sellers and the Co-Owners from time to time under separate series purchase agreements, of Ownership Interests in Co-Ownership Assets, (ii) that the Custodian will hold such Co-Ownership Assets as agent, nominee and bare trustee for the Sellers and each Co-Owner as undivided co-owners thereof, (iii) that the Sellers as initial Servicer will service the Co-Ownership Assets and remit collections thereof to the Custodian or directly to an account for the applicable Co-Owner and, if replaced, will pay the reasonable fees and expenses of any successor Servicer, and (iv) the Custodian, or the Servicer on its behalf, will perform certain other duties, including providing monthly reports to the Co-Owners on the performance of the Co-Ownership Assets and investing the proceeds of the Co-Ownership Assets in other Eligible Trust Assets on behalf of the Sellers and the Co-Owners, as undivided co-owners. Pursuant to the Mortgage Sales, Pooling and Servicing Agreements, the Custodian has delegated and will delegate to the Sellers as initial Servicer substantially all of its duties in connection with the Co-Ownership Assets.

As contemplated by the Mortgage Sales, Pooling and Servicing Agreements, the Trust, the Sellers and the Custodian will, on the Closing Date, enter into a Purchase Agreement in respect of additional Eligible Trust Assets to be purchased with the net proceeds of the Offering and the subscription by the Bank for additional Special Trust Securities which will provide, among other things, for (i) the sale and conveyance to the Trust of Ownership Interests in Co-Ownership Assets to be held by the Custodian on behalf of the Sellers and the Co-Owners, as undivided co-owners, and (ii) the principal terms and attributes of such Ownership Interests in Co-Ownership Assets, including the right of the Trust to participate as an undivided co-owner in the income and gains derived therefrom and to receive its proportionate share of collections therefrom. The Residential Mortgages forming part of the Co-Ownership Assets will remain registered in the name of the Sellers unless the Sellers are replaced as Servicer. It is expected that substantially all of the collections of principal from the Co-Ownership Assets held by the Custodian on behalf of the Sellers and the Co-Owners, as undivided co-owners, will be invested by the Custodian on behalf of the Sellers and the Co-Owners, as undivided co-owners, in additional Residential Mortgages acquired from the Bank and/or its affiliates.

### ***Residential Mortgages***

“Residential Mortgages” means CMHC-insured or Genworth Financial-insured first mortgages on residential property situated in Canada, such as single family dwellings, semi-detached dwelling units, duplexes, townhouses, condominium units or multiple-unit family dwellings. CMHC-insured mortgages are mortgages securing loans made by an approved lender in respect of which the principal amount is insured by CMHC as agent of the Government of Canada. Genworth Financial-insured mortgages are mortgages securing loans made by an approved lender in respect of which the principal amount is insured by Genworth Financial, a private sector mortgage insurer in Canada. The insurable amount of these mortgages is determined by CMHC or Genworth Financial, as the case may be. These loans are generally drawn for a term of one to five years and have an amortization period which is generally between 25 and 30 years.

### ***Mortgage Co-Ownership Interests***

Mortgage Co-Ownership Interests are undivided co-ownership interests in one or more pools of Residential Mortgages or Eligible Investments.

### ***Mortgage-Backed Securities***

While the Trust does not currently hold Mortgage-Backed Securities, the Trust may from time to time acquire fixed-rate or variable-rate Mortgage-Backed Securities. “Mortgage-Backed Securities” means securities representing undivided co-ownership interests in a pool of Residential Mortgages. The assets underlying such Mortgage-Backed Securities will be secured by single-family residential properties located in Canada. The Trust intends to acquire only investment-grade Mortgage-Backed Securities. The Trust does not intend to acquire any interest-only, principal-only or high-risk Mortgage-Backed Securities.

### ***Eligible Investments***

To the extent that any proceeds of the Trust Assets are not re-invested in Residential Mortgages, Mortgage Co-Ownership Interests or Mortgage-Backed Securities, the Trust will invest any remaining proceeds in “Eligible Investments”, which means money and any debt obligation that is a qualified investment under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans, except where the qualification of such property contains conditions regarding the annuitant, the beneficiary, the employer or the subscriber under the plan unless the Trust is satisfied that such conditions are satisfied.

### **The Administrative Agent**

The Trustee has entered into the Administration and Advisory Agreement with the Bank, as Administrative Agent, pursuant to which the Trustee has delegated to the Bank certain of its obligations in relation to the administration of the Trust. The Bank and its affiliates and their respective personnel have substantial experience in mortgage finance and in the administration of assets such as the Trust Assets.

The Administrative Agent, at the request of the Trustee, provides advice and counsel with respect to the acquisition, disposition and origination of Trust Assets, administers the day-to-day operations of the Trust and such other matters as may be requested by the Trustee from time to time. The Administrative Agent may, from time to time, delegate or sub-contract all or a portion of its obligations under the Administration and Advisory Agreement to one or more of its qualified affiliates. The Administrative Agent will not, in connection with the delegation or sub-contracting of any of such obligations, be discharged or relieved in any respect from its obligations under the Administration and Advisory Agreement. The Administrative Agent is entitled to receive an annual administration fee to a maximum of \$10,000 per year consistent with market terms and conditions.

The initial term of the Administration and Advisory Agreement expires on May 26, 2010 and will be automatically renewed each year thereafter subject to the right of the Trustee to terminate the Administration and Advisory Agreement at any time upon 90 days’ prior written notice upon the occurrence of one or more events generally related to the failure of the Administrative Agent to perform its obligations under the Administrative and Advisory Agreement in a proper and timely manner.

As a result of the relationship between the Bank, in its capacity as Administrative Agent, and the Trust, certain conflicts of interest may arise. See “Risk Factors — Dependence Upon the Bank and its Affiliates”.

### **Conflict of Interest Policies**

Due to the nature of the Trust’s relationship with the Bank and its affiliates, conflicts of interest may arise from time to time with respect to certain transactions including, without limitation, the Trust’s acquisition of Trust Assets from, or disposition of Trust Assets to, the Bank and/or its affiliates. In addition, the entity which is the Trustee and the Custodian is a subsidiary of the Bank. The Trust’s policy is that the terms of any financial dealings with the Bank or any of its affiliates be consistent with those available from unaffiliated third parties.

Conflicts of interest between the Trust and the Bank or its affiliates may also arise from time to time in connection with making decisions that bear upon the credit arrangements that the Bank or one of its affiliates may have with a borrower or in connection with actions taken by the Bank as the sole holder of the Special Trust Securities. It is intended that any agreements and transactions between the Trust, on the one hand, and the Bank or its affiliates, on the other hand, including, without limitation, the Mortgage Sales, Pooling and Servicing Agreements and the Administration and Advisory Agreement, be fair to all parties and consistent with market terms

and conditions for such types of transactions. The Mortgage Sales, Pooling and Servicing Agreements provide that dispositions of the Trust Assets are to be made with a view toward maximizing the recovery by the Trust as owner of the Trust Assets. The Servicer will service the Trust Assets solely with a view toward the interests of the Trust, and without regard to the interests of the Bank or any of its affiliates. However, there can be no assurance that any such agreement or transaction will be on terms as favourable to the Trust as would have been obtained from unaffiliated third parties.

### **Exemptions from Certain Continuous Disclosure Requirements**

The Trust is a reporting issuer in each of the provinces and territories of Canada where such concept exists. The Trust has received from the securities commissions or similar authorities in these provinces and territories (the “Commissions”) exemptions from certain continuous disclosure requirements prescribed by securities legislation for reporting issuers.

In addition, in connection with the filing of this prospectus, the Trust applied for exemptions from the obligation to include interim and audited annual financial statements and earnings coverage information of the Trust in this prospectus.

These exemptions are or are expected to be conditional upon holders of HSBC HaTS receiving the Bank’s interim and annual audited financial statements, the Bank’s interim and annual management’s discussion and analysis, and the Bank’s annual reports, and the Bank continuing to file with the Commissions its interim and annual audited financial statements, proxy solicitation material in connection with any meetings of the Bank’s security holders and annual reports (with L’Autorité des marchés financiers). Provided such conditions are met, the Trust is not required to file with the Commissions interim and annual audited financial statements, an annual information form, including management’s discussion and analysis of the financial condition and results of operations of the Trust (an “AIF”), and, in the case of L’Autorité des marchés financiers, an annual report, and holders of HSBC HaTS will not receive such financial statements, AIFs and annual reports.

These exemptions were or are expected to be granted based upon the following terms and conditions of the HSBC HaTS and for the following reasons. The operating activity of the Trust consists of acquiring and holding Trust Assets for the purpose of generating income for distribution to holders of HSBC HaTS (and Special Trust Securities). Accordingly, the information relating to the financial condition and operations of a reporting issuer that is contained in an AIF and an annual report would not, in respect of the Trust, be meaningful to holders of HSBC HaTS. The payment of the Indicated Yield on HSBC HaTS is dependent on the payment of Dividends by the Bank because the Indicated Yield will not be payable if the Bank fails to declare Dividends in the Reference Dividend Declaration Month (see “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Indicated Yield”). Furthermore, in certain circumstances including at a time when the Bank’s financial condition is deteriorating or proceedings for the winding-up of the Bank have been commenced, the HSBC HaTS will be automatically exchanged for Bank Class 1 Preferred Shares (see “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Automatic Exchange”). As a result of the foregoing, details of the Bank’s financial condition (as opposed to that of the Trust) will be of interest to holders of HSBC HaTS.

## CAPITALIZATION OF THE TRUST

The following table sets forth the capitalization of the Trust as of the date of this prospectus and as adjusted to give effect to (i) the completion of the Offering and the subscription by the Bank for additional Special Trust Securities, and (ii) the use of the proceeds of the Offering as described under “Use of Proceeds”.

	Outstanding as at December 31, 2004	Outstanding as at December 31, 2004 after giving effect to the Offering
	(000's)	(000's)
HSBC HaTS — Series 2010 .....	\$200,000	\$200,000
HSBC HaTS — Series 2015 .....	—	200,000
Special Trust Securities (1) .....	117,001	217,001
Original settlement amount (2) .....	1	1
Issue costs .....	(3,645)	(6,445) (3)
Contributed surplus (4) .....	2,620	2,620
Retained earnings (5) .....	61	61
Trust capital .....	<u>\$316,038</u>	<u>\$613,238</u>

(1) On the Closing Date, subject to regulatory approval the Bank intends to contribute an additional \$100,000,000 to the Trust through the purchase of additional Special Trust Securities. In addition, on the Closing Date but after the closing of the Offering, subject to regulatory approval the Bank also intends to contribute an additional \$82,999,000 through the payment of the balance of the purchase price on the existing Special Trust Securities owned by the Bank. This table does not take into account this payment.

(2) Amount settled on the Trust's formation.

(3) Reflects estimated underwriting fee and expenses applicable to the Offering of \$2,800,000.

(4) Reflects difference between the carrying value of the Trust Assets and actual purchase price of the Trust Assets, as well as the elimination of deficit by a charge against contributed surplus.

(5) Retained earnings as at December 31, 2004 represents undistributed accounting income.

