

# HSBC InvestDirect

Client Terms and Conditions

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**Unless otherwise indicated, the Client referred to in any of the following Terms and Conditions also includes the Co-Applicant Client.**

# General Terms and Conditions

In consideration of HSBC InvestDirect, a division of HSBC Securities (Canada) Inc. ("InvestDirect") providing the services to the Applicant (and any Co-Applicant, if applicable, named in the Application, individually and collectively, the "Client") as described herein, including the General Terms and Conditions, the Investment Account Terms and Conditions, the Margin Account Terms and Conditions, the Options Trading Terms and Conditions, Client Information Consent Agreement, the Automated Services Terms and Conditions, the Monthly Contribution Plan Agreement, the Website User Agreement or the HSBC InvestDirect Self-Directed RSP/RIF Terms and Conditions (collectively, the "Client Terms and Conditions" or the "Agreement"), whether by itself or in cooperation with service providers such as HSBC Bank Canada (the "Bank") and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Client agrees with InvestDirect, and/or the Bank and/or HSBC Trust Company (Canada) ("HSBC Trust"), to the extent that services are provided by the Bank or HSBC Trust, as the case may be, to be bound by the Client Terms and Conditions in respect of all Accounts in which the Client has any interest, alone or with others, and which have been opened or will be opened by InvestDirect, whether for the purchase and sale of Securities or otherwise.

## 1. Definitions:

- The term "Account" as used in the Client Terms and Conditions shall mean any and all accounts of the Client at InvestDirect.
- The term "Securities" as used in the Client Terms and Conditions shall include shares of stock, warrants, rights, options, bonds, notes, debentures, trust and deposit certificates, commodities and contracts relating thereto, gold, and all other rights to property of any nature or kind whatsoever, including those belonging to the Client which may be in InvestDirect's possession or control or in transit to or from InvestDirect.
- The term "Registered Accounts" as used in the Client Terms and Conditions shall mean accounts with InvestDirect that are registered retirement savings plan accounts, registered retirement income fund accounts, registered education savings plan accounts and such other accounts as InvestDirect shall designate from time to time.
- The term "Bank's Prime Rate" as used in the Client Terms and Conditions shall mean the floating annual rate of interest established and announced by the Bank from time to time as a reference rate for the purposes of determining rates of interest it will charge on loans in Canada denominated in Canadian dollars.
- The term "Bank's U.S. Base Rate" as used in the Client Terms and Conditions shall mean the floating annual rate of interest established and announced by the Bank from time to time as a reference rate for the purpose of determining rates of interest it will charge on loans in Canada denominated in United States dollars.
- The term "Transaction" as used in the Client Terms and Conditions shall mean the purchase, sale or exercise of, or otherwise dealing in, Securities.

**2. Legal Capacity:** The Client is of legal age and is authorized to enter into this Agreement.

**3. No Advice and No Suitability Review:** InvestDirect has obtained relief from applicable securities regulatory authorities which allows InvestDirect to execute the Client's orders without InvestDirect first reviewing them to determine whether they are suitable for the Client in light of the Client's general investment needs and objectives (referred to as a "suitability review"). Although this means that the Client's orders will be processed faster, because InvestDirect is no longer required to interrupt the Client's orders to complete a suitability review, this also means that the Client is assuming sole responsibility for the Client's investment decisions and Securities Transactions. The Client acknowledges that InvestDirect does not provide investment advice or recommendations regarding any of the Client's investment decisions or Securities Transactions in connection with such Accounts and that InvestDirect will not determine the Client's general investment needs and objectives or the suitability of any of the Client's investment decisions or Securities Transactions. The Client further acknowledges that all Securities Transactions pursuant to this Agreement will be subject to the constitution, by-laws, rules, rulings, regulations and customs of the Investment Industry Regulatory Organization of Canada and/or the exchange or market (and its clearing house, if any) where the orders for such Securities Transactions are executed.

**4. Account Identification:** InvestDirect will provide the Client, at its discretion by other means, with an Account Identification Number which shall be used as a means of identifying the Client when placing orders. The Client agrees to be responsible for keeping the identification number safely and for all orders placed using that number until InvestDirect has been notified that the identification number has become known to persons other than the Client.

**5. Carrying Broker Disclosure:** We advise of the appointment of NBCN Inc./National Bank Financial Inc. (the "Type 4 Carrying Broker") as our agent for trading, clearing and settlement of transactions with you.

As our agent, NBCN Inc./National Bank Financial Inc. will:

1. issue and receive cheques and deliver and receive securities on our behalf with respect to all transactions directed through the Type 4 Carrying Broker with you;
2. be responsible for the receipt, the delivery, and the safekeeping of funds and securities received from HSBC Securities;
3. be responsible for issuing confirmation slips and the statement of accounts for all transactions directed through the Type 4 Carrying Broker;
4. accept, execute and settle trades in compliance with the instructions given them by HSBC Securities with respect to transactions effected for you.

NBCN INC./NATIONAL BANK FINANCIAL INC. DOES NOT CONTROL, AUDIT OR OTHERWISE SUPERVISE THE ACTIVITIES OF HSBC SECURITIES, OR ITS EMPLOYEES. NBCN INC. DOES NOT VERIFY INFORMATION PROVIDED BY HSBC SECURITIES, REGARDING YOUR ACCOUNT OR TRANSACTIONS PROCESSED FOR YOUR ACCOUNT NOR UNDERTAKE RESPONSIBILITY FOR REVIEWING THE APPROPRIATENESS OF TRANSACTIONS ENTERED OR SECURITIES PURCHASED BY HSBC SECURITIES ON YOUR BEHALF.

HSBC Securities will:

1. be responsible for determining or supervising the suitability of all trading activity, including the nature of securities purchased, the portfolio structure of the accounts and the opening and initial approval of accounts;
2. bear full responsibility for all regulatory capital required of it by the Investment Industry Regulatory Organization of Canada;
3. may elect to handle all or some of the cash transactions including arranging for lending facilities and the investment and custody of free funds.

**6. Telephone Calls:** Should the Client place orders for Securities by telephone, such telephone conversations with InvestDirect shall be recorded to assure accuracy of orders. InvestDirect may, at its discretion, act in all matters on instructions given or purporting to be given by or on behalf of the Client by telegram, cablegram, radiogram, or other electronic transmission, and InvestDirect shall not incur any liability by reason of acting or not acting on any error in such instructions.

**7. Joint Account:** Clients with Accounts held by one or more individuals or entities acknowledge and agree that the Account(s), and each component part of such Account(s), are joint accounts and every clause of this Agreement applies to each Co-Applicant jointly and severally.

Each Co-Applicant is jointly and severally liable for any debts, obligations or liabilities arising in connection with the Account(s) or this Agreement. InvestDirect shall have authority to act on the instructions of any one Co-Applicant, without notice to any of the other Co-Applicant(s), with respect to activity in the Account(s), or transfer of Securities, money or other property relating to the Account(s) to any of the Co-Applicants or a third party, including payment of any or all proceeds from the Account(s) to any one Co-Applicant or a third party. InvestDirect may deliver Securities, money or other property relating to the Account(s) and demands, notices, confirmations, statements of account and communications of any kind to any one of the Co-Applicants to the most recent address of the addressee as is shown on the records of InvestDirect, without notice to the other Co-Applicant(s). In the event of the death of one of the Co-Applicants, the divorce of married Co-Applicants, the assignment of one or more Co-Applicant's interest or other event that may cause a change of ownership (each such event, an "Event"), all Co-Applicants or the surviving Co-Applicant(s) agree to immediately provide InvestDirect with written notice thereof. InvestDirect is authorized, prior to receipt of written notice of the Event, to execute orders and deal with and for the Account(s) as though the Event had not occurred. InvestDirect is authorized prior to or after receipt of the written notice of the Event, to take such steps or require such documentation or restrict transactions in the Account(s) as InvestDirect may determine in its sole discretion. The estate of the deceased Co-Applicant and the surviving Co-Applicant, in the case of one Co-Applicant, and each Co-Applicant in the case of any other Event shall continue to be liable to InvestDirect for any debt balance or other liabilities in connection with the Account(s).

*Right of Survivorship:* The legal ownership of the Account(s) shall be in such form as the Co-Applicants shall designate in the Application and as reflected in the account title. In the event no designation is made, InvestDirect is authorized to deal

with the account holders as “tenants in common” meaning without a right of survivorship. (Please note that the option of designating a joint account with a right of survivorship is not available for Accounts opened in the Province of Quebec).

Notwithstanding the choice of law provisions referred to below, which shall govern the contractual obligations of the parties under this Agreement, the legal ownership of the Account(s) shall be governed by and interpreted under the laws of the Province in Canada in which the Co-Applicants reside and the laws of Canada applicable therein. Should the Co-Applicants reside in more than one Province, InvestDirect shall, in its sole discretion, determine the governing jurisdiction (to be selected from among those Provinces in which the Co-Applicants reside).

If there are two or more Co-Applicants, and it is stated that the Account(s) or the Securities and any monies in any Account(s) are held jointly with right of survivorship, upon receipt by InvestDirect of written notice of the death of any Co-Applicant(s), any discharge to be made by InvestDirect shall be made to the survivors or sole survivor of the Co-Applicants. Each of the Co-Applicants acknowledges that if the Account(s) is/are designated as joint with a right of survivorship, in the event of the death of any of the Co-Applicants, the entire beneficial interest in the joint Account(s) shall be vested in the surviving Co-Applicant or Co-Applicants, as the case may be, on the same terms and conditions, without in any way releasing the deceased Co-Applicant’s estate from the joint and several liability of the deceased Co-Applicant provided for in this Agreement. Each of the Co-Applicants acknowledges that if the joint Account(s) is/are designated as “tenants in common,” in the event of the death of any of the Co-Applicants, the beneficial interest of the deceased Co-Applicant forms part of that Co-Applicant’s estate and the deceased Co-Applicant’s estate shall not be released from the joint and several liability provided for in this Agreement.

- 8. Payment:** The Client agrees to pay for all Securities purchased for the Client and to deliver all Securities sold for the Client, on or before the settlement date. If upon the purchase or sale of any Security InvestDirect is unable to settle the Securities Transaction by reason of the failure of the Client to make payment or deliver Securities in good form, the Client authorizes InvestDirect to take the steps necessary to complete the Securities Transaction, in which event the Client will reimburse InvestDirect for all costs, losses or liabilities incurred by InvestDirect in that connection. Moreover, the Client agrees to repay to InvestDirect all amounts debited to the Account(s) of the Client in accordance with the provisions of this Agreement, and further agrees that InvestDirect may from time to time make and debit to the Account(s) of the Client its usual charges for the keeping of such Accounts which the Client hereby agrees to pay.
- 9. Cheque Clearing:** InvestDirect may wait until a cheque deposited to the Account has cleared prior to permitting the Client to access such funds from the Account.
- 10. Elimination or Reduction of Indebtedness:** If:
  - (a) the client fails to pay any indebtedness when due;
  - (b) on or before any settlement date the Client fails to provide InvestDirect any required Securities in acceptable delivery form;
  - (c) there is any unsecured or potentially unsecured indebtedness in the Client’s Account;
  - (d) the Client dies, becomes bankrupt or insolvent or if any of the Collateral becomes subject to execution, attachment or other process; or
  - (e) the Client fails to comply with any other requirement contained in this Agreement.
- 11. Rights of InvestDirect:** InvestDirect may take any such steps as InvestDirect considers necessary, including steps to protect itself against loss. In addition to any other right or remedy to which InvestDirect is entitled, InvestDirect, may, at any time and from time to time without notice or demand to the Client:
  - (a) apply monies held to the credit of the Client in any other account with InvestDirect to eliminate or reduce indebtedness; restrict or close the Account;
  - (b) restrict or close the Account;
  - (c) reverse or cancel any Transaction in the Account;
  - (d) take the Securities in payment or sell, contract to sell or otherwise dispose of any or all of the Securities held by InvestDirect for the Client and apply the net proceeds therefrom to eliminate or reduce indebtedness;
  - (e) purchase or borrow any Securities necessary to cover short sales or any other sales made on the Client’s behalf in respect of which delivery of certificates in an acceptable delivery form has not been made; or

(f) cancel any outstanding orders.

Such rights may be exercised separately, successively or concurrently. InvestDirect shall not be required by this Agreement to exercise any such rights nor shall it be required to exercise any right prior to exercising any other right. The failure to exercise any or all such rights or the granting of any indulgence shall not in any way limit, restrict or prevent InvestDirect from exercising such rights at any subsequent time and shall not limit, reduce or discharge any indebtedness or part hereof. Any such sales or purchases for the Account may be made upon any exchange or market or at a public or private sale upon such terms and in such manner as InvestDirect deems advisable. If demand is made or notice is given to the Client by InvestDirect, it shall not constitute a waiver of any of InvestDirect's rights to act hereunder without demand or notice. Any and all expenses (including any legal expenses) reasonably incurred by InvestDirect in connection with exercising any right pursuant to this Agreement may be charged to the Account. The Client acknowledges that the Client shall remain liable to InvestDirect for any deficiency remaining following the exercise by InvestDirect of any or all of the foregoing rights and that the rights which InvestDirect is entitled to exercise pursuant to this section are reasonable and necessary for InvestDirect's protection having regard to the nature of the securities market, including, in particular, their volatility.

**12. Canadian Investor Protection Fund:** The net equity of the Securities and cash in the Client's Securities Account at InvestDirect is protected by the Canadian Investor Protection Fund within specified limits (a brochure describing the nature and limits of coverage is available on request). InvestDirect is not a member of the Canada Deposit Insurance Corporation.

**13. Collection Costs:** The Client will reimburse InvestDirect for the costs of collection in any of the Accounts of the Client, including legal fees.

**14. Security Interest:** Any and all credit balances, Securities or contracts relating thereto, and other property held or carried in any of the Client's Accounts for any purpose, including any property in which the Client has an interest at any time (the "Collateral"), shall be subject to a security interest in favour of InvestDirect for payment of all obligations, liabilities or indebtedness ("Obligations") of the Client, and discharge of all Obligations of the Client to InvestDirect, and are hereby hypothecated and pledged to, assigned to, and held by InvestDirect as a continuing collateral security to InvestDirect for repayment of all Obligations of the Client to InvestDirect, howsoever arising and in whatever Account appearing, including any Obligation arising by reason of any guarantee by the Client of the Account of any other person, and InvestDirect may transfer any of the Collateral in any of the Accounts of the Client from or to any other of the Accounts of the Client, and may deliver all or any part of the Collateral when it deems it necessary for its protection. In enforcing its security interest, lien, hypothec, pledge, and prior claim, InvestDirect may close Securities Transactions in any Account of the Client if it deems there to be inadequate security for the Obligations of the Client or upon the happening of any event which in its opinion jeopardizes such Account.

Whenever in InvestDirect's discretion it deems it desirable for its protection, InvestDirect may, without prior demand or tender, and without any notice of the time or place of sale, all of which are expressly waived, sell or take in payment of any Obligations outstanding any or all Securities or contracts relating thereto which may be in its possession, or which it may be carrying for the Client, in order to repay any Obligations on behalf of the Client. Such sale or taking in payment or purchase may be made at the discretion of InvestDirect on any exchange or other market where such business is then transacted, or at public sale or private sale, with or without advertising and without giving prior notice or observing any time limits prescribed in respect of such taking in payment or such sales in the Civil Code of Québec, and neither any demands, calls, tenders, or notices which InvestDirect may make or give in any one or more instances, nor any prior course of conduct or dealings shall invalidate the aforesaid waivers on the part of the Client. InvestDirect is specifically authorized to transfer to the Cash Account of the Client any credit balance in any other Securities Account of the Client, except for Registered Accounts, including but not limited to any free credit balances therein, sufficient to repay any debt balance. InvestDirect may at any time, without notice, whenever InvestDirect carries more than one Account for the Client, enter credit or debit balances, whether in respect of Securities or money, to any such Accounts, and make such adjustments between such Accounts as InvestDirect may in its sole discretion deem fit. Any reference to the Client's Account(s) in this section shall include any account in which the Client has an interest, whether jointly or otherwise, offered in conjunction with the Account(s).

*(For the Province of Quebec only)*

All Securities, any dividends, interest, capital distributions in respect thereof, any proceeds derived from the sale or other disposition thereof, and any cash, including free credit balances held by InvestDirect for or on Account of the Client (the "Hypothec Collateral") are hereby charged with a movable hypothec for the amount of one hundred million dollars, with

interest from the date hereof at the Bank's Prime Rate plus 1% per annum in favour of InvestDirect to secure the Client's indebtedness towards InvestDirect. InvestDirect shall have the right from time to time, in its discretion, to raise money on the Hypothec Collateral and to carry the Hypothec Collateral in its general loans, and to hypothecate, pledge and repledge the Hypothec Collateral in such manner as to such reasonable amount and for such purpose as it may deem advisable. If InvestDirect shall deem it necessary for its protection, it may, in its discretion, buy any or all Securities of which the Client's Account may be short or sell any and all Securities held for or on Account of the Client and, without in any way restricting the foregoing, shall have the right to recover from the Client the amount of the indebtedness or any unpaid balance thereof, either with or without realizing on the whole or any part of the Hypothec Collateral. For this purpose, all the Client's Account(s) with InvestDirect shall be deemed to be part of a single account, regardless of their designation and the currency in which they are expressed.

- 15. Credit Balance:** Whenever there is a credit balance in any of the Accounts, such credit balance need not be segregated nor held separately but may be commingled with InvestDirect's general funds and used for the general purpose of InvestDirect's business, including a loan by InvestDirect to others to the extent not prohibited by applicable laws, rules and regulations. Use of such credit balance shall constitute a loan from the Client to InvestDirect and such credit balance shall be an item in a debtor and creditor account between the Client and InvestDirect.

The Client shall rely solely on the liability of InvestDirect with respect to loans from the Client's credit balance. InvestDirect is not a member of the Canada Deposit Insurance Corporation. The liability incurred by InvestDirect to the Client through this borrowing is not a deposit.

- 16. Cash Balances and Foreign Exchange Transactions:** InvestDirect may deposit cash balances in an interest bearing account with the Bank and will not be accountable for any profit InvestDirect earns on those cash balances. Cash balances will earn interest at a rate set by InvestDirect. InvestDirect may change these rates at any time. In addition, if foreign exchange transactions are used for the Account, InvestDirect may earn revenue on the spread between bid and offer prices in such foreign exchange transactions.

- 17. Communications:** Communications may be sent to the Client at the address given in the application as a mailing address, or at such other address as the Client may hereafter give InvestDirect in writing at the branch of InvestDirect or the Bank to which the Client has made application. All communications so sent, whether by mail, telegraph, messenger, or otherwise, shall be considered delivered to the Client personally whether the Client actually received them or not.

- 18. Use of Facsimile:** The Client may not give, and InvestDirect will not accept, trading instruction of any kind (whether involving equities, bonds, options, mutual funds, or any other security) that is forwarded by fax. The Client, may, however, fax documents and communication of an administrative nature which can include items such as change of address instructions, letters of authorization and cheque requests. InvestDirect will use reasonable efforts to monitor its communications facilities to determine if it has received any fax documentation or communication from the Client. Since InvestDirect's ability to act on the Client's communication depends on the normal functioning of various communication facilities, InvestDirect is not liable for any delay or failure to receive the Client's communication.

The Client agrees that InvestDirect reserves the right, but not the obligation, to first obtain verbal or original written confirmation before executing any such instructions. The Client further acknowledges that InvestDirect does not have to act upon any fax communication from the client if InvestDirect is unsure whether the communication is accurate or from the Client, or if it is not understood. The Client agrees that InvestDirect will not be liable for damages, demands and expenses arising from InvestDirect acting, or declining to act, on any of the Client's fax communication.

- 19. Reports of Orders:** Clients must report in writing errors or omissions or unauthorized transactions or reports of the execution of orders within ten days after the date of the report. The Client authorizes InvestDirect to mail or to cause to be mailed to the Client, at the last address on InvestDirect's records, any confirmation of transaction(s), statement of account, credit card and identification number or code related to the Client's Account(s), and also any cheques deposited in the Client's Account(s) or negotiated by the Client, if such cheque is returned unpaid. If any statement or cheque is delayed, lost, stolen or destroyed, the Client agrees that InvestDirect and the Bank will not be liable and that the Client will indemnify InvestDirect and the Bank and hold InvestDirect and the Bank harmless from any loss, claim or demand made upon InvestDirect or the Bank. The Client will accept InvestDirect's records as conclusive proof of the correctness and authenticity of the statements of the Transactions they record.



The Client agrees that it will examine every confirmation, statement or notice at the time of receipt. The Client will notify InvestDirect in the case of confirmations, within 10 days of the date of the confirmation, and in the case of statements, and notices, within 30 days of the date of the confirmation, statement or notice of any errors or any objections that the Client may have to such records. If the Client does not notify InvestDirect within such time period, then the Client agrees that all Transactions shown in such confirmation, statement or notice were authorized by the Client, that all charge amounts were properly charged to the Client and there are no monies or Securities owing to the Client which are not shown in the confirmation, statement or notice, and InvestDirect shall be released from all claims by the Client in connection with the confirmation, statement or notice, or any action taken or not taken by InvestDirect regarding the Client's Account.

**20. Authority to Deduct or Withdraw:** Notwithstanding any other term or condition in this Agreement, InvestDirect may, subject to applicable law, in its sole discretion and without notice to the Client, set-off or compensate any amount which the Client owes to InvestDirect or to any of its affiliates, including the Bank, against any of the assets in the Account. To the extent allowable by law, InvestDirect can enforce its rights under this section by (a) redeeming the securities in the Account to pay a debt or liability with InvestDirect or any of its affiliates, or (b) using any funds in the Account to buy currency to pay a debt or liability for an account with InvestDirect or any of its affiliates that is in a different currency, or both. For joint accounts, each of you agree that the full amount in the Account can be applied to the payment of any indebtedness or liability to InvestDirect or its affiliates, irrespective of contribution.

**21. Using Borrowed Money to Purchase Securities:** Using borrowed money to finance the purchase of Securities involves a greater risk than a purchase using cash resources only. Should the Client borrow money to purchase Securities, the Client's responsibility to repay the loan as required by its terms remains the same even if the value of the Securities purchased declines. For example, mutual funds may be purchased using available cash, or a combination of cash and borrowed money. If cash is used to pay for the mutual fund purchase in full, the percentage gain or loss will equal the percentage increase or decrease in the value of the fund shares. The purchase of mutual funds using borrowed money magnifies the gain or loss on the cash invested. This effect is called leveraging. For example, if \$100,000 of fund shares are purchased and paid for with \$25,000 from available cash and \$75,000 from borrowings, and the value of the fund shares declines by 10% to \$90,000, your equity interest (the difference between the value of the fund shares and the amount borrowed) has declined by 40%, i.e., from \$25,000 to \$15,000.

It is important that an investor proposing to borrow for the purchase of mutual funds be aware that a leveraged purchase involves greater risk than a purchase using cash resources only.

To what extent a leveraged purchase involves undue risk is a determination to be made by each purchaser and will vary depending on the circumstances of the purchaser and the mutual fund purchased.

It is also important that the investor be aware of the terms of a loan secured by mutual fund shares. The lender may require that the amount outstanding on the loan not rise above an agreed percentage of the market value of the shares. Should this occur, the borrower must pay down the loan or sell the shares so as to return the loan to the agreed percentage relationship. In our example above, the lender may require that the loan not exceed 75% of the market value of other shares. On a decline of value of the shares to \$90,000 the borrower must reduce the loan to \$67,500 (75% of \$90,000). If the borrower does not have cash available, the borrower must sell shares at a loss to provide money to reduce the loan.

Money is, of course, also required to pay interest on the loan. Under these circumstances, investors who leverage their investment are advised to have adequate financial resources available both to pay interest and also to reduce the loan if the borrowing arrangements require such a payment.

**22. Taxes:** Fees or other amounts payable by the Client to InvestDirect are exclusive of any applicable Harmonized Sales Tax or similar value added or sales tax imposed under Federal or Provincial law and such applicable tax or taxes shall be payable by the Client to InvestDirect.

**23. Extraordinary Events:** InvestDirect shall not be liable for any loss however caused, whether directly or indirectly, by government restrictions, by exchange or market rulings, the suspension of trading, wars, strikes, or by reason of any other fact which shall not have been caused by the gross negligence of InvestDirect or any agent or employees of InvestDirect.

**24. Internal Revenue Service Requirements:**

(a) The Client agrees to complete and sign the appropriate United States Internal Revenue Service W-series form and represents that all information provided by the Client in completing the form is accurate and complete.



- (b) The Client understands, acknowledges and agrees that HSBC InvestDirect will abide by the requirements of the United States Internal Revenue Service in regard to the withholding and remittance of taxes on income earned in the Account and that the failure to provide an accurate and complete W-series form may result in HSBC InvestDirect withholding and remitting taxes on income earned in the Account at a higher rate than would otherwise be the case.
- (c) The Client hereby releases and forever discharges HSBC InvestDirect from any and all claims with respect to the withholding and remittance of taxes on any income earned in the account by HSBC InvestDirect in accordance with the requirements of the United States Internal Revenue Service.

**25. Tax Status:** This section applies to each account holder separately. Unless you have told us the following information is incorrect or it does not apply to you, the following statements apply:

- You warrant that you are a Canadian resident for tax purposes and you gave us accurate information regarding your residency, nationality and citizenship, including warranting that you are not considered to be a U.S. Person\*\* under the Substantial Presence Test formula.
- If you become a non-resident of Canada for tax purposes, you will notify us within 30 days and tell us your new country of residence for tax purposes.
- By opening this Account, and by signing the Account Opening Signature Card, you certify that you are not a U.S. Person\*\* for the purposes of U.S. Federal income tax and that you are not acting for, or on behalf of, a U.S. Person. A false statement or misrepresenting tax status by a U.S. Person could lead to penalties under U.S. law. If your tax status changes or you become a U.S. citizen or a U.S. resident for tax purposes, you must notify us within 30 days and complete additional forms as required. If you are a U.S. Person, you must complete an IRS Form W-9, or similar documentation as required.