## DESCRIPTION OF THE TRUST SECURITIES

### Certain Provisions of the HSBC Canada Asset Trust Securities as a Class

#### *Priority*

HSBC HaTS of each series rank *pari passu* with HSBC HaTS of every other series in respect of the payment of the applicable Indicated Yield and rank *pari passu* (together with Special Trust Securities) with respect to the distribution of property in the event of termination of the Trust.

#### *No Redemption at the Option of the Holder*

The HSBC HaTS are not redeemable at the option of the holders thereof.

#### *Purchase for Cancellation*

On or after the date that is five years after the date of issuance, HSBC HaTS may be purchased, in whole or in part, by the Trust, with Superintendent, FSA and Federal Reserve Approval, in the open market or by tender or private contract at any price. HSBC HaTS purchased by the Trust will be cancelled and will not be reissued.

#### *Voting Rights*

The HSBC HaTS are non-voting, except in the limited circumstances set forth in the Declaration of Trust involving changes to the terms and conditions of the HSBC HaTS. The Declaration of Trust provides that such terms and conditions may be changed if authorized by the holders of the series of HSBC HaTS affected by such change by way of Extraordinary Resolution. Any such change must be approved by the Bank and, in addition, any such change that would affect the status of the HSBC HaTS as capital of the Bank is subject to Superintendent and FSA Approval. The quorum at any such meeting shall be one or more registered holders of the series of HSBC HaTS affected by such change present in person or represented by proxy and owning or representing not less than

25% of the aggregate number of the affected series of HSBC HaTS then outstanding, provided that if a quorum is not present and the meeting is adjourned, at the meeting following such adjournment those registered holders present in person or represented by proxy shall constitute a quorum notwithstanding that they may represent less than 25% of the aggregate number of the affected series of HSBC HaTS then outstanding. The Trustee may, without the consent of holders of HSBC HaTS, execute instruments supplemental to the Declaration of Trust and any other relevant instruments for certain limited purposes, including curing ambiguities or defects and making any modification that, in the opinion of the Trustee, would not be prejudicial to the interest of holders of HSBC HaTS and making such changes as may be required to conform with regulatory requirements applicable from time to time.

### *Issue of Additional Trust Securities*

The Trust may, at any time and from time to time, issue additional Special Trust Securities or HSBC Canada Asset Trust Securities of any series without the authorization of holders of HSBC HaTS. In the event that the Trust issues additional series of HSBC HaTS, the rights, privileges, restrictions and conditions attached to such additional series may vary materially from those of any series of HSBC HaTS. The right of holders of any series of HSBC HaTS to receive the applicable Indicated Yield from the Net Distributable Funds of the Trust on any Regular Distribution Date and the right of holders of any series of HSBC HaTS to receive property of the Trust on a termination of the Trust will rank *pari passu* with the rights of the holders of HSBC HaTS of any other series.

### **HSBC Canada Asset Trust Securities — Series 2015**

The following is a summary of the rights, privileges, restrictions and conditions attaching to the HSBC HaTS — Series 2015. This summary is qualified in its entirety by the provisions of the Declaration of Trust. For information concerning the Bank Class 1 Preferred Shares Series Y into which the HSBC HaTS — Series 2015 are, in certain circumstances, exchangeable as described below, see “Description of Bank Class 1 Preferred Share Series Y”. Holders of HSBC HaTS — Series 2015 will have no recourse to the assets of the Trustee in connection with any payments in respect of the HSBC HaTS — Series 2015.

### *Indicated Yield*

The effective annual yield payable on the HSBC HaTS — Series 2015 will be 5.149% (based on the \$1,000 issue price) from and including the Closing Date to but excluding June 30, 2015, and the Bankers’ Acceptance Rate (reset semi-annually) plus 1.50% thereafter, as more particularly set forth below.

Holders of HSBC HaTS — Series 2015 will be entitled to receive, on each Distribution Date unless the Bank fails to declare Dividends in the Reference Dividend Declaration Month, out of Net Distributable Funds the Indicated Yield, being a non-cumulative cash amount of (i) in the case of any such Distribution Date on or before June 30, 2015, other than June 30, 2005, \$25.75 per HSBC HaTS — Series 2015, and (ii) in the case of any such Distribution Date after June 30, 2015, an amount per HSBC HaTS — Series 2015 determined by multiplying \$1,000 by one half of the sum of the Bankers’ Acceptance Rate for the Distribution Period immediately preceding such Distribution Date and 1.50% (in both cases subject to pro-rata if the Distribution Period is less than six months). In the case of the HSBC HaTS — Series 2015, each period from and including the Closing Date to but excluding June 30, 2005, and thereafter each period from and including each Distribution Date to but excluding the next following Distribution Date, will be a Distribution Period. **The initial Indicated Yield, payable on June 30, 2005, will be \$8.18 per HSBC HaTS — Series 2015 based on an anticipated Closing Date of May 3, 2005.**

The Indicated Yield is payable by the Trust on each series of HSBC HaTS on each Distribution Date that is a Regular Distribution Date. On a Distribution Diversion Date, the Trust will not be obligated to and will not pay the Indicated Yield on the HSBC HaTS and, instead, the Net Distributable Funds of the Trust will be payable to the Bank, as the sole holder of the Special Trust Securities.

The determination of whether any Distribution Date is a Regular Distribution Date or a Distribution Diversion Date will depend on whether the Bank has declared Dividends in the applicable Reference Dividend Declaration Month. The Reference Dividend Declaration Month in respect of any Distribution Date will be that Dividend Declaration Month closest to but preceding the commencement of the Distribution Period ending on the day preceding such Distribution Date (and for the purposes of this determination, a Distribution Period will be deemed to commence on December 31 or June 30). If the Bank declares Dividends in the Reference Dividend Declaration Month, the Distribution Date in question will be a Regular Distribution Date, with the result that the Trust will be obligated to pay the applicable Indicated Yield on the HSBC HaTS to the holders thereof and on any Regular

Distribution Date that falls on the last day of a taxation year of the Trust, any Net Distributable Funds of the Trust following payment of the Indicated Yield in respect of each series of HSBC HaTS, will be payable to the Bank, as the sole holder of the Special Trust Securities. If the Bank fails to declare Dividends in such Reference Dividend Declaration Month, the Distribution Date in question will be a Distribution Diversion Date.

On any Regular Distribution Date, in circumstances where the Net Distributable Funds of the Trust are insufficient to meet the obligation of the Trust to pay the Indicated Yield on all series of HSBC HaTS then outstanding, the Trust will, nevertheless, pay such portion of the Indicated Yield as may then be paid with such Net Distributable Funds (the amount of such payment to be made in proportion to the Indicated Yield for each series of HSBC HaTS) and the amount of the Indicated Yield payable on such Regular Distribution Date and remaining unpaid will form part of the Accumulated Unpaid Indicated Yield until such time as it is paid. Holders of HSBC HaTS will have no right to sue the Trust to accelerate payment of that portion of the Indicated Yield payable by the Trust on a Regular Distribution Date, but not so paid, in excess of the Net Distributable Funds of the Trust on such Regular Distribution Date. Such amounts, which will form part of the Accumulated Unpaid Indicated Yield, will be paid by the Trust to the holders of HSBC HaTS on the occurrence of any event giving rise to the obligation of the Trust to pay the applicable Early Redemption Price or the Redemption Price.

***Bank Dividend Stopper Undertakings***

In the event that the Trust fails, on any Regular Distribution Date that is June 30 or December 31, to pay the Indicated Yield on the HSBC HaTS — Series 2015 in full for the six month period then ending (or in the case of the initial Indicated Yield payable on June 30, 2005, the Trust fails to pay such initial Indicated Yield in full for the period from and including the Closing Date to but excluding June 30, 2005), the Bank has, pursuant to the Bank Share Exchange Agreement, covenanted for the benefit of holders of HSBC HaTS — Series 2015 that it will not declare dividends of any kind on the Dividend Restricted Shares until the Dividend Declaration Resumption Month, being the month commencing immediately after the fourth Dividend Declaration Month following the Trust’s failure to pay the Indicated Yield in full on the HSBC HaTS — Series 2015 on the Regular Distribution Date in question, unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to holders of HSBC HaTS — Series 2015. Any Indicated Yield (or portion thereof) that the Trust fails to pay to the holders of HSBC HaTS — Series 2015 on a Regular Distribution Date that is June 30 or December 31 will form part of the Accumulated Unpaid Indicated Yield for the HSBC HaTS — Series 2015 and is payable on the occurrence of any event giving rise to the obligation of the Trust to pay the Early Redemption Price or the Redemption Price, as the case may be, as part of such price and not prior thereto. The first dividend in respect of the Dividend Restricted Shares declared by the Bank in or following the Dividend Declaration Resumption Month will be paid by the Bank no earlier than would ordinarily be the case in accordance with the Bank’s customary dividend practice in effect from time to time. The Bank has covenanted for the benefit of the holders of HSBC HaTS — Series 2015, pursuant to the Bank Share Exchange Agreement, that as long as any HSBC HaTS — Series 2015 are outstanding, the Bank will have outstanding one or more series of preferred shares which are listed on a recognized stock exchange or quoted on a recognized quotation system or trading market. **It is in the interest of the Bank to ensure, to the extent within its control, that the Trust pays the Indicated Yield on the HSBC HaTS — Series 2015 on each Regular Distribution Date that is June 30 or December 31 so as to avoid triggering the Dividend Stopper Undertakings.**

Set forth below is a table indicating the relationship among the Reference Dividend Declaration Month, the Distribution Period, the Distribution Date and the Dividend Declaration Resumption Month:

<u>Reference Dividend Declaration Month (1)</u>	<u>Commencement of Current Distribution Period (2)</u>	<u>Distribution Date</u>	<u>Dividend Declaration Resumption Month (3)</u>
April 2005 (4) .....	May 3, 2005	June 30, 2005	May 2006
April 2005 .....	June 30, 2005	December 31, 2005	November 2006
October 2005 .....	December 31, 2005	June 30, 2006	May 2007

- (1) The Reference Dividend Declaration Months are based on the Bank’s customary practice, from time to time, with respect to declaring Dividends being, including, with respect to the Bank Class 1 Preferred Shares Series A, its current practice of declaring Dividends thereon in the months of February, April, July and October of each year. If such practice were to change in the future in terms of the timing or frequency of the declaration of Dividends, the Reference Dividend Declaration Months referred to above may change. However, the Reference Dividend Declaration Month in respect of any Distribution Date would, in all events, continue to be the Dividend Declaration Month closest to but preceding the commencement of the Distribution Period ending on such Distribution Date.
- (2) The May 3, 2005 date for the commencement of the initial Distribution Period assumes a Closing Date of May 3, 2005. Given that the Reference Dividend Declaration Month precedes the commencement of the applicable Distribution Period, whether the Distribution Date

immediately following such Distribution Period will be a Regular Distribution Date or a Distribution Diversion Date, and the entitlement of holders of each series of HSBC HaTS to receive the applicable Indicated Yield, will have been determined prior to the commencement of the Distribution Period.

- (3) The Dividend Declaration Resumption Month is only relevant if the Trust fails to pay the applicable Indicated Yield in full for the six month period then ending on each series of HSBC HaTS on any Regular Distribution Date that is June 30 or December 31.
- (4) For the purposes of the HSBC HaTS — Series 2015, Dividends will be deemed to have been declared in April 2005.