\*\* A U.S. Person includes a:

- U.S. citizen
- U.S. resident including a "green card" holder or someone who is substantially present in the U.S. based on the following Substantial Presence Test formula:
  1. Physically present in the U.S. for at least 31 days during the current calendar year, and
  2. Physically present in the U.S. for at least 183 days during the 3 year period that includes the current calendar year and the 2 years immediately preceding, counting:
    - (a) All of the days the individual was present in the U.S. in the current year, and
    - (b)  $\frac{1}{3}$  of the days the individual was present in the U.S. in the 1st year before the current year, and
    - (c)  $\frac{1}{6}$  of the days the individual was present in the U.S. in the 2nd year before the current year
- U.S. Corporation
- U.S. Partnership
- U.S. Trust

## **26. Miscellaneous:**

- The first use by the Client of the Account shall be deemed to be the time at which the Account is opened.
- The Client acknowledges and agrees that InvestDirect may, at its sole discretion, change this Agreement periodically without prior notice to the Client and will notify the Client of a change by, at InvestDirect's option: (a) displaying the notice at branches or offices of InvestDirect, on InvestDirect's web site, at InvestDirect kiosks and other locations designated by InvestDirect for a period of 60 days after which such changes become effective; or (b) mailing the Client a copy of the revised agreement. If the Client wishes, the Client can also obtain a copy of the revised agreement at any branch of the Bank or any office of InvestDirect. If the Client completes any Transaction or uses any Service after the effective date of a change to this Agreement, it will mean the Client agrees to all such changes.
- No provision of this Agreement can be waived except in writing by a director of InvestDirect and this Agreement shall continue in force until its termination by the Client, as acknowledged in writing by an officer of InvestDirect, or until written notice of termination by InvestDirect is mailed to the Client.
- No waiver of any provision of this Agreement shall be deemed a waiver of any other provision nor the continuing waiver of the provision or provisions so waived.
- The Client hereby acknowledges the Client's obligation to pay all commissions, if any, on Securities bought and sold for the Client's Account.

- Notwithstanding the Client's country of residence, incorporation, location of registered and records office, or usual place of business, as the case may be, or the location from where the Client accesses Automated Services or other services, this Agreement and all services and issues relating to the operation of the Client's Account(s) will be governed exclusively by the laws of the Province of Canada in which the Account was opened and the laws of Canada applicable therein. The Client hereby agrees to exclusively attorn to and be bound by the courts of the applicable Province in Canada to the exclusion of the jurisdiction of any other country. The Client agrees that the courts of the applicable Province is presumed to be the most convenient forum in which to litigate any dispute in relation to this Agreement.
- InvestDirect has not made representations, warranties or agreements except as disclosed in this Agreement.
- InvestDirect has the right to make any changes to any services as InvestDirect may deem necessary, provided however, that InvestDirect will give the Client at least 60 days' notice of such changes by providing the Client with written notice or by posting a notice in the offices of InvestDirect or the branches of the Bank or on InvestDirect's web site or any other place designated by InvestDirect.
- Nothing in this Agreement shall be deemed or construed as creating a relationship of principal and agent, partnership or joint venture between InvestDirect and the Client, or any other financial institution.
- InvestDirect shall not be responsible or liable for any delay or failure in the performance of any of the obligations of InvestDirect under this Agreement as a result of any act of God, strike, lockout or labour disruption, war, riot, civil commotion, fire, flood, loss of power, computer hardware or software malfunction, or other event beyond their reasonable control.
- The Client and InvestDirect expressly request that this Agreement and all related documents, including notices, be drawn up in the English language. InvestDirect et le Client ont expressément demandé que la présente convention et tous les documents y afferent, y compris tous les avis, soient rédigés en anglais.
- Conversion of any foreign currency funds, when necessary, shall take place on the trade date using the rate applicable unless otherwise agreed to.
- This Agreement shall be binding upon the heirs, administrators, executors, liquidators, successors and assigns of the Client, as applicable, and each of them if more than one. The Client may not assign this Agreement without the express written approval of InvestDirect.
- The Client agrees that InvestDirect may require the Client to give 72 hours' notice of any intended cash withdrawal.
- Unless the context requires otherwise, in this Agreement words which are in the singular shall include the plural and vice versa and the term "including" shall mean "including without limitation."
- In Quebec, the terms "joint and several" and "jointly and severally" shall be construed as meaning "solidarity" and "solidarily," respectively.
- If any provision or condition of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision or condition. The validity of the remainder of the Agreement shall not be affected and the Agreement shall be carried out as if such invalid or unenforceable provision were not contained therein.
- Each Transaction executed for the Account will be subject to, and the Client will abide by, the prevailing by-laws, rules, regulations, policies and customs of the appropriate regulatory authorities. Where a Transaction in the Account is in contravention of prevailing by-laws, rules, regulations, policies and customs of the appropriate regulatory authorities, HSBC Securities reserves the right to reverse or cancel the Transaction with any losses attributable to the Client.

**27. Client Information:** The Client will from time to time advise InvestDirect if the Client acquires a controlling interest in or otherwise becomes an insider of any public company (a reporting issuer). The Client will immediately advise InvestDirect in writing if the Client becomes or ceases to be, an employee of any member, member firm, or member corporation of any stock exchange or of any non-member broker or investment dealer, or member of the Investment Industry Regulatory Organization of Canada.

**28. Interest:** *Interest on Cash Balances in Cash/Margin Accounts:* Interest on Canadian dollar Accounts and U.S. dollar Accounts will be calculated on the daily closing cash balance and paid monthly determined by InvestDirect's prevailing interest rates. Interest shall not be payable on the closing credit balance in a short margin account. No interest is paid on closing cash balances in a Securities Account if the amount of interest computed in a month is less than \$5.00.

*Interest on Debit Balances in Cash Accounts:* Interest will be charged on Canadian dollar debit balances at the prevailing rate based on the Bank's Prime Rate plus a specified percent per annum and on U.S. dollar debit balances at the Bank's U.S. Base Rate plus a specified percent per annum, and shall be calculated on the daily closing balance of the Cash Account and payable monthly. No interest is charged on closing cash balances in a Cash Account if the amount of interest computed in a month is less than \$2.50.

*Interest on Debit Balances in Margin Accounts:* Borrowings on Margin Accounts will be subject to interest at the prevailing rate which, for Canadian dollar debit balances is based on the Bank's Prime Rate plus a specified percent per annum, and for U.S. dollar debit balances, is based on the Bank's U.S. Base Rate plus a specified percent per annum, and shall be calculated on the daily closing balance of the account and payable monthly. Borrowings include all fees charged to these accounts. No interest is charged on closing cash balances in a Margin Account if the amount of interest computed in a month is less than \$2.50.

*Interests on Debit Balances in Registered Accounts:* Interest will be charged on Canadian dollar RSP/RIF debit balances at the Bank's prevailing Prime Rate plus a specified percent per annum calculated on the daily closing balance of the Registered Account and payable monthly.

*Interest on Cash Balances in Registered Accounts:* Interest will be calculated on the daily closing cash balance and paid monthly at the rate specified by InvestDirect's prevailing interest rates.

- 29. Applicable in the Province of Nova Scotia Only:** The Client and InvestDirect agree that the laws of the Province of Nova Scotia apply to any matter that may arise between them and also agree to submit and attorn to the jurisdiction of the courts of the Province of Nova Scotia with respect to that matter. InvestDirect's address for service of legal proceedings is: Cox, Hansen, O'Reilly, Matheson LLP, 1100 Purdy's Wharf, Tower One, 1959 Upper Water Street, Halifax, N.S., B3J 3E5. The Client acknowledges and agrees that, because InvestDirect does not have a place of business in Nova Scotia, the Client may have difficulty in enforcing any legal rights the Client has against InvestDirect.
- 30. Applicable in the Province of Prince Edward Island Only:** The Client and InvestDirect agree that the laws of the Province of Prince Edward Island apply to any matter that may arise between them and also agree to submit and attorn to the jurisdiction of the courts of the Province of Prince Edward Island with respect to that matter. InvestDirect's address for service of legal proceedings is: Patterson, Palmer, Hunt, Murphy, 20 Great George Street, Charlottetown, Prince Edward Island C1A 7L1. The Client acknowledges and agrees that, because InvestDirect does not have a place of business in Prince Edward Island, the Client may have difficulty in enforcing any legal rights the Client has against InvestDirect.
- 31. Applicable in the Province of Saskatchewan Only:** The Client and InvestDirect agree that the laws of the Province of Saskatchewan apply to any matter that may arise between them and also agree to submit and attorn to the jurisdiction of the courts of the Province of Saskatchewan with respect to that matter. InvestDirect's address for service of legal proceedings is: HSBC Securities (Canada) Inc., 321A-21st Street East, Suite 202, Saskatoon, Saskatchewan, S7K 0C1. The Client acknowledges and agrees that, because InvestDirect does not have a place of business in Saskatchewan, the Client may have difficulty in enforcing any legal rights the Client has against InvestDirect.

## Margin Account Terms and Conditions

In consideration of InvestDirect permitting the Client to trade Securities on margin or to otherwise permit the Client to borrow funds from InvestDirect secured against the value of Securities held in the Client's Securities Account, the Client hereby agrees to be bound by the General Terms and Conditions, which are hereby incorporated by reference, and further agrees as follows (all capitalized terms not otherwise defined herein have such meaning as specified in the General Terms and Conditions):

- 1. Margin Account:** InvestDirect, upon request by the Client, but at InvestDirect's sole discretion, may grant the Client a line of credit facility (the "Line of Credit") in connection with the Client's Securities Account (a Securities Account with such Line of Credit, hereinafter referred to as a "Margin Account") pursuant to which InvestDirect will, from time to time and at InvestDirect's sole discretion, loan to the Client funds secured by (a) Securities held by the Client in such Margin Account or other accounts with InvestDirect, (b) available cash balances in such Margin Account or other accounts with InvestDirect, and (c) such other security as may be required by InvestDirect from time to time.
- 2. Line of Credit:** The Line of Credit shall be extended to the Client by permitting the Client to access funds in excess of available cash balances through the Client's Margin Account. Credit may be requested by the Client through any method that may be permitted by InvestDirect from time to time, including without limitation, instructing InvestDirect to initiate or complete a Transaction that cannot be settled using the available cash balance in the Margin Account, if applicable, withdrawing funds for which sufficient funds are not available in cash in the Margin Account, or otherwise. Receipt of

Instructions by InvestDirect or an agent of InvestDirect that may cause a Client to access a line of credit facility shall be deemed to be a request to establish or access the Line of Credit. In addition, any debit made by InvestDirect or an agent of InvestDirect to any of the Client's other Accounts with InvestDirect, shall be deemed to be a request to establish or access a Line of Credit.

- 3. Margin Limit:** The Client may access funds up to the limit established from time to time by InvestDirect, in InvestDirect's sole discretion, for the Line of Credit (the "Margin Limit") at the time the Client attempts to make such access. The Client shall pay interest on any indebtedness under the Line of Credit to InvestDirect at such annual rate or rates and upon such terms as InvestDirect may from time to time establish. The Client acknowledges receipt of the annual rate or rates of interest applicable at the time of the execution of this Agreement. The rate and terms in effect at any given time are available at any branch of the Bank, at any office of InvestDirect or any other place designated by InvestDirect.
- 4. Collateral:** All Collateral for indebtedness to InvestDirect with respect to the Margin Account of the Client shall be held by InvestDirect or an agent of InvestDirect at such place as InvestDirect shall determine (or at the option of InvestDirect may be deposited with The Canadian Depository for Securities Limited or any clearing corporation, depository, or like organization), and the Line of Credit which the Client has or may have for the loan of funds for the purchase of Securities or otherwise shall be maintained at such place.
- 5. Inter-Account Transfers:** InvestDirect is specifically authorized to transfer to the Margin Account of the Client, on or after the settlement day following a purchase made in that account, any credit balance in any other Account of the Client, including but not limited to any free credit balances therein, sufficient to make full payment for such purchase. The Client agrees that any debt occurring in any Account of the Client with InvestDirect may be transferred by InvestDirect at its option to such Margin Account.
- 6. Margin Requirements:** The Client will maintain such margins as InvestDirect may in its absolute discretion require from time to time and will pay on demand any debit balance owing with respect to any Margin Account of the Client. If there is a decline in the market value of Securities in the Margin Account of the Client, InvestDirect may require additional collateral, but InvestDirect retains its right to require additional collateral at any time it deems necessary or advisable. Any such call for additional collateral shall be met by delivery of additional Marginable Securities or cash. Any Securities in any of the Accounts of the Client with InvestDirect are collateral for any debit balances in the Margin Account of the Client. For the purpose of this Agreement, a "Marginable Security" is any equity Security listed with the New York, Amex, Montreal, or Toronto Exchanges or interlisted with these exchanges; however InvestDirect reserves the right to deem any Security ineligible as Marginable Security from time to time.
- 7. Time of Payment:** All Transactions in any Account of the Client are to be paid or the required margin deposited in the Margin Account of the Client no later than 10:00 a.m. Eastern Standard Time on the Trade Date.
- 8. Interest:** The Client will be charged interest on any debit balance under any credit extended to or maintained for the Client by InvestDirect for the purpose of purchasing, carrying, or trading any Security.
- 9. Payment of Amounts:** InvestDirect may, without notice to the Client, at any time and from time to time: (a) demand payment of the Line of Credit; (b) reduce or cancel the Line of Credit made available to the Client; (c) terminate the provision of any additional advances by InvestDirect (whether directly or indirectly) to the Client under the Line of Credit; or (d) require the Client to provide additional collateral to InvestDirect for amounts advanced under the Line of Credit. The Client will promptly provide InvestDirect with any collateral which is requested by InvestDirect in respect of any Line of Credit to InvestDirect and will forthwith pay any amount outstanding under the Line of Credit to InvestDirect by deposit in the Margin Account, for the credit of InvestDirect, which becomes due as a result of any reduction or cancellation of the Line of Credit or otherwise.
- 10. Right of Sale:** Whenever in InvestDirect's discretion InvestDirect deems it desirable for InvestDirect's protection (without the necessity of a margin call), InvestDirect may, without prior demand or tender, and without any notice of the time or place of sale, all of which are expressly waived by the Client, sell or take in payment any or all Securities or contracts relating thereto which may be in InvestDirect's possession, or which InvestDirect may be carrying for the Client, buy any Securities or contracts relating thereto of which the Account or Accounts of the Client may be short, in order to close out in full or in part any commitment on behalf of the Client, or place stop orders with respect to such Securities. Such

sale, taking in payment, or purchase may be made at the discretion of InvestDirect on any exchange or other market where such business is then transacted, or at public sale or private sale, with or without advertising and without giving prior notice or observing any time limits prescribed in respect of such taking in payment or such sales in the Civil Code of Quebec, and neither any demands, calls, tenders, or notices which InvestDirect may make or give in any one or more instances, nor any prior course of conduct or dealings, shall invalidate the aforesaid waivers on the part of the Client. InvestDirect may also exercise its rights under section 9 of the General Terms & Conditions.

The Client shall remain liable to InvestDirect for any indebtedness to InvestDirect which remains following the exercise by InvestDirect of any or all of the foregoing rights.

- 11. Monthly Statements:** The Client consents to the disclosure by InvestDirect of copies of monthly statements to any person who guarantees the Client's Account(s). This consent shall continue to be in force so long as the person guarantees the Client's Account(s).
- 12. Right of Pledge:** Whenever the Client is indebted to InvestDirect and/or has a short position with InvestDirect, all Securities held by InvestDirect or carried by InvestDirect in the Account(s) of the Client at InvestDirect or deposited to secure same may from time to time and without notice to the Client be carried in InvestDirect's general loans, pledged, re-pledged, hypothecated, re-hypothecated or loaned by InvestDirect, either to InvestDirect or to others, separately or in common with other Securities, and either for the sum due to InvestDirect thereon or for a greater sum, and without retaining in InvestDirect's possession or control for delivery of like or similar Securities, and be used by InvestDirect for making delivery of a sale, whether a short sale or otherwise and whether such sale is for the Client's Securities Account, any other account of the Client with InvestDirect or for the account of any other client of InvestDirect.
- 13. No Limitation of InvestDirect's Rights:** The provisions of the above sections titled "Collateral," "Margin Requirements," "Right of Sale" and "Right of Pledge" shall not limit any rights of InvestDirect under the General Terms and Conditions.

## Short Sale Risk Statement

**A high degree of risk is involved in the short sale of Securities. Short selling is a speculative practice that has many possible difficulties and dangers inherent in it and may not be suitable for every Investor.**

- The Client understands that the credit balance created by short selling cannot be used to purchase Securities and that no interest is paid on credit balances in a margin short account.
- The Client understands the possible difficulty in borrowing the Securities, at any time, to cover the short sale (e.g. thinly traded stock, no loan post offers, etc.).
- The Client understands the liability to the purchaser for any dividends or other benefits paid during the period the Account is short.
- The Client understands that the Securities may be bought-in if:
  - (a) adequate margin cannot be maintained; and/or
  - (b) if the originally borrowed Securities are called by their owner and no other Securities can be borrowed to replace them.
- The Client understands that InvestDirect cannot provide up-to-date information on total short sales on a Security. (Stock exchanges do not report short positions on a daily basis, and no data is available on unlisted short sales.)
- The Client understands the possible volatile price action in a shorted Security should a buying rush materialize when a number of short sellers try to cover their short sales at the same time.
- The Client understands the possibility of unlimited loss, if a short stock starts a dramatic rise in price. (A stock has no upper price limit.)
- The Client acknowledges, understands, and agrees to abide by the following exchange trading rules associated with short sales:
  - (a) A short sale of a security generally may not be made below the price of the last sale of a board lot of the security on the exchange.
  - (b) InvestDirect may not, for its account or for the account of any other person, take a long position in a security for the purpose of creating a downtick and subsequently making a short sale in the security.

- (c) A short sale can be made at the price of the last sale only if that sale was on an uptick relative to the preceding differently priced trade (Canadian Venture Exchange only).
- The Client understands that, in accordance with applicable securities legislation, the Client must, at the time of placing the order to sell, explicitly declare to the trader the fact that the Client does not own the security and is, therefore, selling short.

## Options Trading Terms and Conditions

In consideration of HSBC InvestDirect, a division of HSBC Securities (Canada) Inc. (“InvestDirect”) acting as agent in the purchase, sale or execution of exchange traded put or call options (“Options”) traded on stock or option exchanges, the Client agrees to be bound by the General Terms and Conditions, which are hereby incorporated by reference and the following terms and conditions:

- 1. Applicable By-laws, Laws, Rules etc.:** Each transaction will be subject to, and the Client will comply with, the constitution, By-laws, rules, rulings, regulations and customs of the clearing corporation issuing the Option, the exchange on which the Option trades and any other regulatory body which may have jurisdiction and will also be subject to InvestDirect’s rules, regulations and customs for Options trading (collectively, the “Requirements”). The Requirements may provide for position limits (which may be reported to the applicable regulatory body), exercise limits, margin requirements and requirements for cash only trades during certain periods such as the last ten business days prior to expiry of an Option. The Client will comply with all such Requirements which are now in effect or which from time to time may hereafter be passed or adopted. In addition, the Client will comply with all rules affecting existing or subsequent transactions that the Vice-President, Financial Compliance of the Investment Industry Regulatory Organization of Canada may impose.
- 2. Limits and Restrictions:** The Client will not exceed in aggregate either with InvestDirect and/or elsewhere personally or in concert with others, any maximum limit that may be set on a short position, or any exercise or position limit, or other such restrictions imposed. InvestDirect is required to report any such violations to the regulatory authorities.
- 3. Timely Instructions:** The Client acknowledges sole responsibility to instruct InvestDirect on a timely basis and in any event in such time that InvestDirect may complete such instructions as to the sale, close out or exercise of any Option or as to any other action to be taken in connection with such Option. InvestDirect’s office through which the Client may instruct InvestDirect as to Option transactions will be open during local business hours but an order may be executed at any time when the applicable exchange is open for trading.
- 4. Exercise of Options:** The Client acknowledges that InvestDirect requires the Client to submit notice of intent to exercise by the close of the relevant market on the expiry date of the relevant option. InvestDirect will allocate exercise and assignments of exercise notices received by InvestDirect to accounts of its customers, including customers residing in the province of Quebec, on a random basis in accordance with its procedures or on such other basis as InvestDirect may advise.
- 5. Right to Exercise Discretion:** InvestDirect will have sole discretion to determine whether or not to accept any order from the Client for a trade in an Option. Furthermore, InvestDirect may take any action with respect to an Option that InvestDirect in its sole discretion determine should be taken if the Client fails to give InvestDirect timely instructions, but InvestDirect has no obligation to take such action. Whenever InvestDirect deems it necessary or advisable for its protection to sell any securities in InvestDirect’s possession or to buy in any securities of which the Client’s account may be short, or to buy or sell short Options for the Client account and risk, such sale or purchase may be made in InvestDirect’s sole discretion without advertising the same and without prior notice, demand, tender or call to the Client. In the case of insolvency, death or attachment of the property of the Client InvestDirect may, with respect to any open positions take such steps as it considers necessary to protect itself against loss.
- 6. Sale of Valuable Options:** Where InvestDirect elects to exercise a Valuable Option it may concurrently arrange for the sale of the underlying securities to be received on exercise of the Option and InvestDirect shall be entitled to receive all applicable commissions and other compensation, both on the exercise and on the sale. In no event will InvestDirect be responsible or accountable for any loss or damage the Client may incur or profit the Client may fail to make because of its exercise or failure to exercise the foregoing authority. “Valuable Option” means an Option which appears, at the relevant



time, that it can be exercised and the underlying securities resold with a resultant profit after paying the commissions and other expenses attendant upon the exercise and resale.

- 7. Errors and Omissions:** InvestDirect will not be liable to the Client for errors or omissions in connection with or in the handling of orders relating to the purchase, sale, execution or expiration of an Option or any matter related thereto, unless caused by InvestDirect's gross negligence or willful misconduct.
- 8. Acknowledgements:** The Client acknowledge that InvestDirect's Specialist or Options Attorney may act as principal when executing the Client's trades. The Client also acknowledges that the Client has received a copy of the current Disclosure Statement for Recognized Market Options.

## Risk Disclosure Statement for Futures and Options

No securities commission or similar authority in Canada has in any way passed upon the merits of Options referred to herein and any representation to the contrary is an offence. This document contains condensed information respecting the Options referred to herein. Additional information may be obtained from your broker.

This brief statement does not disclose all of the risks and other significant aspects of trading in futures and options. In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk. Trading in futures and options is not suitable for many members of the public. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

### Futures

- 1. Effect of "Leverage" or "Gearing":** Transactions in futures carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared." A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit: this may work against you as well as for you. You may sustain a total loss of initial margin funds and any additional funds deposited with the firm to maintain your position. If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a loss and you will be liable for any resulting deficit.
- 2. Risk-reducing Orders or Strategies:** The placing of certain orders (e.g. "stop-loss" order, where permitted under local law, or "stop-limit" orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as "spread" and "straddle" positions may be as risky as taking simple "long" or "short" positions.

### Options

- 3. Variable Degree of Risk:** Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarize themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transactions costs.

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin (see the section of Futures above). If the purchased options expire worthless, you will suffer a total loss of your investment which will consist of the option premium plus transaction costs. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that the chance of such options becoming profitable ordinarily is remote.

Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire



or deliver the underlying interest. If the option is on a future, the seller will acquire a position in a future with associated liabilities for margin (see the section on Futures above). If the option is "covered" by the seller holding a corresponding position in the underlying interests or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

#### **Additional Risks Common to Futures and Options**

**4. Terms and Conditions of Contracts:** You should ask the firm with which you deal about the terms and conditions of the specific futures or options which you are trading and associated obligations (e.g. the circumstances under which you may become obligated to make or take delivery of the underlying interest of a futures contract and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

**5. Suspension or Restriction of Trading and Pricing Relationships:** Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or "circuit breakers") may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase the risk of loss.

Further, normal pricing relationships between the underlying interest and the future, and the underlying interest and the option may not exist. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge "fair" value.

**6. Deposited Cash and Property:** You should familiarize yourself with the protections accorded money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be prorated in the same manner as cash for purposes of distribution in the event of a shortfall.

**7. Commission and Other Charges:** Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

**8. Transactions in Other Jurisdictions:** Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before you trade you should enquire about any rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should ask the firm with which you deal for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade.

**9. Currency Risks:** The profit or loss in transactions in foreign currency-denominated contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

**10. Trading Facilities:** Most open-outcry and electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms. Such limits may vary; you should ask the firm with which you deal for details in this respect.

**11. Electronic Trading:** Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system

failure may be that your order is either not executed according to your instructions or is not executed at all. Your ability to recover certain losses which are particularly attributable to trading on a market using an electronic trading system may be limited to less than the amount of your total loss.

**12. Off-Exchange Transactions:** In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm with which you deal may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks.

Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarize yourself with applicable rules.

## Disclosure Regarding Conflicts of Interest

### General

In the course of providing services to you, there will be situations where a conflict arises between our interests and yours. We believe it is important that you are fully informed regarding these conflicts. Canadian securities laws require us to take reasonable steps to identify and respond to existing and potential material conflicts of interest, and in certain circumstances, to provide you with certain information regarding these conflicts and also to obtain your prior consent before we engage in certain types of transactions. This document contains important information regarding certain of the conflicts of interest that we have identified. Please read it carefully.

### Transactions or Arrangements with Certain Related Parties

We are a member of a group of related companies known as the HSBC Group. In the course of providing services to you, we may from time to time exercise discretion on your behalf with respect to the purchase or sale of securities from or to, or issued by, other members of the HSBC Group or other persons or companies which are related or connected to us. In addition, we may also enter into transactions or arrangements with other or involving, and perform services for or accept services from, members of the HSBC Group or other persons or companies which are related or connected to us. These transactions and arrangements are described in further detail below. These transactions and arrangements will give rise to conflicts of interest, and we have adopted policies and procedures to identify and respond to these conflicts. We will only enter into these transactions or arrangements where they are permitted under applicable securities laws and where we believe they are in your best interests in the applicable circumstances.

**The following is a list of the types of these transactions and arrangements and our relationship to the parties involved:**

- The purchase or sale of securities issued or guaranteed by HSBC Holdings plc, HSBC Bank plc, Hang Seng Bank Limited, HSBC Bank Canada, HSBC Canada Asset Trust, HSBC Financial Corporation Limited and other members of the HSBC Group whose securities are traded on recognized stock exchanges or other public markets. These entities are related to us because they are members of the HSBC Group. For example, these transactions may include the purchase or sale of ordinary shares of HSBC Holdings plc, preferred shares of HSBC Bank Canada or other securities of these or other related entities that are traded on a stock exchange or other public market, and also the purchase and sale of principal protected notes or certain debt securities issued by HSBC Bank Canada or other securities of these or other related entities that are not traded on an exchange or other public market.
- The purchase or sale (or redemption) of securities issued by any of the HSBC Mutual Funds, the HSBC Pooled Funds, and any other mutual fund, unit trust or investment fund managed, administered or promoted by us or other members of the HSBC Group, or for which we or other members of the HSBC Group act as portfolio adviser, including funds managed, advised or promoted by our affiliates. In most cases, our connection to these funds will be obvious to you because the names of the funds will be sufficiently similar to our name. For example, in most cases the names of the funds will include the word "HSBC" as part of their name. If we believe that the name of any fund is not similar enough to convey the fund's relationship to us, we will provide you with specific disclosure regarding that relationship at the appropriate time.
- The purchase or sale of securities or other instruments to or from HSBC Global Asset Management (Canada) Limited and HSBC Bank Canada for their own respective accounts, or through these entities acting as a dealer or distributor or

in a similar capacity. Where we purchase or sell securities other instruments through these entities in their capacity as dealer or distributor or in a similar capacity, they may receive a fee for their services in that capacity. HSBC Global Asset Management (Canada) Limited is a portfolio manager and investment fund manager. HSBC Bank Canada is a Schedule II chartered Canadian bank. We and HSBC Global Asset Management (Canada) Limited are wholly-owned subsidiaries of HSBC Bank Canada, and we are all members of the HSBC Group.