### ***Automatic Exchange***

Each HSBC HaTS — Series 2015 will (subject to the Bank's right not to issue Bank Class 1 Preferred Shares Series Y to an Ineligible Person or in circumstances where such issuance would result in a person becoming a Significant Shareholder, all as described below) be exchanged automatically (the "Automatic Exchange"), without the consent of the holder thereof, for 40 Bank Class 1 Preferred Shares Series Y upon the occurrence of a Loss Absorption Event, being any one of the following: (i) an application for a winding-up order in respect of the Bank pursuant to the *Winding-up and Restructuring Act* (Canada) is filed by the Attorney General of Canada or a winding-up order in respect of the Bank pursuant to that Act is granted by a court; (ii) the Superintendent advises the Bank in writing that the Superintendent has taken control of the Bank or its assets pursuant to the Bank Act; (iii) the Superintendent advises the Bank in writing that the Superintendent is of the opinion that the Bank has a risk-based Tier 1 capital ratio of less than 5.0% or a risk-based total capital ratio of less than 8.0%; (iv) the Board of Directors advises the Superintendent in writing that the Bank has a risk-based Tier 1 capital ratio of less than 5.0% or a risk-based total capital ratio of less than 8.0%; or (v) the Superintendent directs the Bank pursuant to the Bank Act to increase its capital or to provide additional liquidity and the Bank elects to cause the exchange as a consequence of the issuance of such direction or the Bank does not comply with such direction to the satisfaction of the Superintendent within the time period specified therein.

The Automatic Exchange will be deemed to occur as of 8:00 a.m. (Toronto time) on the date that a Loss Absorption Event occurs. As of the time of exchange, each holder of HSBC HaTS — Series 2015 will be deemed to have exchanged and transferred to the Bank all of such holder's right, title and interest in and to its HSBC HaTS — Series 2015 and will cease to be a holder thereof, and all rights of such holder as a securityholder of the Trust will cease and such person will therefrom be deemed to be, and will be for all purposes be, a holder of Bank Class 1 Preferred Shares Series Y. If, for any reason, the Automatic Exchange does not result in the exchange of all HSBC HaTS — Series 2015 then outstanding for Bank Class 1 Preferred Shares Series Y, the Trust will (subject to the Bank's right not to issue Bank Class 1 Preferred Shares Series Y to an Ineligible Person or in circumstances where such issuance would result in a person becoming a Significant Shareholder, all as described below) redeem each HSBC HaTS — Series 2015 not so exchanged for consideration consisting of 40 Bank Class 1 Preferred Shares Series Y. Pursuant to the Subscription Right, the Trust will have the right to require the Bank to issue to it a sufficient number of Bank Class 1 Preferred Shares Series Y to enable the Trust to redeem the HSBC HaTS — Series 2015, if any, remaining outstanding following the Automatic Exchange. As of the time of redemption, each holder of HSBC HaTS — Series 2015 so redeemed will cease to be a holder thereof and all rights of such holder as a securityholder of the Trust will cease, and such person will therefrom be deemed to be and will be for all purposes a holder of Bank Class 1 Preferred Shares Series Y unless payment in the form of Bank Class 1 Preferred Shares Series Y is not made. It will not be necessary for the Trust, in such circumstances, to provide any prior written notice of redemption to holders of HSBC HaTS — Series 2015. The Trust will acquire the Bank Class 1 Preferred Shares Series Y required by it for purposes of such redemption, if any, from the Bank pursuant to the Subscription Right. The Bank will mail notice of the occurrence of the Loss Absorption Event to the Trustee within 10 days of such event.

Upon the exchange for Bank Class 1 Preferred Shares Series Y pursuant to the Automatic Exchange, or a redemption of HSBC HaTS — Series 2015 for Bank Class 1 Preferred Shares Series Y, the Bank reserves the right not to issue Bank Class 1 Preferred Shares Series Y to an Ineligible Person. In such circumstances, all Bank Class 1 Preferred Shares Series Y that would otherwise have been issued to Ineligible Persons will be delivered to the Exchange Trustee, as agent for Ineligible Persons, and the Exchange Trustee will attempt to sell such Bank Class 1 Preferred Shares Series Y (to parties other than the Bank and its affiliates) on behalf of such Ineligible Persons. Such sales, if any, will be made at such times and at such prices as the Exchange Trustee may, in its sole discretion, determine. None of the Bank, the Trustee or the Exchange Trustee will be subject to any liability for failure to sell such Bank Class 1 Preferred Shares Series Y on behalf of any such Ineligible Persons or at any particular price on

any particular day. The net proceeds received by the Exchange Trustee from the sale of any such Bank Class 1 Preferred Shares Series Y will be divided among the Ineligible Persons in proportion to the number of Bank Class 1 Preferred Shares Series Y that would otherwise have been issuable to them, after deducting the costs of sale, net of any applicable withholding taxes. The Exchange Trustee will provide a cheque representing the aggregate net proceeds to CDS (if the HSBC HaTS — Series 2015 are then held in the book-entry only system) or to the Trustee (in all other cases), for distribution to such Ineligible Persons in accordance with CDS Procedures or otherwise. A similar procedure will be followed with respect to each person who by virtue of the exercise of the Automatic Exchange would become a Significant Shareholder, but only to the extent of that number of Bank Class 1 Preferred Shares Series Y in excess of the maximum number of Bank Class 1 Preferred Shares Series Y that could be issued to such person pursuant to the Automatic Exchange without such person becoming a Significant Shareholder.

Upon the occurrence of a Loss Absorption Event, the Bank will apply to have the Bank Class 1 Preferred Shares Series Y listed, quoted or posted for trading on a recognized stock exchange or quotation system in Canada.

**If the Automatic Exchange were to occur and Bank Class 1 Preferred Shares Series Y were issued in exchange for HSBC HaTS — Series 2015 as a result thereof, the cost-effective nature of the consolidated capital raised by the Bank through the issuance of the HSBC HaTS — Series 2015 would be lost. Accordingly, it is in the interest of the Bank to ensure that a Loss Absorption Event does not occur, although the events that could give rise to a Loss Absorption Event may be beyond the Bank's control.**

#### *Redemption at the Option of the Holders*

The HSBC HaTS — Series 2015 are not redeemable at the option of the holders thereof.

#### *Trust Special Event Redemption Right*

Upon the occurrence of a Tax Event or a Capital Disqualification Event, in each case prior to June 30, 2010, the HSBC HaTS — Series 2015 will, upon not less than 30 and not more than 90 days' prior written notice by the Trustee, with Superintendent, FSA and Federal Reserve Approval, be redeemable by the Trust, at its option in whole (but not in part) and without the consent of the holders thereof, for a cash price per HSBC HaTS — Series 2015 equal to the Early Redemption Price.

#### *Trust Redemption Right*

On June 30, 2010 and on any Distribution Date thereafter, the Trust may, with Superintendent, FSA and Federal Reserve Approval, at its option, upon not less than 30 and not more than 60 days' prior written notice, redeem the HSBC HaTS — Series 2015 in whole (but not in part) and without the consent of the holders thereof, for a cash amount per HSBC HaTS — Series 2015 equal to (i) the Early Redemption Price, if the redemption occurs prior to June 30, 2015, or (ii) the Redemption Price, if the redemption occurs on or after June 30, 2015.

#### *Purchase for Cancellation*

On or after the date that is five years from the Closing Date, the HSBC HaTS — Series 2015 may be purchased, in whole or in part, by the Trust, with Superintendent, FSA and Federal Reserve Approval, in the open market or by tender or private contract at any price. HSBC HaTS — Series 2015 purchased by the Trust will be cancelled and will not be reissued.

#### *Termination of the Trust*

As long as any HSBC HaTS are outstanding, the Trust may only be terminated with the approval of the Bank, as the sole holder of the Special Trust Securities, and with Superintendent, FSA and Federal Reserve Approval (i) upon the occurrence of a Special Event prior to June 30, 2010 or (ii) for any reason on June 30, 2010 or on any Distribution Date thereafter.

Pursuant to the Bank Share Exchange Agreements, the Bank has covenanted for the benefit of holders of HSBC HaTS (including the HSBC HaTS — Series 2015) that, as long as any HSBC HaTS are outstanding, the Bank will not approve the termination of the Trust unless the Trust has sufficient funds to pay to all holders of HSBC HaTS the Early Redemption Price or the Redemption Price, as applicable, in respect of such HSBC HaTS.

The Declaration of Trust provides that holders of HSBC HaTS are not entitled to initiate proceedings for the termination of the Trust.

Holders of HSBC HaTS of each series and the Bank, as the sole holder of the Special Trust Securities, will rank *pari passu* in the distribution of the property of the Trust in the event of a termination of the Trust, after the discharge of claims of creditors, if any. The entitlement of the holder of each HSBC HaTS on a termination of the Trust will be determined by multiplying the Early Redemption Price (if the termination is as a result of action taken by the Bank and occurs prior to the date specified for each series — June 30, 2015 in the case of HSBC HaTS — Series 2015) or the Redemption Price (in all other cases), in either case, by a fraction, the numerator of which is the value of the Trust Assets to be distributed to holders of Trust Securities and the denominator of which is an amount equal to the sum of (i) (A) if the termination is as a result of action taken by the Bank and occurs prior to December 31, 2010, the aggregate of the Early Redemption Price of all HSBC HaTS then outstanding, (B) if the termination is as a result of action taken by the Bank and occurs on or after December 31, 2010 and prior to June 30, 2015, the aggregate of the Redemption Price of all HSBC HaTS — Series 2010 then outstanding and the Early Redemption Price of all HSBC HaTS — Series 2015 then outstanding, or (C) in all other cases, the aggregate of the Redemption Price of all HSBC HaTS then outstanding, and (ii) the total Invested Amount in respect of all Special Trust Securities then outstanding (such fraction being the “Termination Distribution Ratio”). The entitlement of the Bank, as the sole holder of the Special Trust Securities, will be determined by multiplying the total Invested Amount in respect of all Special Trust Securities then outstanding by the Termination Distribution Ratio.

#### ***Additional Bank Covenants***

In addition to the Dividend Stopper Undertakings, the Bank has covenanted, for the benefit of holders of HSBC HaTS — Series 2015 pursuant to the Bank Share Exchange Agreement, among other things, that as long as any HSBC HaTS — Series 2015 are outstanding:

- (a) all of the outstanding Special Trust Securities will be owned at all times by the Bank;
- (b) the Bank will not take any action to cause the termination of the Trust except as set forth under “— Termination of the Trust” and only with Superintendent, FSA and Federal Reserve Approval;
- (c) the Bank will not assign or otherwise transfer its obligations under the Bank Share Exchange Agreement, except in the case of a merger, consolidation, amalgamation or reorganization or a sale of substantially all of the assets of the Bank;
- (d) the Bank will not amend the rights, privileges, restrictions and conditions attaching to the Bank Class 1 Preferred Shares Series Y without the prior approval of the Superintendent and the prior consent of the holders of 66 $\frac{2}{3}$ % of the HSBC HaTS — Series 2015 then outstanding or the prior approval of such holders by Extraordinary Resolution, provided that such prior consent or approval of the holders of HSBC HaTS — Series 2015 will not be required in the case of an amendment relating to the Bank Class 1 Preferred Shares as a class; and
- (e) as long as any HSBC HaTS — Series 2015 are outstanding, the Bank will have outstanding one or more series of preferred shares which are listed on a recognized stock exchange or quoted on a recognized quotation system or trading market.

#### ***Issue of Bank Class 1 Preferred Shares Series Y in Connection with Automatic Exchange***

All corporate action necessary for the Bank to issue Bank Class 1 Preferred Shares Series Y pursuant to the Automatic Exchange will be completed prior to the closing of the Offering. The issuance of Bank Class 1 Preferred Shares Series Y pursuant to the Automatic Exchange is subject to approval, or the obtaining of an exemption, under applicable securities legislation in certain of the provinces and territories of Canada, and to the prior approval of the Superintendent. Applications for the foregoing approvals and exemptions have been or will be filed by the Bank.

### ***Bank Share Exchange Agreement***

Contemporaneously with the completion of the Offering, the Trust, the Bank and the Exchange Trustee, as trustee for the holders of the HSBC HaTS — Series 2015, will enter into the Bank Share Exchange Agreement providing for the Dividend Stopper Undertakings as well as the grant of and certain rights and obligations relating to the Automatic Exchange and the Subscription Right. Pursuant to that agreement, the Bank will grant to the Exchange Trustee for the benefit of the holders of HSBC HaTS — Series 2015 the right to exchange HSBC HaTS — Series 2015 for Bank Class 1 Preferred Shares Series Y upon an Automatic Exchange and the Exchange Trustee on behalf of the holders of HSBC HaTS — Series 2015 will grant to the Bank the right to exchange HSBC HaTS — Series 2015 for Bank Class 1 Preferred Shares Series Y upon an Automatic Exchange. Pursuant to the Bank Share Exchange Agreement, the Bank will covenant to take or refrain from taking certain actions so as to ensure that holders of HSBC HaTS — Series 2015 will receive the benefit of the Automatic Exchange, including obtaining the requisite approval of holders of the HSBC HaTS — Series 2015 to any amendment to the provisions of the Bank Class 1 Preferred Shares Series Y (other than any amendments relating to the Bank Class 1 Preferred Shares as a class). Upon the occurrence of a Loss Absorption Event, the Bank will apply to have the Bank Class 1 Preferred Shares Series Y listed, quoted or posted for trading on a recognized stock exchange or quotation system in Canada.

### ***Voting Rights***

The HSBC HaTS — Series 2015 are non-voting, except in the limited circumstances set forth in the Declaration of Trust involving changes to the terms and conditions of the HSBC HaTS — Series 2015. The Declaration of Trust provides that where such a change affects the terms and conditions of the HSBC HaTS — Series 2015 differently than any other series of HSBC HaTS then outstanding, the terms and conditions may be changed only if authorized by the holders of HSBC HaTS — Series 2015 by way of Extraordinary Resolution. Any such change must be approved by the Bank and, in addition, any such change that would affect the status of the HSBC HaTS — Series 2015 as Tier 1 capital of the Bank is subject to Superintendent and FSA Approval. The term “Extraordinary Resolution”, as it relates to HSBC HaTS — Series 2015, is defined in the Declaration of Trust to mean, in effect, a resolution passed by the holders of HSBC HaTS — Series 2015 representing not less than 66⅔% of the total number of outstanding HSBC HaTS — Series 2015 represented and voted at a meeting of holders of HSBC HaTS — Series 2015 at which quorum is present, or a resolution in writing signed by the holders of HSBC HaTS — Series 2015 representing not less than 66⅔% of the outstanding HSBC HaTS — Series 2015. The quorum at any such meeting will be one or more holders of HSBC HaTS — Series 2015 present in person or represented by proxy and owning or representing not less than 25% of the aggregate number of HSBC HaTS — Series 2015 then outstanding, provided that if a quorum is not present and the meeting is adjourned, at the meeting following such adjournment those holders present in person or represented by proxy will constitute a quorum notwithstanding that they may represent less than 25% of the aggregate number of HSBC HaTS — Series 2015 then outstanding. Notwithstanding the foregoing, the Trustee may, without the consent of holders of HSBC HaTS — Series 2015, execute instruments supplemental to the Declaration of Trust and any other relevant instruments for certain limited purposes, including curing ambiguities or defects and making any modification that, in the opinion of the Trustee, would not be prejudicial to the interest of holders of HSBC HaTS — Series 2015 and making such changes as may be required to conform with applicable regulatory requirements from time to time.

### ***Capital Reorganizations and Amalgamations***

In the event of a capital reorganization, consolidation, merger or amalgamation or sale of substantially all of the assets of the Bank, the terms and conditions of the HSBC HaTS — Series 2015 provide that holders of HSBC HaTS — Series 2015 will be entitled to receive pursuant to the Automatic Exchange, after such capital reorganization, merger or amalgamation, the number of Bank shares or other securities or consideration of the Bank, or of a corporation resulting, surviving or continuing from the capital reorganization, merger or amalgamation, that such holder would have received had his or her HSBC HaTS — Series 2015 been exchanged, pursuant to the Automatic Exchange, for Bank Class 1 Preferred Shares Series Y immediately prior to the record date of the capital reorganization, merger or amalgamation. The entitlement of the Trust under the Subscription Right will be similarly adjusted.

### ***Book-Entry Only Form***

Except as otherwise provided below, the HSBC HaTS — Series 2015 will be issued in “book-entry only” form and must be purchased or transferred through Participants in the depository service of CDS. Participants include securities brokers and dealers, banks and trust companies. On the Closing Date, the Trust will cause a global certificate representing the HSBC HaTS — Series 2015 to be delivered to, and registered in the name of, CDS. Except as described below, no beneficial owner of HSBC HaTS — Series 2015 will be entitled to a certificate or other instrument from the Trust or CDS evidencing that beneficial owner’s ownership thereof, and no beneficial owner will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such beneficial owner. Each beneficial owner of HSBC HaTS — Series 2015 will receive a customer confirmation of purchase from the registered dealer from which the HSBC HaTS — Series 2015 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 its Participants having interests in the HSBC HaTS — Series 2015. If (i) required to do so by applicable law or the rules of any securities exchange, (ii) the book-entry only system ceases to exist, (iii) the Trust determines that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the HSBC HaTS — Series 2015 and the Trust is unable to locate a qualified successor, or (iv) the Trust at its option elects, or is required by law, to withdraw the HSBC HaTS — Series 2015 from the book-entry only system, then physical certificates representing the HSBC HaTS — Series 2015 will be issued to beneficial owners thereof or their nominees.

None of the Bank, the Trust, the Trustee or the Underwriters will assume any liability for (i) any aspect of the records relating to the beneficial ownership of the HSBC HaTS — Series 2015 held by CDS or the payments or deliveries relating thereto, (ii) maintaining, supervising or reviewing any records relating to the HSBC HaTS — Series 2015, 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. 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 the HSBC HaTS — Series 2015 must look solely to Participants, for payments or deliveries made by or on behalf of the Trust to CDS in respect of the HSBC HaTS — Series 2015.

### ***Transfers***

Transfers of ownership of the HSBC HaTS — Series 2015 will be effected only through records maintained by CDS for such HSBC HaTS — Series 2015 with respect to interests of Participants and on the records of Participants with respect to interests of persons other than Participants. Beneficial owners of HSBC HaTS — Series 2015 who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of, or other interests in, the HSBC HaTS — Series 2015, may do so only through Participants. The ability of a beneficial owner to pledge HSBC HaTS — Series 2015 or otherwise take action with respect to such beneficial owner’s interest in HSBC HaTS — Series 2015 (other than through a Participant) may be limited due to the lack of a physical certificate. See “Risk Factors — Liquidity of and Dealings in HSBC HaTS — Series 2015”.

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

The Trust will make or cause to be made payments of the Indicated Yield in respect of HSBC HaTS — Series 2015 to CDS as the registered holder of the HSBC HaTS — Series 2015 and the Trust understands that such payments will be forwarded by CDS to Participants in accordance with the CDS Procedures. Deliveries of Bank Class 1 Preferred Shares Series Y in respect of the exercise or operation of the Automatic Exchange, or upon a redemption of the HSBC HaTS — Series 2015 by the Trust in the limited circumstances described under “— Automatic Exchange” will be made by the Bank or the Trust, as the case may be, to CDS as the registered holder of the HSBC HaTS — Series 2015 and the Bank and the Trust understand that such shares will be forwarded by CDS to Participants in accordance with the CDS Procedures. As long as CDS is the registered owner of the HSBC HaTS — Series 2015, CDS will be considered the sole owner of the HSBC HaTS — Series 2015 for the purposes of receiving payments on the HSBC HaTS — Series 2015 or the delivery of Bank Class 1 Preferred Shares Series Y upon the exercise or operation of the Automatic Exchange or upon a redemption of the HSBC HaTS — Series 2015 by the Trust. As long as the HSBC HaTS — Series 2015 are held in the CDS book-

entry only system, the responsibility and liability of the Trustee and/or the Bank in respect of the HSBC HaTS — Series 2015 is limited to making payment of any amount due on the HSBC HaTS — Series 2015 and/or making delivery of Bank Class 1 Preferred Shares Series Y in respect thereof to CDS, as registered holder of HSBC HaTS — Series 2015.

### **HSBC Canada Asset Trust Securities — Series 2010**

On June 28, 2000, the Trust issued 200,000 of the initial series of HSBC HaTS designated “HSBC Canada Asset Trust Securities — Series 2010” at a price of \$1,000 per HSBC HaTS — Series 2010 for total gross proceeds of \$200,000,000. Holders of HSBC HaTS — Series 2010 are entitled to receive an Indicated Yield of 7.78% (based on the \$1,000 issue price) to December 31, 2010, and the Bankers’ Acceptance Rate (reset semi-annually) plus 2.37% thereafter. HSBC HaTS — Series 2010 will, in certain circumstances, be automatically exchanged for Bank Class 1 Preferred Shares Series Z.

HSBC HaTS — Series 2010 and HSBC HaTS — Series 2015 rank *pari passu* in respect of the applicable Indicated Yield payable on each series of HSBC HaTS and rank *pari passu* (together with the Special Trust Securities) with respect to the distribution of property of the Trust in the event of a termination of the Trust.

### **Special Trust Securities**

#### ***Voting Rights***

The Declaration of Trust provides that the Special Trust Securities are voting. Pursuant to the Declaration of Trust, holders of Special Trust Securities are entitled to vote in respect of, among other things (i) the termination of the Trust as set forth under “— HSBC Canada Asset Trust Securities — Series 2015 — Rights on Termination of the Trust”, (ii) the removal and replacement of the Trustee, and (iii) the removal and replacement of the Administrative Agent.

#### ***Distributions***

On any Regular Distribution Date that falls on the last day of a taxation year of the Trust, the Bank, as the sole holder of the Special Trust Securities, will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the Indicated Yield on the HSBC HaTS. On a Distribution Date that is a Distribution Diversion Date, the Bank, as the sole holder of the Special Trust Securities, will be entitled to receive the Net Distributable Funds of the Trust and no payment of any Indicated Yield will be made on HSBC HaTS.