- Transactions or arrangements with members of the HSBC Group that involve the other member of the HSBC Group providing services to you or to us on your behalf or to funds managed or administered by us or to us on behalf of such funds, and/or receiving a fee. For example, we may retain other members of the HSBC Group to act as our sub-adviser with respect to discretionary accounts managed by us, including our affiliates.

The information disclosed in this document may change from time to time. You can obtain an updated copy of this information free of charge at any time by visiting our website at [www.hsbc.ca/important-info-investors](http://www.hsbc.ca/important-info-investors).

## Client Information Consent Agreement

### Definitions

Capitalised terms in this agreement mean:

**“Authorities”** include judicial, administrative, public, or regulatory bodies, as well as governments, Tax Authorities, securities or futures exchanges, courts, and central banks or law enforcement bodies with jurisdiction over any part of the HSBC Group. They also include agents of any of these bodies.

**“Compliance Obligations”** means the HSBC Group’s obligations to comply with:

- (a) Laws or international guidance
- (b) internal policies or procedures
- (c) demands from Authorities
- (d) Laws requiring us to verify our customers’ identities

**“Connected Person”** means a person or entity (other than you) whose information (including Personal Information or Tax Information) we have in connection with providing you services. A **“Connected Person”** may include a guarantor, a director, or officer of a company; partners or members of a partnership; a “substantial owner,” “controlling person,” or beneficial owner; trustee, settlor or protector of a trust; account holder of a designated account; a payee of a designated payment; or other persons or entities with whom you have a relationship relevant to your relationship with the HSBC Group. A Connected Person also includes your representative, agent, or nominee.

**“Controlling Person”** means an individual who exercises control over an entity. For a trust, this is the settlor, the trustees, the protector, the beneficiaries or class of beneficiaries, and anybody else who exercises ultimate effective control over the trust. For entities other than a trust, these are persons in similar positions of control.

**“Client Information”** means your Personal Information, confidential information, and Tax Information or that of a Connected Person.

**“Financial Crime”** means money laundering, terrorist financing, bribery, corruption, tax evasion, fraud, and evasion of economic or trade sanctions. It also includes acts or attempts to circumvent or violate Laws relating to these matters.

**“HSBC,” “us,” “we,” and “the bank”** mean HSBC InvestDirect a division of HSBC Securities (Canada) Inc.

**“HSBC Group”** means HSBC Holdings plc, its affiliates, subsidiaries, associated entities, and their branches and offices (together or individually). **“Member of the HSBC Group”** has the same meaning.

**“Laws”** includes local or foreign laws, regulations, judgments or court orders, voluntary codes, sanctions regimes, agreements between any member of the HSBC Group and an Authority, or agreements or treaties between Authorities that apply to HSBC or a member of the HSBC Group.

**“Personal Information”** means information about an identifiable individual (including relevant information about you, your transactions, your use of our products and services, and your relationships with the HSBC Group).

**“Services”** includes (a) evaluating your application for and assessing our willingness to provide you with products and services and opening, maintaining and closing your Accounts (b) providing you with banking and credit products and services, and assessing credit and eligibility, and (c) maintaining our relationship with you.

**“Substantial owners”** means individuals entitled to more than 10% of profits from an entity or with a direct or indirect interest of more than 10% in an entity.

**“Tax Authorities”** means domestic or foreign tax, revenue, or monetary authorities (for example, the Canada Revenue Agency).

**“Tax Certification Forms”** means forms or documentation a Tax Authority or HSBC Group may issue or require to confirm your tax status or the tax status of a Connected Person.

**“Tax Information”** means information about your tax status and the tax status of any owner, “Controlling Person,” “substantial owner” or beneficial owner and includes Tax Certification Forms

Reference to the singular includes the plural (and vice versa).

**1. Collecting, using, processing, transferring and disclosing customer information:** Clauses [1–4] explain how we collect, use, process, transfer and disclose your information and that of Connected Persons. By using the Services, you agree that we and members of the HSBC Group can collect, use, process, transfer and disclose Customer Information according to these clauses.

**1.1 Collecting:** We and other members of the HSBC Group may collect, use, process, transfer and disclose **Customer Information**. We or someone on behalf of the HSBC Group may request **Customer Information**, and we may collect it:

- from you
- from a person acting on your behalf
- from other sources (including from publically available information)

This information may be generated or combined with other information available to us or other members of the HSBC Group.

**1.2 Purposes for Collecting, Using, Processing, Transferring and Disclosing:** We or other members of HSBC Group will collect, use, process, transfer, and disclose Customer Information for the following **Purposes**:

- (a) providing you with Services and to approve, manage, administer, or effect transactions you request or authorise
- (b) meeting Compliance Obligations
- (c) conducting Financial Crime Risk Management Activity
- (d) collecting amounts due from you
- (e) conducting credit checks and obtaining or giving credit references
- (f) enforcing or defending our rights or those of a member of the HSBC Group
- (g) for our internal operations or those of the HSBC Group (including credit and risk management, system or product development and market research, insurance, audit, administration, security, statistical, and processing, transfer and storage of records)
- (h) maintaining our relationship with you including with your optional consent, marketing or promotion)
- (i) honouring your privacy choices (the **“Purposes”**)

**1.3 Sharing:** By using the Services, you agree we may transfer and disclose Customer Information to the recipients below and they may also collect, use, process, transfer, and disclose Customer Information, as necessary and appropriate for the Purposes:

- (a) members of the HSBC Group
- (b) sub-contractors, agents, service providers, or associates of the HSBC Group (including their employees, directors, and officers)

- (c) Authorities
- (d) someone acting on your behalf, payment recipients, beneficiaries, account nominees, intermediaries, correspondent and agent banks, clearing houses, clearing or settlement systems, market counterparties, upstream withholding agents, swap or trade repositories, stock exchanges, or companies in which you have an interest in securities, as long as we hold these securities for you
- (e) parties to a transaction acquiring interest in, or assuming risk in, or in connection with, the Services
- (f) financial institutions, credit agencies, or credit bureaus to obtain or give credit reports and/or credit references
- (g) insurers, where permitted by law
- (h) Canadian government registries and Canadian financial industry databases (which may share information with others)

wherever they are located, including in jurisdictions with less strict data protection laws than those in the jurisdiction where we supply you the Services.

**1.4 Your obligations:** You agree to inform us promptly and in any event, within 30 days in writing if Customer Information you gave to us or a member of the HSBC Group changes. You also agree to respond promptly to our or HSBC Group's requests to you.

**1.5** Before you give us information (including Personal Information or Tax Information) about a Connected Person, you must:

- tell the Connected Person that you are giving us (or a member of HSBC Group) their information
- ensure the Connected Person agrees that we (or a member of HSBC Group) can collect, use, process, disclose, and transfer their information as set out in these Terms
- tell the Connected Person that they may have rights to access and correct their Personal Information.

You must ensure this has all been done, even if someone else gives us the Connected Person's information on your behalf.

**1.6** If any of these things occur:

- you fail to promptly give Customer Information we reasonably request
- you withhold or withdraw consent we need to collect, use, process, transfer, or disclose Customer Information for the Purposes (except for marketing and promoting)
- the HSBC Group has suspicions about Financial Crime or an associated risk

we may take any of these actions:

- (a) be unable to provide Services, including new Services, to you and we reserve the right to terminate our relationship with you
- (b) take actions to meet Compliance Obligations
- (c) block, transfer, or close your accounts where local Laws permit it.

In addition, if you fail to promptly give your, or a Connected Person's, Tax Information to us when we ask for it, we may make decisions about your tax status, including whether you are reportable to a Tax Authority. This may require that we withhold and pay amounts legally required by a Tax Authority.

## **2. Data protection**

**2.1** In accordance with data protection legislation, all members of the HSBC Group, their staff, and third parties to whom information is transferred by HSBC, whether located in Canada or another country, will be required to protect Customer Information by a strict code of secrecy and security. Where Customer Information is transferred to another country, you understand that it may be accessed by Authorities in that country in accordance with applicable Laws.

## **3. Financial Crime Risk Management Activity**

**3.1** We, and members of the HSBC Group, are required to meet Compliance Obligations relating to detecting, investigating and preventing Financial Crime ("Financial Crime Risk Management Activity"). We and members of the HSBC Group may take action to meet these Compliance Obligations, including:

- (a) screening, intercepting, and investigating instructions, communications, drawdown requests, applications for Services, or payments sent to, by you, or on your behalf
- (b) investigating who sent, received, or was intended to receive funds

- (c) combining Customer Information with related information that HSBC Group has
- (d) making enquiries about a person or entity's status or identity, including whether they are subject to sanctions.
- (e) any combination of a to d

**3.2** In rare cases, our Financial Crime Risk Management Activity may lead us to delay, block, or refuse to:

- make (or clear) a payment
- process your instructions or application for Services
- provide all or part of the Services

As far as the law permits, neither we nor any other member of HSBC Group will be liable to you or a third party for your or their loss (however it arose) caused or partially caused by our Financial Crime Risk Management Activity.

**4. Tax compliance:** You are solely responsible for understanding and complying with your tax obligations related to using our accounts and Services in any jurisdiction. This includes paying taxes, filing tax returns, and filing other documents related to paying taxes.

Each Connected Person acting as a Connected Person (not in their own capacity) also acknowledges this themselves.

Please note: Certain countries may have tax legislation with extra-territorial effect regardless of your or Connected Person's place of domicile, residence, citizenship, or incorporation.

Neither we nor any member of the HSBC Group:

- provide tax advice
- have responsibility for your tax obligations in any jurisdiction, even if they relate to opening and using accounts and Services we or members of the HSBC Group provide

We advise you to seek independent legal and tax advice.

## **5. Miscellaneous**

**5.1** If there is a conflict or inconsistency between these Terms and the terms in other services, products, business relationships, accounts, or agreements between you and us, these Terms prevail. If you gave us consents, authorisations, or waivers or permissions we asked for related to Customer Information, they continue to apply in full force and effect, as relevant local laws allow.

**5.2** If some or all of these Terms become illegal, invalid, or unenforceable in any way under the law of any jurisdiction, that does not affect the legality, validity, or enforceability of the rest of these Terms in that jurisdiction

**6. Survival on termination:** These Terms continue to apply even if:

- the agreement is terminated
- we or a member of the HSBC Group, stop providing Services to you
- an account is closed

**7. Self-Regulatory Organizations:** For regulatory purposes, self-regulatory organizations include Market Regulations Services Inc., the Investment Industry Regulatory Organization of Canada, the Mutual Fund Dealers Association of Canada, Bourse de Montreal Inc., and the Canadian Investor Protection Fund (collectively, "SRO") require access to personal information of current and former clients, employees, agents, directors, officers, partners and others that has been collected or used by Regulatory Persons. SROs collect, use or disclose such personal information obtained from HSBC Securities for regulatory purposes including surveillance of trading-related activity, regulatory reviews and audits, investigations of potential regulatory and statutory violations, regulatory databases, enforcement or disciplinary proceedings, reporting to securities regulators and information-sharing with securities regulatory authorities, regulated marketplaces, other SROs and law enforcement agencies in any jurisdiction in connection with any of the above.

**8. Optional Consent:** We may also:

- (a) collect and use your Personal Information and, where permitted by law, share it within the HSBC Group, to identify and inform you of products and services provided by the HSBC Group that may be of interest to you; and
- (b) collect and use your personal information to promote the products and services of select third parties that may be of interest to you. You may at any time refuse or withdraw your consent to (a) and (b) by: contacting us at 1-888-310-HSBC (4722); or visiting a branch. You understand that if you do refuse or withdraw your consent to (a) or (b) it will not affect your eligibility for credit or other products or services.



**9. Consent to Use of Social Insurance Number (“SIN”) Including Optional Consent:** The government requires that we ask you for your SIN when it is necessary for tax reporting purposes. You understand that if you provide us with your SIN, we and the HSBC Group, will collect, use and share your SIN for tax reporting purposes where applicable. We may also collect, use and share your SIN for the additional optional purposes of accuracy on credit checks, to conduct Financial Crime Risk Management Activities, for collections and for internal audit, security, statistical, and record keeping purposes. You may at any time refuse or withdraw your consent to the use of your SIN for these additional purposes by contacting us at 1-888-310-HSBC (4722); or by visiting a branch. This will not affect your eligibility for credit or other products or services.

**10. Recordings:** You consent to us making an audio recording of any telephone conversation you have with us, or a record of any electronic communication with us, to preserve the context of all instructions or other information you provide to us and for us to use these recordings for the following purposes:

- so that we have a record of instructions and information provided;
- so that we can meet the services sought by you, and
- so that we can monitor service levels.