#### ***Redemption/Return of Capital***

The Bank, as the sole holder of the Special Trust Securities, may request the Trustee to redeem any number of Special Trust Securities or make a distribution as a return of capital on Special Trust Securities. Upon receipt of such a request, the Trustee may, in its sole discretion with the prior approval of the Superintendent, effect a redemption of or make a distribution on Special Trust Securities provided that (i) the holders of HSBC HaTS will not be materially prejudiced thereby, (ii) it is not contrary to any provision of any agreement to which the Trust is a party or by which the Trust is bound or to any applicable law, and (iii) the redemption price or amount to be distributed in respect of each Special Trust Security does not exceed the Invested Amount of that Special Trust Security.

#### ***Rights on Termination of the Trust***

In the event of a termination of the Trust, after the discharge of the obligations of the Trust to creditors, the Bank, as the sole holder of the Special Trust Securities, will be entitled to participate, *pari passu* with the holders of the HSBC HaTS, in the distribution of the remaining property of the Trust. On a termination of the Trust, the Bank, as the sole holder of the Special Trust Securities, will be entitled to receive an aggregate amount equal to the total Invested Amount in respect of all Special Trust Securities then outstanding multiplied by the Termination Distribution Ratio.

## **DESCRIPTION OF BANK CLASS 1 PREFERRED SHARES SERIES Y**

The authorized share capital of the Bank consists of 993,677,000 Common Shares, an unlimited number of Bank Class 1 Preferred Shares and an unlimited number of Bank Class 2 Preferred Shares.

The following is a summary of the rights, privileges, restrictions and conditions of, or attaching to, the Bank Class 1 Preferred Shares as a class and the Bank Class 1 Preferred Shares Series Y as a series.

### **Certain Provisions of the Bank Class 1 Preferred Shares as a Class**

The Bank is authorized to issue an unlimited number of Bank Class 1 Preferred Shares in one or more series. The Board of Directors may from time to time divide any unissued Bank Class 1 Preferred Shares into series, and fix the number of shares in each series and the rights, privileges, restrictions and conditions thereof.

#### ***Priority***

The Bank Class 1 Preferred Shares of each series will rank on a parity with Bank Class 1 Preferred Shares of every other series. The Bank Class 1 Preferred Shares are entitled to preference over the Bank Class 2 Preferred Shares, the Bank Common Shares and any other class of shares in the capital of the Bank ranking junior to the Bank Class 1 Preferred Shares, with respect to the payment of dividends and upon any distribution of assets of the Bank in the event of liquidation, dissolution or winding-up of the Bank, whether voluntary or involuntary, or any other distribution of assets of the Bank among its shareholders for the purpose of winding-up its affairs.

#### ***Restrictions***

The Bank may not, without the approval of the holders of the Bank Class 1 Preferred Shares, create any other class of shares ranking prior to the Bank Class 1 Preferred Shares or amend the provisions attaching to the Bank Class 1 Preferred Shares, unless, for all issued and outstanding Bank Class 1 Preferred Shares, all cumulative dividends have been declared and paid and any declared non-cumulative dividends have been paid.

#### ***Shareholder Approval***

Any approval to be given by the holders of the Bank Class 1 Preferred Shares, voting as a class or as a series, may be given by a resolution carried by the affirmative vote of not less than two-thirds of the votes cast at a meeting of holders of the outstanding Bank Class 1 Preferred Shares or of a particular series at which a majority of the outstanding shares is represented either in person or by proxy, or if no quorum is present at such meeting, at any adjourned meeting at which no quorum requirements would apply.

### **Certain Provisions of Bank Class 1 Preferred Shares Series Y**

#### ***Issue Price***

Each Bank Class 1 Preferred Shares Series Y will have an issue price of \$25.00 per share.

#### ***Dividends***

Subject to the provisions of the Bank Act, the holders of the Bank Class 1 Preferred Shares Series Y will be entitled to receive and the Bank will pay thereon, if, as and when declared by the Board of Directors, out of the moneys of the Bank properly applicable to the payment of dividends, semi-annual non-cumulative preferential cash dividends equal to \$0.625 per share. Dividends on the Class 1 Preferred Shares Series Y, if, as and when declared by the Board of Directors, will be payable on the last day of June and December of each year. If the Board of Directors in its discretion does not declare any dividend, or any part thereof, on the Bank Class 1 Preferred Shares Series Y on or before the dividend payment date for a particular semi-annual period, then the right of the holders of Bank Class 1 Preferred Shares Series Y to receive such dividend, or any part thereof, for such semi-annual period will be forever extinguished.

The terms of the Bank Class 1 Preferred Shares Series Y require the Bank to make the necessary election under Part VI.1 of the Tax Act so that the holders will not be subject to tax under Part IV.1 on dividends paid (or deemed to be paid) by the Bank on the Bank Class 1 Preferred Shares Series Y.

### ***Redemption***

The Bank Class 1 Preferred Shares Series Y may not be redeemed prior to June 30, 2015. On and after June 30, 2015, but subject to the provisions of the Bank Act, Superintendent, FSA and Federal Reserve Approval and the provisions described below under “— Restrictions on Dividends and Retirement of Shares”, the Bank may, on not more than 60 and not less than 30 days’ prior notice, redeem at any time all, or from time to time any part, of the outstanding Bank Class 1 Preferred Shares Series Y, at the Bank’s option without the consent of the holders, by the payment of an amount in cash for each such share so redeemed equal to \$25.00 (less returns of stated capital paid to the holders prior thereto, if any) plus the amount of all declared and unpaid dividends thereon to the date fixed for redemption. If less than all the outstanding Bank Class 1 Preferred Shares Series Y are at any time to be redeemed, the shares to be redeemed will be selected by lot or *pro rata* disregarding fractions, or in such other manner as the Bank may determine.

### ***Conversion into Another Series of Bank Class 1 Preferred Shares at Option of the Holder***

The Bank may, by resolution of the Board of Directors, constitute a further series of Bank Class 1 Preferred Shares (the “New Bank Preferred Shares”) having rights, privileges, restrictions and conditions attaching thereto which would qualify such New Bank Preferred Shares as Tier 1 capital or equivalent of the Bank under the then current Capital Guidelines provided that, such New Bank Preferred Shares do not constitute “short term preferred shares” under the Tax Act. In such event, the Bank may, with prior Superintendent, FSA and Federal Reserve Approval, give holders of the Bank Class 1 Preferred Shares Series Y written notice that they have the right pursuant to the terms of the Bank Class 1 Preferred Shares Series Y, at their option, to convert their Bank Class 1 Preferred Shares Series Y on the date specified in the notice into fully-paid and non-assessable New Bank Preferred Shares on a share for share basis. Notice will be given by the Bank in writing not more than 60 days and not less than 30 days prior to the conversion date.

Upon exercise by any holder of the right to convert Bank Class 1 Preferred Shares Series Y into New Bank Preferred Shares, the Bank reserves the right not to issue New Bank Preferred Shares in certain circumstances, including the right not to issue such shares to any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Bank to take any action to comply with the securities, banking or analogous laws of such jurisdictions. See also “Description of Bank Class 1 Preferred Shares Series Y — Limitations Affecting Holders of Bank Shares”.

### ***Presentation for Conversion, Redemption or Sale***

A conversion, redemption or sale to the Bank of Bank Class 1 Preferred Shares Series Y will be effected by the holder transferring such holder’s Bank Class 1 Preferred Shares Series Y to be converted, redeemed or sold, as the case may be, to the account of the Bank in CDS (or, in the event that the Bank Class 1 Preferred Shares Series Y are not then issued in book-entry only form, by depositing with the transfer agent for the Bank Class 1 Preferred Shares Series Y, at one of its principal offices, certificates representing such Bank Class 1 Preferred Shares Series Y).

### ***Purchase for Cancellation***

Subject to the provisions of the Bank Act, to Superintendent, FSA and Federal Reserve Approval, and to the provisions described below under “— Restrictions on Dividends and Retirement of Shares”, the Bank may at any time purchase for cancellation any Bank Class 1 Preferred Shares Series Y at the lowest price or prices at which, in the opinion of the Board of Directors, such shares may be obtained either by private contract, in the open market, by invitations to tender, or through the facilities of any stock exchange on which the Bank Class 1 Preferred Shares Series Y may be listed.

### ***Rights on Liquidation***

In the event of the liquidation, dissolution or winding-up of the Bank, the holders of the Bank Class 1 Preferred Shares Series Y will be entitled to receive \$25.00 per share plus the amount of all declared and unpaid dividends thereon to the date of payment, before any amount will be paid or any assets of the Bank distributed to the holders of Bank Common Shares or any other shares in the capital of the Bank ranking junior to the Bank Class 1 Preferred

Shares Series Y. The holders of the Bank Class 1 Preferred Shares Series Y will not be entitled to participate in any further distribution of the property or assets of the Bank.

#### ***Restrictions on Dividends and Retirement of Shares***

So long as any of the Bank Class 1 Preferred Shares Series Y are outstanding, the Bank will not, without the approval of the holders of the Bank Class 1 Preferred Shares Series Y given as provided herein:

- (a) declare, pay or set apart for payment any dividends on the Bank Common Shares or any other shares in the capital of the Bank ranking junior to the Bank Class 1 Preferred Shares Series Y (other than stock dividends payable in any shares ranking junior to the Bank Class 1 Preferred Shares Series Y);
- (b) redeem, purchase or otherwise retire any Bank Common Shares or any other shares in the capital of the Bank ranking junior to the Bank Class 1 Preferred Shares Series Y (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Bank Class 1 Preferred Shares Series Y);
- (c) redeem, purchase or otherwise retire fewer than all the Bank Class 1 Preferred Shares Series Y; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provision attaching to any series of preferred shares of the Bank, redeem, purchase or otherwise retire for value any other shares ranking on parity with the Bank Class 1 Preferred Shares Series Y;

unless, in each case, all dividends up to and including, those payable on the dividend payment date for the last completed period for which dividends are payable have been declared and paid or set apart for payment in respect of the Bank Class 1 Preferred Shares Series Y then issued and outstanding.

#### ***Restriction on Issue of Prior Ranking Shares***

The Bank may not issue any shares ranking prior to the Bank Class 1 Preferred Shares Series Y with respect to the payment of dividends or the distribution of assets in the event of the liquidation, dissolution or winding-up of the Bank, without the approval of the holders of the Bank Class 1 Preferred Shares Series Y. Subject to this restriction, the Bank may issue additional series of Bank Class 1 Preferred Shares without the authorization of holders of Bank Class 1 Preferred Shares Series Y.

#### ***Amendments to Bank Class 1 Preferred Shares Series Y***

The Bank will not, without the approval of the holders of the Bank Class 1 Preferred Shares Series Y and any holders of HSBC HaTS — Series 2015 then outstanding given as described herein, delete or vary any rights, privileges, restrictions and conditions attaching to the Bank Class 1 Preferred Shares Series Y. In addition to this approval, the Bank will not without, but may from time to time with, the prior approval of the Superintendent make any such deletion or variation which might affect the classification afforded the Bank Class 1 Preferred Shares Series Y from time to time for capital adequacy requirements pursuant to the Bank Act or the Capital Guidelines.