**11. More Information about HSBC Privacy Policies:** For more information about the principles of privacy observed by HSBC Bank Canada and its subsidiaries in Canada, consult the HSBC Privacy Code available at the nearest HSBC branch or [www.hsbc.ca](http://www.hsbc.ca) or the brochure “Protecting your privacy” available at the nearest HSBC branch. You understand that you may access your Personal Information in our possession or make corrections to it by contacting us.

## Automated Services Terms and Conditions

In consideration of InvestDirect providing the Client with the Services (as defined below), the Client agrees as follows (unless otherwise defined herein, capitalized terms have the meanings ascribed to them in the General Terms and Conditions:

### Important Note about Availability, Price Changes and Other Conditions

The real time, delayed and historical market data and the news and summary information services originate from various source agencies, including the various exchanges and business and financial news reporters and analysts. InvestDirect and its agents do not control the content, format, currency or any other aspect or variable relating to any of the data or information. Continued availability of the information at the stated prices or at all cannot be assured. As well, the length of delay for delayed market data may increase without notice. In some cases, the data or information source agencies may require that the Client satisfy additional eligibility criteria to receive the data or information and enter into separate agreements with the source agencies that govern the receipt and use of the data or information by the Client. The Client will be refunded that portion of the monthly fees attributable to data or information not provided.

### 1. Definitions

“**Access Device**” means any device the Client uses to access the Services, including, but not limited to telephone, cellular or portable telephone, personal computer, intelligent terminal, similar or other device and any “Access Device” as defined in the Terms and Conditions.

“**Account**” means the Client’s trading account(s) with InvestDirect.

“**Information Provider**” means any entity providing InvestDirect, either directly or indirectly, with the securities or market data or information, including, but not limited to, various securities markets such as stock exchanges, and includes any subsidiary or affiliate of any such provider of data or information.

“**Instruction**” means any communication by the Client to InvestDirect through an Access Device which requests an action or is interpreted by InvestDirect as requesting an action to be taken by InvestDirect in connection with an Account, and for greater certainty includes a Trade Request.

“**Internet Banking**” means any Internet banking service which may be offered to the Client in the future by InvestDirect or the Bank or made available by InvestDirect and includes on-line real time access to Account information made available by InvestDirect or the Bank, transferring funds between Accounts, bill payments, general information relating to rates and access to other electronic financial products and services authorized by InvestDirect or the Bank.



**"Password"** means, collectively, the identification number(s) (PIN), access numbers or other identification or secret code(s) (whether provided to the Client by InvestDirect, the Bank or selected by the Client in connection with the Account), as amended from time to time, used either alone or together with another Password or user identification system in connection with the Accounts. For greater certainty, for the purposes of this Agreement, "Password" includes any information referred to in any user identification number provided by InvestDirect in connection with the Account.

**"Quotation"** means any Client request through the Services for stock, option, index, mutual fund or other security or market quotations, including bid/ask/last price/changes.

**"Services"** means:

- (a) access to quotations, securities and market data, or other information using the Web Site or other on-line or internet connection, including without limitation, the information services provided in connection with this Agreement (collectively the "Information");
- (b) on-line real time access to an Account;
- (c) the facility to send a Trade Request using the Web Site or other similar on-line or internet connection (the Client acknowledges that a Transaction initiated or completed through a Trade Request or execution will be subject to any applicable commission, transaction charge or other service); or

**"Telephone Banking"** means any telephone banking service which may be offered to the Client in the future by the Bank or made available by InvestDirect.

**"Trade Request"** means any buy, sell, or short sell trade request for stocks, options, mutual funds, or other securities transmitted to InvestDirect by the Client using an Access Device.

**"Transaction"** means any Transaction (as defined in the Investment Access Portfolio Terms and Conditions) performed through a Service and includes a request for information about an account.

**"Web Site"** means the Internet web site or sites by which InvestDirect or its affiliates deliver the Services or information about the Services, and currently includes the following URLs: [investdirect.hsbc.ca](http://investdirect.hsbc.ca) and [invest.hsbc.ca](http://invest.hsbc.ca).

**2. Services Access:** Clients access the Services through an Access Device using a Password or combination of Passwords, depending on which Service is accessed. Once the Client has entered the Passwords into the Access Device, the Client agrees not to leave the device unattended until all Instructions are complete and the Client has terminated communication with the Services.

**3. Password Security:** The Password that the Client chooses in connection with access to the Services must be different from any personal identification number or other secret code the Client uses for any other banking or brokerage services. The Client may not use the Client's birth date, telephone number, address or any other readily identifiable combination of letters or numbers in the Password. The Client must change the Password(s) regularly. The sharing of Passwords is not permitted, and the Client agrees not to disclose the Password to any other person, including the employees of InvestDirect or the Bank, and to keep the Password separate from any other information (including any other Password that may be used in combination with such Password to access the Services) received concerning the Services. The Client must take all reasonable precautions to maintain the secrecy of the Password, including ensuring that any information stored on any computer with which the Client accesses Internet Banking is protected against unauthorized access by third parties. The Client must memorize the Password and not record it anywhere. Some internet browser applications allow the user to electronically store passwords for easy future access to a particular web site; the Client must not use this "save password" feature in conjunction with Internet Banking. The Client agrees to be responsible for all charges incurred through the use of the Password.

The Client must notify InvestDirect immediately by telephone of any unauthorized use of the Client's Password or if the Client knows or suspects that the Client's Password is lost or stolen or has become or may have become known to another person or might otherwise be available for unauthorized use of Internet service. Until the Client gives such notice to InvestDirect and it is actually received and processed, the Client will be liable for all Transactions that may occur as a result of authorized or unauthorized use of the Client's Password.

**4. Processing Trade Requests:** The Client hereby authorizes InvestDirect to accept, transact and execute any Trade Request for the Account submitted using the Services and agrees to be solely responsible for the accuracy of any instruction communicated to InvestDirect using the Services. All Trade Requests are subject to verification and

acceptance by InvestDirect. The Client agrees that a Trade Request will only be processed if the Account is in good order, sufficient funds are available in the Account to complete the Trade Request, and the Trade Request is consistent with the Client's trading practices and stated objectives. InvestDirect may request additional confirmation of the Trade Request from the Client before execution and the Client agrees that the Client may be reached at the telephone number specified on the Application to provide such confirmation. The Client agrees to advise InvestDirect immediately of any change to the Client's telephone number for Trade Request confirmation or other personal information, provided to InvestDirect in connection with the Client's Account.

**5. Information Sources:** Information provided through the Services, including quotations (collectively, the "Information"), has been independently obtained from various Information Providers through sources believed to be reliable.

InvestDirect, the Bank and the Information Providers do not guarantee the timeliness, sequence, accuracy or completeness of any securities data or market data or Information provided under the Services. The Client acknowledges that the Information provided by the Information Providers may include views, opinions, and recommendations of individuals or organizations that may be of interest to investors generally, but that InvestDirect, the Bank and the Information Providers do not endorse such views or opinions, or give investment, tax, accounting or legal advice, or recommend the purchase or sale of any security.

Links to other web sites or references to products, services or publications other than those of InvestDirect at its Web Site do not imply the endorsement or approval by InvestDirect of such web sites or such products, services or publications.

**6. DISCLAIMER:** THE CLIENT'S USE OF INTERNET BANKING AND THE WEB SITE IS AT THE CLIENT'S OWN RISK.

INTERNET BANKING, THE WEB SITE AND ITS CONTENTS ARE PROVIDED ON AN "AS IS" BASIS, AND WITHOUT ANY REPRESENTATIONS, WARRANTIES OR CONDITIONS OF ANY KIND, WHETHER EXPRESS OR IMPLIED, AND INCLUDING WITHOUT LIMITATION, IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE HEREBY DISCLAIMED BY INVESTDIRECT AND THE BANK TO THE FULLEST EXTENT PERMITTED BY LAW.

WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, INVESTDIRECT AND THE BANK MAKE NO REPRESENTATION, WARRANTY OR CONDITION REGARDING THE AVAILABILITY OF THE WEB SITE OR INTERNET BANKING, AND DISCLAIM ANY AND ALL LIABILITY REGARDING THOSE MATTERS TO THE FULLEST EXTENT PERMITTED BY LAW.

THE CLIENT (AND NOT INVESTDIRECT OR THE BANK) ASSUMES THE ENTIRE COST OF ALL NECESSARY SERVICING, REPAIR OR CORRECTION TO ANY EQUIPMENT ARISING FROM OR CONNECTED WITH THE CLIENT'S ACCESS TO THE WEB SITE OR INTERNET SERVICE.

**7. Limitation of Liability:** InvestDirect may, at its sole discretion, act in all matters on Instructions given or purported to be given by or on behalf of the Client using the Services and InvestDirect shall not incur any liability by reason of acting or not acting on Instructions or because of any error in such Instructions.

Neither InvestDirect, nor any Information Provider may be held liable to the Client or anyone else for:

- (a) any inaccuracy, error, delay, interruption or omission of any Information;
- (b) any loss or injury caused in whole or in part by either negligence or contingencies beyond their control in procuring, interpreting, compiling, writing, editing, reporting or delivering any Information or services through the service; or
- (c) any decision made or action taken by the Client in response to information provided through the Service.

OTHER THAN AS EXPRESSLY PROVIDED FOR IN THE CLIENT TERMS AND CONDITIONS, IN NO EVENT WILL INVESTDIRECT EVER BE LIABLE TO THE CLIENT FOR ANY CLAIMS, PROCEEDINGS, LIABILITIES, OBLIGATIONS, DAMAGES, LOSSES, AND COSTS, UNDER ANY THEORY OR LAW OR EQUITY, AND REGARDLESS OF ANY NEGLIGENCE OR OTHER FAULT OR WRONGDOING BY INVESTDIRECT, OR ANYONE FOR WHOM INVESTDIRECT IS RESPONSIBLE, IN AN AMOUNT EXCEEDING \$100 (CDN.) OR THE AMOUNT THE CLIENT PAID TO INVESTDIRECT FOR THE USE OF INTERNET BANKING, WHICHEVER IS LESS.

**8. Reversing or Refusing Transactions:** InvestDirect may reverse or refuse to initiate or complete any Transaction if: (a) the Transaction is one that cannot be processed by InvestDirect, or cannot be completed for any cause beyond the reasonable control of InvestDirect; (b) the Transaction exceeds any balance or credit limit; (c) the Transaction is a bill payment to a business or other person which does not accept the Transaction; (d) there is an operational failure, malfunction or

unavailability of any Service; (e) the Transaction involves any Account that InvestDirect considers dormant or inactive; or (f) InvestDirect, does not receive satisfactory proof of the authority of the person giving Instructions.

The Client understands that the Client may not be able to stop or reverse a payment or transfer of funds.

- 9. Software Licensing:** When the Client installs, uses or travels with any software from other companies that InvestDirect may make available to the Client in connection with any Services, it is the Client's responsibility to comply with the provisions of any agreements, licences and other legal or technical documentation provided by such other companies in connection with such software, and with the legal requirements of any relevant jurisdiction. Unless the Client is a lawful, licensed user of such software, InvestDirect may be unable to provide the Client with the Services that require such software.
- 10. Security:** The Client will not enter or access or attempt to enter or access, nor will the Client permit any person to use any of the Client's Passwords to enter or access or attempt to enter or access, any restricted areas (a "Restricted Area") of any computer or telecommunications system of either of InvestDirect or the Bank, any of their affiliates, associates, suppliers or the Information Providers (the "Bank Systems"). The Client will not perform, nor will the Client permit any person to use any of the Client's Passwords to perform, any functions not authorized pursuant to this Agreement (a "Prohibited Function"). InvestDirect and the Bank may, without notice, suspend the Client's access to any or all Services if InvestDirect or the Bank believes that the Client is using the Services, any software supplied to the Client by InvestDirect, the Bank or any third party supplier or affiliate of InvestDirect or the Bank, or any part of the Bank Systems to obtain unauthorized access to the Bank Systems (including any Restricted Area), to perform any Prohibited Function or to otherwise use them in any other inappropriate manner. InvestDirect and the Bank may terminate this Agreement at any time without notice if InvestDirect or the Bank believes that the Client is using the Client's Card, Password, or an Automated Service to access or attempt to access a Restricted Area or perform a Prohibited Function in an unauthorized or inappropriate manner or if there is unusual activity in or relating to the Client's Accounts.
- 11. Force Majeure:** None of the Client, the Bank, InvestDirect or any Information Provider shall be responsible for or liable to the other for delays or failure in performance resulting from acts beyond the control of such party. Such acts include, but are not limited to, flood, extraordinary weather conditions, earthquakes or other acts of God, strikes, lockouts, riots, acts of war, epidemics, government actions, fire, communication or power failures, equipment or software malfunctions or other disasters.
- 12. Proprietary Rights:** The Client acknowledges that all Information conveyed through the Services is proprietary to InvestDirect, the Bank or the relevant Information Provider and may be protected by copyright law and other applicable intellectual property laws. InvestDirect and the Bank hereby grant to the Client a non-exclusive, personal, non-transferable licence for the term of this Agreement to store the Information in the memory of the Access Device and to print and display the Information for the Client's personal and non-commercial use. The Client agrees not to communicate, reproduce, retransmit, disseminate, sell, distribute, publish, broadcast, circulate, perform in public, display or otherwise commercially exploit all or any part of the Information without the express written consent of InvestDirect and the relevant Information Provider. Additional conditions, disclaimers, information and periodic correction notices regarding such Information are provided through the Web Site and otherwise. By using the Information to which any such additional conditions, disclaimers, information or notices are associated, the Client agrees to be bound by all such additional conditions, disclaimers, information and notices.
- 13. Location of Information:** In connection with the provision of Services, the Client authorizes InvestDirect and the Bank to transmit and store information about the Client's Accounts through and in various countries or territories and to disclose such information to third parties in accordance with applicable law and the section of the Client Terms and Conditions titled "Privacy and Personal Information."
- 14. Term:** InvestDirect shall supply the Services on a month-to-month basis. The Client may cancel the Services at any time upon written notice to InvestDirect and effective only when InvestDirect receives such notice. The Client may give such notice at any branch of the Bank or office of InvestDirect, or in any other way permitted by InvestDirect from time to time.
- 15. Termination:** InvestDirect may, in their sole discretion, change, suspend or terminate the Web Site and any of its features at any time, for any reason, without any notice to the Client, and without any liability to the Client or any other person.

If the Client breaches any provision of this Agreement, the Client may no longer access or use Internet Banking, the Web Site or its content.

InvestDirect may, in their sole discretion, terminate the Client's right to use the Web Site at any time, for any reason, without any notice to the Client, and without any liability to the Client or any other person.

If this Agreement or the Client's right to use the Web Site is terminated, this Agreement will nevertheless continue to apply and be binding upon the Client in respect of prior use of the Web Site by the Client, and anything connected with, relating to or arising from those matters.

**16. Governing Law and Dispute Resolution:** The Web Site is controlled by InvestDirect, whose head office is located in Toronto, Ontario, Canada. All Transactions shall be deemed to have been entirely performed in Canada.

This Agreement, the Client's use of Internet Banking, the Web Site and its content, and all matters relating thereto are governed solely by the laws of the Province in Canada in which the Client resides and the laws of Canada applicable therein, excluding any rules of private international law or the conflict of laws which would lead to the application of any other laws.

Any dispute arising from or relating to this Agreement, the Client's use of Internet Banking, the Web Site or its content, and all matters relating thereto shall be resolved before the courts of the Province in Canada in which the Client resides, and the Client hereby irrevocably submits and attorns to the original and exclusive jurisdiction of those courts in respect of any such dispute.

Any claim or cause of action the Client may have arising from or relating to this Agreement, the Client's use of the Web Site or its content, or any matters relating thereto must be commenced in such a Court of competent jurisdiction in the Province in Canada in which the Client's Account's branch of InvestDirect, or if not applicable, the Bank, is located within one (1) year after the claim or cause of action arises, after which time the claim or cause of action shall be barred and the Client agrees to waive any such claim or cause of action.

**17. Compliance with Laws:** You acknowledge that InvestDirect and other members of the HSBC Group who assist InvestDirect in providing Services to you must comply with the laws of the countries in which InvestDirect or the HSBC Group members are located. These include laws related to the prevention of money laundering, terrorist financing and dealings with persons or entities who are subject to sanctions. You agree that InvestDirect and the HSBC Group may take any action which they, in their sole discretion, think is necessary to comply with the law, including, but not limited to, refusing or reversing any of your Transactions and intercepting and investigating any information being sent as part of a Transaction. Notwithstanding anything else in this Agreement, you agree that neither InvestDirect nor the HSBC Group will be liable for any direct or indirect losses or other damages of any kind that you suffer because InvestDirect or other members of the HSBC Group have delayed or failed to execute your Transactions for the reasons set out in this Agreement.

**18. Changes to the Services:** InvestDirect and Head Office may periodically without prior notice to the Client change, withdraw or add to the products, services or information provided through the Services and the systems, procedures, hours of operation and other attributes of the Services. The Bank or InvestDirect may terminate or suspend the Services at any time without prior notice to the Client. The Client also acknowledges that the Services may be periodically unavailable to allow for systems maintenance and updates.

**19. Miscellaneous Provisions:**

- These Automated Services Terms and Conditions are in addition to and not in substitution for any other agreements between the Client and InvestDirect and/or the Bank, including any agreement relating to the Client's Account or the Services. The Client agrees that InvestDirect or the Bank may change these Automated Services Terms and Conditions under which it offers and provides the Service, from time to time, with or without notice to the Client. The Services are only available in jurisdictions where they may be legally offered.
- The conditions, rules and regulations set forth in any manuals, materials, documents or instructions relating to this Agreement form part of these Automated Services Terms and Conditions.
- These Automated Services Terms and Conditions confer certain legal rights upon the Information Providers. The Information Providers may enforce those rights directly against the Client by legal proceedings or other appropriate means.
- Employees of InvestDirect or the Bank do not have authority to vary this Agreement.

- First use of the Services by the Client will act as the Client's acceptance of and agreement to be bound by these Automated Services Terms and Conditions and any other term, condition or restriction applicable in respect of the Services.
- For any Services that require monthly or periodic billing, InvestDirect reserves the right to redeem all or any trading rewards for payment of service. Deficiencies between service costs and available trading rewards will result in a charge to Client credit cards. Credit card processing charges may apply.
- The Client's use of the website is governed by these Automated Services Terms and Conditions as amended from time to time. Each time the Client uses the website, the Client signifies that they have read, understood and agreed, without limitation or qualification, to be bound by these Automated Services Terms and Conditions as it then reads. If the Client does not agree with each provision of these Automated Services Terms and Conditions, the Client may not use the website or any of the Services.

**20. Changes to this Agreement:** InvestDirect may change this Agreement periodically with or without notice to the client. If the Client makes a Transaction after the effective date of a change, it will mean that the Client agrees to the change.

## Electronic Delivery of Documents

In consideration of InvestDirect providing you with the Electronic Delivery of Documents (as defined below), you agree as follows:

You have read and understand this Consent to Electronic Delivery of Documents (this "Consent") and consent to the electronic delivery of the documents listed below by HSBC InvestDirect ("InvestDirect") in accordance with the terms of this Consent.

You understand that all documents delivered electronically pursuant to this consent will be made available or delivered through the InvestDirect secure website in the eDocuments section. Based on the foregoing, you understand that you must be registered to access the secure website in order to electronically receive documents.

In accordance with the terms of this Consent, if you so choose, you may contact HSBC InvestDirect at 1-800-760-1180 to instruct that document delivery should be maintained in, or revert, to a paper format.

You further understand that the services provided hereunder by InvestDirect in connection with the electronic delivery of Documents constitutes an "Automated Service," as such term is defined in the account agreement that you entered into with InvestDirect upon opening your account (your "Account Agreement").

- 1. Documents:** You understand that the types of documents covered by this Consent include any record of a transaction in your account that InvestDirect is required to send you under securities legislation, including account statements and trade confirmations (collectively, "Records") and any other document that InvestDirect is required to send you under securities legislation or otherwise including, without limitation, amendments to any agreement that you entered into with InvestDirect, amendments to the InvestDirect fee schedule or the InvestDirect 'Conflicts of Interest' disclosure (collectively, "Notifications") (Records and Notifications may be hereinafter collectively referred to as the "Documents").
- 2. Delivery of Documents:** You understand that Records will be made available to you through the eDocuments section within the InvestDirect secure website.
- 3. Deemed Delivery:** In accordance with your Account Agreement, you acknowledge that any Document delivered to you through an Automated Service is deemed to be delivered to you on the day that the Document is made available through the eDocuments section, and not on the day that you actually review the Document. You agree that it is your responsibility to monitor the eDocuments section on a regular basis but in any event, not less than once every thirty (30) days. You understand and agree that InvestDirect is not responsible to you in any way for any damages or costs incurred resulting from your failure to review Records made available in the eDocuments section and you understand you will receive no further notice that a Document is posted in the eDocuments section.

Without limiting the generality of the foregoing, you acknowledge that your Account Agreement provides that account statements and trade confirmations are deemed to be complete and accurate unless you inform InvestDirect otherwise within a specified period of time and that in certain instances, you have the right under securities legislation to withdraw

from the purchase of a security offered in distribution within a specified period of time after receiving a prospectus from InvestDirect. In connection with the foregoing, you understand that it is your responsibility to monitor the eDocuments section for Records in order to comply with the terms of your Account Agreement or to enforce your rights under securities legislation.

- 4. Delivery Options:** You understand that you are not required to consent to the electronic delivery of the Documents and that your consent may be revoked at any time by contacting InvestDirect. You further understand that, in the case of Records, you may change the delivery options between electronic and standard mail delivery at any time by calling HSBC InvestDirect at 1-800-760-1180, or from standard mail delivery to electronic delivery through the eDocuments section.
- 5. Document Retention:** You understand that you will be able to print and/or save any Document made available through the eDocuments section, as applicable. You further understand that until such time as you close your account(s) with InvestDirect, you will have access to Records made available through the eDocuments section for a period of 7 years, from the date of the online availability of the documents, or the date of when you opened your account – whichever is most recent.
- 6. Technical Requirements:** You understand that Records made available to you through the eDocuments section will be in Adobe® Portable Document Format (PDF), which requires you to have Adobe Reader® software in order to open, save and/or print a Record. InvestDirect does not own or operate, and is not responsible for, Adobe Reader® software. You will use versions of software and browsers that will accommodate the functionality of eDocuments and update them as required from time to time.
- 7. Delivery Failure:** You understand that InvestDirect, in its sole discretion and without giving advance notice, may elect to provide you with a paper copy of any Document through standard mail if it is of the view that a paper copy is necessary or if it is unable to deliver any Document electronically.
- 8. Capacity:** You represent to InvestDirect that you have the authority to enter into this Consent with respect to the account(s) in which this Consent pertains, which may include, without limitation, any account opened with InvestDirect in your name, either individually or jointly with another person, or in your capacity as a trustee, executor, officer or any other authorized representative.
- 9. Amendments:** You understand that InvestDirect may change the terms of this Consent at any time by giving you thirty (30) days advance notice and that any such notice may be in the form of a Notification posted to the Message Centre or delivered to you through standard mail.
- 10. Other Agreements:** This Consent applies in addition to any other agreement you may have entered into with InvestDirect, including your Account Agreement.

## Website Use Agreement

**THIS VERSION IN EFFECT SINCE MAY 31, 2005**

**THIS WEBSITE USE AGREEMENT GOVERNS YOUR ACCESS TO AND USE OF THE HSBC INVESTDIRECT WEBSITE AND THE CONTENT, INFORMATION AND SERVICES PROVIDED ON OR THROUGH THE WEBSITE. IT EXEMPTS HSBC CANADA AND OTHER PERSONS FROM LIABILITY OR LIMITS THEIR LIABILITY AND CONTAINS OTHER IMPORTANT PROVISIONS THAT YOU SHOULD READ. EACH TIME YOU USE THE WEBSITE, THIS WEBSITE USE AGREEMENT AS IT THEN READS, WILL GOVERN YOUR USE. ACCORDINGLY, WHEN YOU USE THE WEBSITE YOU SHOULD CHECK THE DATE OF THIS WEBSITE USE AGREEMENT (WHICH APPEARS AT THE TOP OF THIS WEBSITE USE AGREEMENT) AND REVIEW ANY CHANGES SINCE THE LAST VERSION.**

- 1. Your Acceptance of this Website Use Agreement:** This is an agreement between you and all persons you represent (and for purposes of this Website Use Agreement, "person" includes natural persons and any type of incorporated or unincorporated entity or organization) and HSBC Securities (Canada) Inc., which includes HSBC InvestDirect, a division of HSBC Securities ("HSBC InvestDirect"), its parent, HSBC Bank Canada, and HSBC Trust (Canada), jointly and severally



(collectively "HSBC Canada"), and governs your access to and use of the HSBC InvestDirect website (invest.hsbc.ca) and the content, information and services provided on or through the website, including all on-line tools and services (including applications and calculators) (as defined below) available on or through the website (collectively the "Website"). This Website Use Agreement also provides benefits to HSBC Canada's affiliates, service providers, suppliers and sub-contractors (collectively, "Affiliates and Providers").

Each time you use the Website you signify your acceptance and agreement, and the acceptance and agreement of all persons you represent, without limitation or qualification, to be bound by this Website Use Agreement as it then reads, and you represent and warrant that you have the legal authority to agree to and accept this Website Use Agreement on behalf of yourself and all persons you represent. If you do not agree with each provision of this Website Use Agreement, or you are not authorized to agree to and accept this Website Use Agreement, you may not use the Website.

- 2. Permitted Users: The Website is intended for and may be accessed and used only by individuals resident or located in Canada and such jurisdictions where the users are permitted to trade through HSBC InvestDirect, who have reached the age of majority in their jurisdiction of residence, can form legally binding contracts under applicable law, and have accepted this Website Use Agreement. Persons using the Website must comply with all applicable laws. HSBC Canada may in its discretion refuse permission to access and use the Website.**

**If you choose to enter this Website outside of Canada, you are advised that it may not be legal in that jurisdiction for you to access or use the facilities available on this site and the legal requirements of that jurisdiction may prohibit you from dealing or otherwise transacting in that jurisdiction.**

- 3. Availability Of Products And Services:** The products and services of HSBC Canada and the Affiliates and Providers referenced on the Website are available only in certain jurisdictions in Canada and such jurisdictions where the users are permitted to access or use such products and services, and where HSBC Canada and the Affiliates and Providers are permitted to provide their respective products and services.

You agree that any of the products or services provided to you by any HSBC Canada member, Affiliate or Provider will be deemed to be provided in the jurisdiction within which the member, Affiliate or Provider providing the product or service is authorised to operate.