#### ***Shareholder Approvals***

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the Bank Class 1 Preferred Shares Series Y may be given by a resolution carried by the affirmative vote of not less than 66⅔% of the votes cast at a meeting of holders of Bank Class 1 Preferred Shares Series Y at which a majority of the outstanding Bank Class 1 Preferred Shares Series Y is represented, or if no quorum is present at the meeting, at a meeting following such adjourned meeting at which no quorum requirements would apply. Pursuant to the Bank Share Exchange Agreement, the Bank will covenant that for so long as the HSBC HaTS — Series 2015 remain outstanding no amendment will be made to the rights, privileges, restrictions and conditions of the Bank Class 1 Preferred Shares Series Y (other than any amendments relating to the Bank Class 1 Preferred Shares as a class) without the prior approval of 66⅔% of the holders of HSBC HaTS — Series 2015 or the prior approval of holders of HSBC HaTS — Series 2015 by Extraordinary Resolution.

### ***Voting Rights***

The holders of the Bank Class 1 Preferred Shares Series Y as such will not be entitled to receive notice of, or to attend or to vote at, any meeting of the shareholders of the Bank unless and until the first time at which the rights of such holders to any undeclared dividends or part thereof have become extinguished as described above. In that event, the holders of the Bank Class 1 Preferred Shares Series Y will be entitled to receive notice of, and to attend, all meetings of shareholders at which directors are to be elected and, in respect of the election of directors, will be entitled to one vote for each such share held. The voting rights of the holders of the Bank Class 1 Preferred Shares Series Y, and the rights to receive notice of and to attend meetings, will forthwith cease upon payment by the Bank of the whole amount of the first dividend declared on the Bank Class 1 Preferred Shares Series Y after the time such rights first arose. At such time as the entitlement of such holders to any subsequent undeclared dividends or part thereof on the Bank Class 1 Preferred Shares Series Y has again become extinguished, such voting rights and rights to receive notice of and to attend meetings will become effective again and so on from time to time.

### ***Book-Entry Only Form***

Unless the Bank elects otherwise, the Bank Class 1 Preferred Shares Series Y will be issued in “book-entry only” form, and may be purchased, held and transferred in substantially the same manner as the HSBC HaTS — Series 2015. See “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Book-Entry Only Form”.

### **Limitations Affecting Holders of Bank Shares**

The Bank Act contains restrictions on the allotment, issuance, transfer, acquisition, beneficial ownership, holding and voting of all shares of a chartered bank. By way of summary, no person, or persons acting jointly or in concert, may have a “significant interest” in any class of shares of any Schedule II bank, a category which includes HSBC Bank Canada, without the consent of the Minister of Finance. For the purposes of the Bank Act, a person (a “Significant Shareholder”) has a significant interest in a class of shares of a bank if the total number of shares of that class beneficially owned by that person, and entities controlled by that person and by any persons acting jointly or in concert with that person, exceeds or would thereby exceed 10% of the outstanding shares of that class. Purchasers of HSBC HaTS — Series 2015 and Bank Class 1 Preferred Shares Series Y (and Participants) may be required to furnish declarations relating to ownership (and ownership by clients of such Participants) in a form prescribed by HSBC Bank Canada.

Under the Bank Act, HSBC Bank Canada cannot redeem or purchase any of its shares, including the Bank Class 1 Preferred Shares Series Y, unless the consent of the Superintendent has been obtained. In addition, the Bank Act prohibits any payment to purchase or redeem any shares or any payment of a dividend if there are reasonable grounds for believing that HSBC Bank Canada is, or the payment would cause HSBC Bank Canada to be, in contravention of the Bank Act requirement to maintain, in relation to its operations, adequate capital and adequate and appropriate forms of liquidity, and to comply with any regulations or directions of the Superintendent in relation thereto. The Bank Act also prohibits the payment of a dividend in any financial year without the approval of the Superintendent if, on the day the dividend is declared, the total of all dividends declared in that year would exceed the aggregate net income up to that day in that year and retained net income for the preceding two financial years.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Borden Ladner Gervais LLP, counsel to the Trust and the Bank, and Stikeman Elliott LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to the Trust and a holder of HSBC HaTS — Series 2015 who acquires and beneficially owns HSBC HaTS — Series 2015 under the Offering and who, for purposes of the Tax Act and at all relevant times, is resident or deemed to be resident in Canada, deals at arm’s length and is not affiliated with the Bank and the Trust, holds the HSBC HaTS — Series 2015, and will hold any Bank Class 1 Preferred Shares Series Y or New Bank Preferred Shares as capital property, is not exempt from tax under Part I of the Tax Act and does not hold the HSBC HaTS — Series 2015, Bank Class 1 Preferred Shares Series Y acquired on an exchange or redemption of HSBC HaTS — Series 2015 for Bank Class 1 Preferred Shares Series Y or New Bank Preferred Shares acquired on conversion of such Bank Class 1 Preferred Shares Series Y in a Deferred Income Plan. This summary does not take

into account (other than in respect of the Trust) the “mark-to-market” rules contained in the Tax Act which apply to certain financial institutions. Furthermore, the part of this summary dealing with the Bank Class 1 Preferred Shares Series Y or any New Bank Preferred Shares does not apply to a “specified financial institution” (as defined in the Tax Act) that, alone or together with persons with whom it does not deal at arm’s length, receives (or is deemed to receive) in the aggregate dividends in respect of more than 10% of the Bank Class 1 Preferred Shares Series Y or any New Bank Preferred Shares outstanding at the time a dividend is received. This summary also assumes that all issued and outstanding Bank Class 1 Preferred Shares Series Y or any New Bank Preferred Shares are listed on a prescribed stock exchange in Canada (as defined in the Tax Act) at such times as dividends (including deemed dividends) are received on such shares.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Consequently, investors are urged to consult their own tax advisers with respect to their particular circumstances.**

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

## **HSBC HaTS — Series 2015**

### ***Taxation of the Trust***

In each taxation year of the Trust, the net income and net realized capital gains, if any, of the Trust as would otherwise be taxable in the Trust will be payable to holders of HSBC HaTS or the Bank, as the sole holder of the Special Trust Securities. Consequently, the Trust will not be liable for income tax under Part I of the Tax Act. Capital or income losses incurred by the Trust cannot be allocated to holders of the HSBC HaTS or the Bank, as the sole holder of the Special Trust Securities but may, subject to certain limitations, be deducted by the Trust from taxable capital gains or net income realized in other years.

As a registered investment, the Trust is potentially subject to special taxes under the Tax Act. The Trust intends to restrict its investments in a manner such that it will not be subject to any of these special taxes.

The Tax Act provides for a special tax on the designated income of certain trusts which have designated beneficiaries. This special tax will not apply to the Trust.

### ***Taxation of Holders of HSBC HaTS — Series 2015***

#### ***Distributions***

A holder of HSBC HaTS — Series 2015 will be required to include in computing the holder’s income for a taxation year all net income and net realized capital gains, if any, payable to the holder in such taxation year. Substantially all of the amounts payable to holders of HSBC HaTS — Series 2015 are expected to be treated as income from a trust, rather than capital gains, for income tax purposes.

#### ***Dispositions***

A holder of HSBC HaTS — Series 2015 who disposes of or is deemed to dispose of the HSBC HaTS — Series 2015 will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the HSBC HaTS — Series 2015 to the holder thereof. A disposition or deemed disposition of a holder’s HSBC HaTS — Series 2015 will be considered to occur on, among other events (a) an exchange of the HSBC HaTS — Series 2015 for Bank Class 1 Preferred Shares Series Y pursuant to the Automatic Exchange (on which event a holder’s proceeds of disposition will be equal to the fair market value of the Bank Class 1 Preferred

Shares Series Y received on the exchange), (b) a redemption of the HSBC HaTS — Series 2015 as a result of the Trust exercising the Trust Special Event Redemption Right or the Trust Redemption Right (on which event a holder's proceeds of disposition will be equal to the Early Redemption Price or the Redemption Price, as the case may be), and (c) the termination of the Trust.

Generally, one-half of any such capital gain will be included in computing the holder's income as a taxable capital gain and one-half of any such capital loss may be deducted from the holder's taxable capital gains, in accordance with the rules contained in the Tax Act. Taxable capital gains of a Canadian-controlled private corporation (as defined in the Tax Act) may be subject to an additional refundable tax of 6<sup>2</sup>/<sub>3</sub>% on certain investment income, including amounts in respect of net taxable capital gains. Capital gains realized by an individual may give rise to a liability for alternative minimum tax under the Tax Act.

#### ***Bank Share Exchange Agreement/Automatic Exchange***

The Bank, the Trustee and the Exchange Trustee have been advised by HSBC Securities (Canada) Inc. and RBC Dominion Securities Inc. that the value to holders of the HSBC HaTS — Series 2015 of the rights granted under the Bank Share Exchange Agreement (including the Automatic Exchange) is nominal. Accordingly, no gain will be realized by holders of HSBC HaTS — Series 2015 upon the granting of such rights. Counsel expresses no opinion as to the appropriateness or accuracy of this valuation. Any determination of value is not binding on the Canada Revenue Agency.

#### **Bank Class 1 Preferred Shares Series Y**

##### ***Dividends***

Dividends (including deemed dividends) received on the Bank Class 1 Preferred Shares Series Y by an individual (other than certain trusts) will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations.

Dividends (including deemed dividends) received on the Bank Class 1 Preferred Shares Series Y by a corporation will be included in computing income and generally will be deductible in computing the taxable income of the corporation. The Bank Class 1 Preferred Shares Series Y will be "taxable preferred shares" as defined in the Tax Act. The terms of the Bank Class 1 Preferred Shares Series Y require the Bank to make the necessary election under Part VI.1 of the Tax Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Bank Class 1 Preferred Shares Series Y.

A "private corporation", as defined in the Tax Act, or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33<sup>1</sup>/<sub>3</sub>% refundable tax under Part IV of the Tax Act on dividends (including deemed dividends) received on the Bank Class 1 Preferred Shares Series Y to the extent such dividends are deductible in computing its taxable income.

##### ***Dispositions***

A holder of Bank Class 1 Preferred Shares Series Y who disposes of or is deemed to dispose of the Bank Class 1 Preferred Shares Series Y (including on purchase for cancellation or redemption of the shares for cash or otherwise, but not on a conversion) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder thereof. The amount of any deemed dividend arising on the redemption, acquisition or cancellation by the Bank of the Bank Class 1 Preferred Shares Series Y will generally not be included in computing a holder's proceeds of disposition for purposes of computing the capital gain or loss arising on the disposition of such shares (see "Redemption"). In the case of a holder that is a corporation, the amount of any capital loss otherwise determined may be reduced by the amount of any dividends, (including deemed dividends) previously received on the shares to the extent and under the circumstances described in the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. See "— HSBC HaTS — Series 2015 — Taxation of Holders of HSBC HaTS — Series 2015 — Dispositions" for a discussion of the tax treatment of capital gains or losses.

### ***Redemption***

If the Bank redeems, cancels or otherwise acquires Bank Class 1 Preferred Shares Series Y, other than by a purchase in the manner in which such shares are normally purchased by a member of the public in the open market or by reason of a conversion of the Bank Class 1 Preferred Shares Series Y, the holder will be deemed to have received a dividend equal to the amount, if any, paid by the Bank in excess of the paid-up capital of such shares at such time. The difference between the amount paid by the Bank and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing any capital gain or capital loss arising on the disposition of such shares. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

### ***Conversion***

The conversion of the Bank Class 1 Preferred Shares Series Y into New Bank Preferred Shares will be deemed not to be a disposition of property and accordingly will not give rise to any capital gain or capital loss. The cost to a holder of the New Bank Preferred Shares received on the conversion will be deemed to be the adjusted cost base to such holder of the converted Bank Class 1 Preferred Shares Series Y immediately before the conversion. The cost of a New Bank Preferred Share so obtained will be averaged with the adjusted cost base of all other New Bank Preferred Shares held by such holder as capital property for the purpose of determining thereafter the adjusted cost base of such shares.

The Canadian federal income tax considerations described above for a holder of Bank Class 1 Preferred Shares Series Y will generally be applicable, with necessary changes, to the beneficial owners of New Bank Preferred Shares.

## **PLAN OF DISTRIBUTION**

Pursuant to an agreement (the “Underwriting Agreement”) dated April 26, 2005 among the Trust, the Bank and HSBC Securities (Canada) Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., TD Securities Inc., CIBC World Markets Inc., National Bank Financial Inc. and Scotia Capital Inc. (collectively, the “Underwriters”), the Trust has agreed to sell, and the Underwriters have agreed to purchase, on May 3, 2005, or on such other date not later than June 15, 2005 as may be agreed upon, all but not less than all of the 200,000 HSBC HaTS — Series 2015 at a price of \$1,000 per HSBC HaTS — Series 2015, subject to the terms and conditions set forth therein. The Trust has agreed to pay to the Underwriters a fee per HSBC HaTS — Series 2015 equal to \$10 with respect to HSBC HaTS — Series 2015 sold to certain institutions and \$30 with respect to all other HSBC HaTS — Series 2015. Assuming that all HSBC HaTS — Series 2015 are sold to such institutions, the aggregate Underwriters’ fee will be \$2 million.

The Underwriting Agreement also provides that the Underwriters may, at their discretion, terminate their obligations thereunder in certain circumstances. The Underwriters have agreed, subject to the terms and conditions set forth in the Underwriting Agreement, to purchase all of the HSBC HaTS — Series 2015 to be purchased by them if any of the HSBC HaTS — Series 2015 being sold pursuant to the Underwriting Agreement are purchased.

The Offering is being made concurrently in all provinces and territories of Canada. The HSBC HaTS — Series 2015 have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the “1933 Act”) and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States or for the account or benefit of U.S. Persons (as defined in the 1933 Act).

HSBC Securities (Canada) Inc., one of the Underwriters, is an indirect wholly-owned subsidiary of the Bank. As a result, each of the Bank and the Trust is a related issuer of HSBC Securities (Canada) Inc. The terms of the Offering were negotiated at arm’s length between the Bank, the Trust and the Underwriters. HSBC Securities (Canada) Inc. will not receive any benefit in connection with the Offering other than as described herein. RBC Dominion Securities Inc., an underwriter in respect of which each of the Trust and the Bank is not a related or connected issuer, participated in the due diligence, pricing and structuring of the Offering as well as in the preparation of this prospectus.

Pursuant to policy statements of the Ontario Securities Commission and the L’Autorité des marchés financiers, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase

HSBC HaTS — Series 2015. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by Market Regulation Services Inc. relating to market stabilization and passive market making activities, and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution. In connection with the Offering and subject to the foregoing and to applicable law, the Underwriters may effect transactions intended to stabilize or maintain the market price of the HSBC HaTS — Series 2015 at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

## RATINGS

The HSBC HaTS — Series 2015 have been provisionally rated “P-1 (Low)” by S&P using S&P’s Canadian national scale for preferred shares and “A—” by S&P using S&P’s global scale for preferred shares. The “P-1” rating is the highest of eight categories of ratings used by S&P on its Canadian preferred share scale, and the “A” rating is the second highest of the nine categories used by S&P on its global preferred share scale. A reference to “high”, “low” or “+/-” reflects the relative strength within the rating category. The absence of either a “high” or “low” or a “+” or “-” designation indicates the rating is in the middle of the category where such designations are used. Preferred share ratings address the issuer’s capacity and willingness to pay dividends and principal on a timely basis. They address the likelihood of timely payment of dividends, notwithstanding the legal ability to pass on or defer a dividend payment.

The HSBC HaTS — Series 2015 have been provisionally rated “A (low)yn” with a stable trend by DBRS. The “A” rating is the third highest of 10 categories of ratings available from DBRS for long term debt generally. A reference to “high” or “low” reflects the relative strength within the rating category and the stable trend refers to DBRS’s outlook regarding the rating. The absence of either a “high” or “low” designation indicates the rating is in the “middle” of the category. The reference to “y” designates a hybrid instrument and “n” signifies non-cumulative. The DBRS long term debt rating scale is meant to give an indication of the risk that a borrower will not fulfill its obligations in a timely manner, with respect to both interest and principal commitments. Long term debt rated “A” is of satisfactory credit quality.

Prospective purchasers of HSBC HaTS — Series 2015 should consult the rating organization with respect to the interpretation and implications of the foregoing provisional ratings. Neither of the foregoing ratings should be construed as a recommendation to buy, sell or hold the HSBC HaTS — Series 2015 offered hereby. Either of the foregoing ratings may be revised or withdrawn at any time by the respective rating organization.

## USE OF PROCEEDS

The gross proceeds to the Trust from the sale of the HSBC HaTS — Series 2015 offered hereby will be \$200 million. The Trust will use the estimated net proceeds to be received on closing of approximately \$297.2 million in connection with both the Offering and the subscription by the Bank for additional Special Trust Securities, to purchase additional Eligible Trust Assets on a fully-serviced basis from the Sellers upon the closing of the Offering. See “Business of the Trust”.

The following table illustrates the use of the proceeds received by the Trust on the Closing Date from the sale of the HSBC HaTS — Series 2015 offered hereby and the subscription by the Bank for additional Special Trust Securities described above:

Gross proceeds from the Offering .....	\$ 200,000,000
Gross proceeds from the sale of additional Special Trust Securities .....	100,000,000
Estimated underwriting fee and expenses applicable to the Offering .....	<u>(2,800,000)</u>
Net proceeds to be applied to the purchase of additional Eligible Trust Assets .....	<u>\$ 297,200,000</u>

## MATERIAL CONTRACTS

The material contracts of the Trust in connection with the Offering are as follows:

1. the Declaration of Trust described under “The Trust”;
2. the Administration and Advisory Agreement described under “Business of the Trust — The Administrative Agent”;
3. the Mortgage Sales, Pooling and Servicing Agreements described under “Business of the Trust — Description of Eligible Trust Assets”;
4. the Purchase Agreements described under “Business of the Trust — Description of Eligible Trust Assets”;
5. the Bank Share Exchange Agreement described under “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Bank Share Exchange Agreement”;
6. the agreement in respect of the Credit Facility described under “Business of the Trust — Liquidity”;
7. the Subscription Agreement described under “Business of the Trust — General and Capitalization”; and
8. the Underwriting Agreement described under “Plan of Distribution”.

Copies of the above material contracts may, after the execution thereof, be reviewed during normal business hours at the office of the Bank at Suite 900, 888 Dunsmuir Street, Vancouver, British Columbia, Canada, during the period of distribution of the HSBC HaTS — Series 2015 offered under this prospectus. Any of the above material contracts that are not executed prior to the filing of this prospectus will be filed with securities regulatory authorities immediately after such contract is entered into and thereafter will be available on SEDAR at [www.sedar.com](http://www.sedar.com).

## RISK FACTORS

Prospective investors should carefully consider the following information in conjunction with the other information contained in this prospectus before purchasing HSBC HaTS — Series 2015.

### **Automatic Exchange of HSBC HaTS — Series 2015 for Bank Class 1 Preferred Shares Series Y**

The purchase of HSBC HaTS — Series 2015 involves risk with respect to the performance and capital levels of the Bank. In the event of decline in the performance and capital levels of the Bank or the Bank becoming insolvent or bankrupt or resolving to wind-up or liquidate or being ordered wound-up or liquidated or the occurrence of any other event constituting a Loss Absorption Event, the HSBC HaTS — Series 2015 will be automatically exchanged for Bank Class 1 Preferred Shares Series Y, without the consent of the holders thereof, which shares would be an investment in the Bank and not in the Trust. As a result, holders of HSBC HaTS — Series 2015 could become shareholders of the Bank at a time when the Bank's financial condition was deteriorating or when the Bank had become insolvent or bankrupt or resolved to wind-up or had been ordered wound-up or liquidated or upon the occurrence of any other event constituting a Loss Absorption Event.

The Indicated Yield payable on the HSBC HaTS — Series 2015 after June 30, 2015 will be based on a floating rate and will vary from time to time. The Bank Class 1 Preferred Shares Series Y that will be issued to the holders of the HSBC HaTS — Series 2015 upon the operation of the Automatic Exchange will pay a fixed semi-annual, non-cumulative preferential cash dividend of \$0.625 per share. There can be no assurance that if the Automatic Exchange occurs after June 30, 2015, the dividend payable on the Bank Class 1 Preferred Shares Series Y will not be less than the Indicated Yield that would otherwise have been payable on the HSBC HaTS — Series 2015 had the Automatic Exchange not occurred.

An investment in the Bank is also subject to certain risks that are distinct from the risks associated with an investment in the Trust, including the general risks inherent in equity investments in deposit taking institutions. In the event of a liquidation of the Bank, the claims of depositors and creditors of the Bank would be entitled to a priority of payment over the claims of holders of equity interests such as the Bank Class 1 Preferred Shares Series Y. As a result, if the Bank were to become insolvent or bankrupt or resolved to wind-up or was ordered wound-up or liquidated after the Automatic Exchange or if the Automatic Exchange were to occur after the insolvency of the Bank, the holders of the Bank Class 1 Preferred Shares Series Y may receive, if anything, substantially less than the holders of the HSBC HaTS — Series 2015 would have received had the HSBC HaTS — Series 2015 not been exchanged for Bank Class 1 Preferred Shares Series Y. In the event of the occurrence of the Automatic Exchange, with the result that the holder of a HSBC HaTS — Series 2015 receives Bank Class 1 Preferred Shares Series Y in exchange for such HSBC HaTS — Series 2015, such holder will thereupon cease to have any claim or entitlement with respect to the assets of the Trust and the only claim or entitlement of such holder will be in its capacity as a shareholder of the Bank.

Potential investors in the HSBC HaTS — Series 2015 should carefully consider the description of the Bank set out under “HSBC Bank Canada” and the information regarding the Bank that is incorporated by reference into this prospectus. See “Documents Incorporated by Reference”.

See also “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Automatic Exchange”.

### **Interest Rate Risk**

The Trust's income consists primarily of interest payments on the Trust Assets held by it. Because the Indicated Yield in respect of the HSBC HaTS — Series 2015 is fixed, there can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Trust's ability to pay the Indicated Yield on the HSBC HaTS — Series 2015 in full on each Regular Distribution Date. It is, however, in the Bank's interest to ensure, to the extent within its control, that the Trust complies with its obligation to pay the Indicated Yield on the HSBC HaTS — Series 2015 on each Regular Distribution Date that is June 30 or December 31 to avoid triggering the Dividend Stopper Undertakings.

## **Income From Trust Assets**

There can be no assurance that the net income and gains derived from the Trust Assets by the Trust will be sufficient to pay the Indicated Yield on the HSBC HaTS — Series 2015 in full on Regular Distribution Dates. It is, however, in the Bank's interest to ensure, to the extent within its control, that the Trust complies with its obligation to pay the Indicated Yield on the HSBC HaTS — Series 2015 on each Regular Distribution Date that is June 30 or December 31 to avoid triggering the Dividend Stopper Undertakings.

## **Restrictions on Ownership of Bank Shares**

Under the Bank Act, no person, or persons acting jointly or in concert, is permitted to have a significant interest in a class of shares of the Bank except with the approval of the Minister of Finance. See "Description of Bank Class 1 Preferred Shares Series Y — Limitations Affecting Holders of Bank Shares". Accordingly, the right of a holder to exchange all or some of the HSBC HaTS — Series 2015 held by it may be restricted. In addition, certain holders of HSBC HaTS — Series 2015 who are to acquire Bank Class 1 Preferred Shares Series Y upon the exercise or operation of the Automatic Exchange may have some or all of such shares disposed of on their behalf pursuant to the procedures referred to under "Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Automatic Exchange".

## **Dependence Upon the Bank and its Affiliates**

The Trust is and will continue to be dependent for the selection, structuring and monitoring of the Trust Assets on the diligence and skill of the employees of the Bank as Administrative Agent. In addition, potential conflicts of interest may arise between the Trust and the Bank and its affiliates. See "Business of the Trust". The Administrative Agent may also delegate or subcontract all or a portion of its obligations under the Administration and Advisory Agreement to one or more affiliates, and under certain conditions to non-affiliates, involved in the business of managing assets such as the Trust Assets. If the Administrative Agent delegates or subcontracts its obligations in such a manner, the Administrative Agent will remain liable for its obligations under the Administration and Advisory Agreement. See "Business of the Trust — The Administrative Agent".

The Trust will be dependent upon the expertise of the Servicer for the servicing of the Trust Assets. In addition, potential conflicts of interest may arise between the Trust and the Bank and its affiliates. The Servicer of the Trust Assets may also subcontract all or a portion of its obligations under the Mortgage Sales, Pooling and Servicing Agreements to one or more affiliates, and under certain conditions to non-affiliates, involved in the business of managing assets such as the Trust Assets. If the Servicer subcontracts its obligations in such a manner, the Servicer will remain liable for its obligations under the Mortgage Sales, Pooling and Servicing Agreements.

Each of the Trustee and the Custodian is a wholly-owned subsidiary of the Bank. See "The Trust".

## **Liquidity of and Dealings in HSBC HaTS — Series 2015**

While the HSBC HaTS — Series 2015 will be eligible for resale in the public market, it is not expected that the HSBC HaTS — Series 2015 will be listed on any stock exchange. There can be no assurance that an active trading market will develop or be sustained or that the HSBC HaTS — Series 2015 may be resold at or above the initial public offering price.

The ability of a beneficial owner to pledge HSBC HaTS — Series 2015 or otherwise take action with respect to such beneficial owner's interest in HSBC HaTS — Series 2015 (other than through a Participant) may be limited due to the lack of a physical certificate.

No prediction can be made as to the effect, if any, that future issues of HSBC Canada Asset Trust Securities or the availability of such HSBC Canada Asset Trust Securities for future issue, will have on the market price of issued HSBC HaTS — Series 2015 prevailing from time to time. Issues from treasury, or sales in the public market by holders of HSBC HaTS — Series 2015, involving substantial numbers or principal amounts of HSBC HaTS — Series 2015, or the perception that such issues or sales could occur, could adversely affect prevailing market prices for such HSBC HaTS — Series 2015.

### **Indicated Yield is Non-Cumulative**

The Indicated Yield on the HSBC HaTS — Series 2015 is non-cumulative. The Indicated Yield on the HSBC HaTS — Series 2015 is payable by the Trust on each Regular Distribution Date out of the Net Distributable Funds. If the Indicated Yield on the HSBC HaTS — Series 2015 for any Distribution Period is not paid by reason of a Distribution Diversion Event, holders of HSBC HaTS — Series 2015 will not be entitled to receive such Indicated Yield. See “Description of the Trust Securities — The HSBC Canada Asset Trust Securities — Indicated Yield”.

### **Perpetual Nature of HSBC HaTS — Series 2015**

The HSBC HaTS — Series 2015 have no fixed final maturity date and holders of HSBC HaTS — Series 2015 have no right to call for the redemption of the HSBC HaTS — Series 2015.

## **PRINCIPAL HOLDER OF SECURITIES**

The Bank owns, and it is intended that, at all times following the Closing Date, it will continue to own, all of the Special Trust Securities. See “Capitalization of the Trust” and “Use of Proceeds”.

## **INTERESTS OF THE BANK AND ITS AFFILIATES IN MATERIAL TRANSACTIONS**

Pursuant to the Administration and Advisory Agreement, the Bank provides certain advice to the Trust and administers the day-to-day operations of the Trust. In addition, the Bank and its Mortgage Subsidiaries service the Trust Assets pursuant to the Mortgage Sales, Pooling and Servicing Agreements. In addition, HSBC Trust Company (Canada) is an affiliate of the Bank, and is the Trustee and the Custodian. In addition, HSBC Securities (Canada) Inc., one of the Underwriters, is an affiliate of the Bank and will receive a portion of the underwriting fee payable by the Trust on account of services rendered in connection with the Offering. See “Plan of Distribution”.

The Bank and its affiliates may have interests which are not identical to those of the Trust. Consequently, conflicts of interest may arise with respect to transactions, including, without limitation, the sale of the Trust Assets, future acquisitions and dispositions of the Trust Assets from or to the Bank and/or its affiliates, and the renewal, termination or modification of the Administration and Advisory Agreement or the Mortgage Sales, Pooling and Servicing Agreements. It is the intention of the Trust and the Bank that any agreements and transactions between the Trust, on the one hand, and the Bank and/or its affiliates, on the other hand, are fair to all parties and consistent with market terms and conditions, including the prices paid and received for Trust Assets or in connection with the servicing of Trust Assets.

## **LEGAL MATTERS**

Certain legal matters in connection with the Offering will be passed upon by Borden Ladner Gervais LLP, on behalf of the Trust and the Bank, and by Stikeman Elliott LLP, on behalf of the Underwriters. The partners, counsel and associates of Borden Ladner Gervais LLP and Stikeman Elliott LLP, respectively as a group, beneficially own, directly or indirectly, less than one per cent of any class of security issued by the Trust or the Bank.

## **TRANSFER AGENT AND REGISTRAR AND EXCHANGE TRUSTEE**

Computershare Trust Company of Canada will be appointed as transfer agent and registrar and as the Exchange Trustee, in respect of the HSBC HaTS — Series 2015. The HSBC HaTS — Series 2015 will be issued in book-entry only form through CDS. See “Description of the Trust Securities — HSBC Canada Asset Trust Securities — Series 2015 — Book-Entry Only Form”. Subject to the CDS Procedures, registration and transfer of the HSBC HaTS — Series 2015 may be effected at the offices of Computershare Trust Company of Canada in Vancouver, British Columbia and Toronto, Ontario.

## AUDITORS

KPMG LLP, Chartered Accountants, Vancouver, British Columbia are the auditors of the Trust.

## LEGAL PROCEEDINGS

The Trust is not involved in any litigation or arbitration proceedings which may have or have had during the 12 months prior to the date hereof a significant effect on the financial position of the Trust, nor is the Trust aware that any such proceedings are pending or threatened.

## PROMOTER

The Bank is the promoter of the Trust by reason of its taking the initiative in creating, structuring and promoting the Trust. The Bank will not receive any benefits, directly or indirectly, from the issuance of the HSBC HaTS — Series 2015 other than as described in this prospectus. The Sellers will sell the Trust Assets to the Trust. See “Business of the Trust — Description of Eligible Trust Assets”. The Bank receives an administrative fee pursuant to the Administration and Advisory Agreement. The Servicer receives a servicing fee.

Under the Administration and Advisory Agreement, the Bank provides services required in connection with the Offering of the HSBC HaTS — Series 2015 and the ongoing operations, maintenance and regulatory compliance of the Trust.

The following are the names, municipality of residence and offices of the officers of the Bank directly involved in its capacity as Administrative Agent of the Trust:

<u>Name and Municipality of Residence</u>	<u>Office</u>
Graham A. McIsaac . . . . . West Vancouver, B.C.	Chief Financial Officer
Robert W. Bakos . . . . . Vancouver, B.C.	Vice President, Strategic Development & Financial Management

Each of the officers of the Bank listed above has been engaged for more than five years in his present office or in other capacities within the Bank or its affiliates.

## STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in several of the provinces and territories provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such 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 advisor.

## AUDITORS' CONSENT

We have read the prospectus of HSBC Canada Asset Trust dated April 26, 2005 relating to the issue of HSBC Canada Asset Trust Securities — Series 2015. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

In addition, we consent to the use, through incorporation by reference into the above-mentioned prospectus, of our report dated January 28, 2005 to the shareholders of HSBC Bank Canada on the following consolidated financial statements of the Bank:

- consolidated balance sheets as at December 31, 2004 and December 31, 2003; and
- consolidated statements of income, changes in shareholders' equity and cash flows for each of the years then ended.

(Signed) KPMG LLP

Chartered Accountants

Vancouver, Canada

April 26, 2005

## CERTIFICATE OF THE TRUST

Dated: April 26, 2005

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Part 6 of the *Securities Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus does not contain any misrepresentation that is likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

**HSBC CANADA ASSET TRUST**  
**by its Administrative Agent**  
**HSBC BANK CANADA**

By: (Signed) GRAHAM A. MCISAAC  
Chief Financial Officer

By: (Signed) R.W. BAKOS  
Vice President,  
Strategic Development &  
Financial Management

## CERTIFICATE OF THE BANK

Dated: April 26, 2005

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Part 6 of the *Securities Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus does not contain any misrepresentation that is likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

(Signed) LINDSAY GORDON  
President and Chief Executive Officer

(Signed) GRAHAM A. MCISAAC  
Chief Financial Officer

On behalf of the Board of Directors:

(Signed) ROBERT W. MARTIN  
Director

(Signed) ROSS S. SMITH  
Director

**CERTIFICATE OF THE UNDERWRITERS**

Dated: April 26, 2005

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of *The Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Part 6 of the *Securities Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. To the best of our knowledge, information and belief, this prospectus does not contain any misrepresentation that is likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

HSBC SECURITIES (CANADA) INC.

RBC DOMINION SECURITIES INC.

By: (Signed) CATHERINE J. CODE

By: (Signed) BARRY NOWOSELSKI

BMO NESBITT BURNS INC.

TD SECURITIES INC.

By: (Signed) PETER K. MARCHANT

By: (Signed) J. DAVID BEATTIE

CIBC WORLD MARKETS INC.

NATIONAL BANK FINANCIAL INC.

SCOTIA CAPITAL INC.

By: (Signed) DONALD W.  
FARRINGTON

By: (Signed) MICHAEL D. SHUH

By: (Signed) MARY ROBERTSON