HSBC Canada reserves the right to make the final determination on whether or not you are eligible for any particular product or service.

- 4. Changes to This Website Use Agreement:** Notwithstanding any other terms in any agreements with HSBC Canada, HSBC Canada may, in its discretion, change, supplement or amend this Website Use Agreement from time to time, for any reason, and without any prior notice or liability to you or any other person, by posting a revised agreement on the Website. Each time you use the Website, you should check the date of this Website Use Agreement (which appears at the top of this Website Use Agreement) and review any changes since the last version. By using the Website after this Website Use Agreement has been revised, you signify your acceptance and agreement, and the acceptance and agreement of all persons you represent, without limitation or qualification, to be bound by the revised Agreement, and you represent and warrant that you have the legal authority to agree to and accept the revised Agreement on behalf of yourself and all persons you represent. If you do not agree with each provision of the revised Agreement, or you are not authorized to agree to and accept the revised Agreement, you may not use the Website. You may not change, supplement, or amend this Website Use Agreement in any manner.

- 5. This Website Use Agreement and Other Agreements/English, French and Chinese Language Versions of Website:** This Website Use Agreement is in addition to and supplements any written agreements that you or any persons you represent have with HSBC Canada or any Affiliate and Provider (now or in the future) concerning your dealings with HSBC Canada or the Affiliate and Provider generally. HSBC Canada products and services available and/or referenced on the Website may be subject to the applicable agreements governing their supply and use (the "Service Agreements"). Without limiting the above, all products and services of HSBC InvestDirect are subject to the terms of HSBC InvestDirect's application agreement and Client Terms and Conditions. Please call HSBC InvestDirect for complete and up-to-date information on products and services. If there is any inconsistency or conflict between the provisions of this Website Use Agreement and the provisions of a Service Agreement, the provisions of this Website Use Agreement will govern in respect to the matters covered in section 4 above and the applicable Service Agreement will govern with respect to all other matters.



To the extent any discrepancy or inconsistency exists in the translation from the English language version of this Website to the French or Chinese language versions, such discrepancy or inconsistency shall be interpreted in favour of the English language version.

- 6. No Advice:** HSBC Canada provides no investment advice, recommendations about, or opinions regarding the investment merits of any securities. You acknowledge and agree that HSBC Canada does not provide investment advice, and your use of the Website and the accessing or receipt of any research or messages or information through this Website, does not and will not cause HSBC Canada or its Affiliates and Providers to be a provider of investment advice. Mention of a particular security in this Website or in any research accessible or electronic communication delivered using a Provider's service, does not constitute investment advice or a recommendation by HSBC Canada or its Affiliates or Providers to buy, sell, or hold that or any other security, financial product or instrument.

The Website is not intended to be a comprehensive or detailed statement concerning the matters addressed; investment, tax, banking, accounting, legal, or other professional or expert advice or recommendations; or an offer, solicitation, or recommendation to sell or buy any stock, bond or other financial instrument or any product or service. Many factors unknown to HSBC Canada, its Affiliates and the Providers may affect the applicability of any statement or comment on the Website to your particular circumstances. You should obtain appropriate, qualified professional advice before acting or omitting to act based upon any information provided on or through the Website. The Website is not guaranteed to be accurate, complete, or timely.

- 7. Information Submissions and Communications:** All information you provide through the Website, including your legal name, residential address, email address, must be true, accurate, current and complete. HSBC Canada will rely on the information you provide. You will be solely responsible and liable for any and all loss, damage, and additional costs that you, HSBC Canada or any other person may incur as a result of your submission of any false, incorrect or incomplete information.

You authorize HSBC Canada to: (a) accept communications they receive from you by means of the Website as if those communications had been given directly by you in writing and signed by you; (b) disclose your communications to Affiliates and Providers and HSBC Canada employees and representatives by means of the Website, email or other communications (when you have consented to the disclosure of such communications); and (c) respond to your communications by means of Internet communications, email or other communications.

HSBC Canada may refuse to process any communications sent to HSBC Canada by means of the Website, or may reverse the processing of any communications sent to HSBC Canada by means of the Website, at any time in HSBC Canada's discretion, and without any notice or liability to you or any other person, including without limitation if: (a) HSBC Canada cannot process the communications; (b) the communications violate any provision of this Website Use Agreement or any other agreement that you or any other person may have with HSBC Canada; (c) HSBC Canada considers that the communications may conflict with any other instructions from or agreements with you or any person you represent; or (d) there is an operational failure or malfunction in connection with the transmission of the communications.

- 8. Market Publications:** The market commentaries, research, analysis and life publications ("Market Publications") provided on this Website have been issued by the entities ("Writers") identified on the Market Publications for the information of the investors resident in the provinces of Canada. Investors are strongly recommended to consult their professional advisor before considering a specific transaction.

The Market Publications are not an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Although the Market Publications are based on information obtained from sources the Writers believe to be reliable, they have not independently verified such information. Accordingly, the Writers and HSBC Canada make no guarantee, representation or warranty and accept no responsibility or liability as to their accuracy or completeness. Opinions, references, and comments with respect to securities reflect the analysis of the Writers, not HSBC Canada, and are subject to change without notice.

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- 9. Providers:** This Website displays information provided by Providers accessed from the applicable Provider's website on the Internet. HSBC Canada provides this link and access to such information provided thereby only as a convenience and for information purposes only. No information provided through a Provider's website has been endorsed or approved by HSBC Canada or its Affiliates, and they are not responsible for the information presented by or through a Provider in any manner whatsoever.

You understand that messages related to a Provider in respect of technical events may be based on end-of-day data and will not be made available until the next business day. HSBC Canada cannot determine when and if you have been sent or if you have received an electronic communication requested through a Provider's service. You also understand and agree that a Provider may have specific and limited operating hours (e.g., may operate during market hours only) and therefore, that information used to deliver any of a Provider's services or to detect when delivery of a message should be triggered may not be available during these non-operating hours.

The features and functions of the services offered through a Provider's service may be changed at any time by HSBC Canada without prior notice. The content and delivery of all Provider messages are subject to the terms of this Website Use Agreement.

- 10. Confidentiality and Security:** HSBC Canada uses data encryption and firewalls to maintain the security of the information it receives through the Website. Nevertheless, security and privacy risks cannot be eliminated. As a further security precaution, you must access and use the Website using commercially available browser software (such as a current version of Netscape™ or Internet Explorer™) that provides 128-bit encryption and SSL (Secure Sockets Layer) technology, and you may not use your browser software's "save password" feature. Once you have initiated a session in connection with the Website, you must not leave the computer from which you have accessed the Website unless and until you have terminated the session and logged off the Website. When you complete a session, you are responsible for clearing your browser's cache or temporary Internet files to ensure your personal information is not accessible by others.

You agree not to provide or make known your user name, password or email address to any other person for the purpose of facilitating such person's access to or use of the Website or services or the unauthorized delivery or receipt of any electronic communication or information from HSBC Canada.

If you allow any third party to access any services on the Website (including any of your accounts) in a manner unauthorized by us, you will indemnify HSBC Canada, the Affiliates and Providers, and their respective directors, officers, employees, agents, and hold each of them harmless against any and all liability, costs or damages arising out of any claim or suit by any such third party based upon or relating in any way to such access or use of such services.

**Emails and Internet communication are not secure or confidential unless properly encrypted. Consequently, HSBC Canada discourages the use of email and Internet communication to send personal or financial information to HSBC Canada. Persons who use emails and Internet communications for those purposes do so at their own risk, and HSBC Canada and the Affiliates and Providers will not be responsible or liable to you or any other person for any loss or damage suffered as a result of your use of email or the Internet to communicate with HSBC Canada or the Affiliates and Providers, or the use of email or Internet communication by HSBC Canada or the Affiliates and Providers to communicate with you or other persons at your request.**

**Certain parts of the Website are located outside of Canada. The information you submit through the Website may be stored inside or outside of Canada. Information stored in Canada is subject to Canadian law, and information stored outside of Canada is subject to the laws of the jurisdiction in which the information is stored. HSBC Canada may be required to disclose your information to third parties in accordance with applicable laws.**

- 11. Errors and Corrections:** HSBC Canada endeavours to provide accurate information on and through the Website, but errors may occur and information may become out of date. HSBC Canada does not guarantee the accuracy, completeness, or timeliness of the information available on or through the Website. HSBC Canada may in its discretion change the information available on or through the Website at any time and from time to time without any notice or liability to you or any other person. You may obtain complete and up-to-date information regarding HSBC Canada products and services by calling HSBC InvestDirect.

- 12. No Solicitation:** Nothing on the Website constitutes a solicitation or offer by HSBC Canada to buy or sell products or services of any kind whatsoever, including without limitation, securities or any other financial instrument of any issuer.
- 13. Currency, Interest Rates, Foreign Exchange and Bond Disclosure:** All references in the Website to currency are to the lawful money of Canada, unless expressly stated otherwise. Interest rates indicated on the Website are subject to change without prior notice.
- HSBC InvestDirect applies discretionary conversion rates and may earn revenue on the spread between bid and offer prices in foreign change transactions. A commission is included in the overall bond price.
- 14. Disclaimer, Liability Exclusion, Liability Limitation, Release and Indemnity:** HSBC Canada and the Affiliates and Providers do not accept any liability for your access to and use of the Website. For that reason, the following provisions apply to your access to and use of the Website.

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**YOU ARE SOLELY RESPONSIBLE FOR: (A) OBTAINING, CONFIGURING AND MAINTAINING ALL COMPUTER HARDWARE, SOFTWARE, TELEPHONE SERVICES, AND OTHER EQUIPMENT AND SERVICES NECESSARY FOR YOU TO ACCESS AND USE THE WEBSITE; (B) SCANNING FOR AND PREVENTING THE RECEIPT AND TRANSMISSION OF VIRUSES, TROJAN HORSES, WORMS OR OTHER DESTRUCTIVE OR DISRUPTIVE COMPONENTS; AND (C) MAINTAINING A COMPLETE AND CURRENT BACKUP OF ALL OF THE INFORMATION CONTAINED ON YOUR COMPUTER SYSTEM PRIOR TO ACCESSING OR USING THE WEBSITE.**

**THE INTERNET IS NOT A SECURE MEDIUM, MAY BE SUBJECT TO INTERRUPTION AND DISRUPTION, AND INADVERTENT OR DELIBERATE BREACHES OF SECURITY AND PRIVACY. THE OPERATION OF THE WEBSITE MAY BE AFFECTED BY NUMEROUS FACTORS BEYOND HSBC CANADA'S CONTROL. THE OPERATION OF THE WEBSITE MAY NOT BE CONTINUOUS OR UNINTERRUPTED, SECURE OR PRIVATE.**

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**THE ON-LINE TOOLS (INCLUDING APPLICATIONS AND CALCULATORS) AVAILABLE ON OR THROUGH THE WEBSITE ARE FOR INFORMATIONAL OR GENERAL ILLUSTRATIVE PURPOSES ONLY, AND ARE NOT GUARANTEED TO BE ACCURATE, COMPLETE OR TIMELY. THE INFORMATION AND RESULTS PROVIDED BY THE ON-LINE TOOLS ARE BASED UPON ASSUMPTIONS, PROJECTIONS, AND DATA THAT MAY NOT BE CORRECT**

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- **LIABILITY EXCLUSION**

**HSBC CANADA AND THE AFFILIATES AND PROVIDERS WILL NOT UNDER ANY CIRCUMSTANCES BE LIABLE TO YOU OR ANY OTHER PERSON FOR ANY DIRECT OR INDIRECT LOSS OR DAMAGE, INCLUDING WITHOUT LIMITATION LOSS OF USE, LOSS OF PRODUCTION, LOSS OF INCOME OR PROFITS (ANTICIPATED OR OTHERWISE), LOSS OF MARKETS, ECONOMIC LOSS, SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OR EXEMPLARY OR PUNITIVE DAMAGES, WHETHER IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, OR UNDER ANY OTHER THEORY OF LAW OR EQUITY, ARISING FROM, CONNECTED WITH, OR RELATING TO THE ACCESS TO AND USE OF THE WEBSITE BY YOU OR ANY OTHER PERSON, AND REGARDLESS OF ANY NEGLIGENCE OR OTHER FAULT OR WRONGDOING BY HSBC CANADA OR ANY AFFILIATE OR PROVIDER OR ANY PERSON FOR WHOM HSBC CANADA OR AN AFFILIATE OR PROVIDER MAY BE RESPONSIBLE, AND NOTWITHSTANDING THAT HSBC CANADA OR ANY AFFILIATE OR PROVIDER MAY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSS OR DAMAGES BEING INCURRED BY YOU OR ANY OTHER PERSON.**

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- **FAIR ALLOCATION OF RISK AND LIABILITY.**

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- 19. Linking, Framing, Mirroring, Scraping and Data-Mining The Website:** Links to the Website without the express written permission of HSBC Canada are strictly prohibited. HSBC Canada reserves the right to cancel and revoke any permission it may give to link to the Website at any time, for any reason, without any notice, and without any liability to you or any other person. The framing, mirroring, scraping or data-mining of the Website or any of its content in any form and by any method are strictly prohibited.

- 20. Software Back-Up:** While we are making effort is made to ensure that any software provided on this Website is suitable for use on a wide variety of computer systems, you should take reasonable and appropriate precautions to scan for computer viruses and ensure compatibility of the software with your specific computer system.

- 21. Postings:** You may not use chat or annotation technologies in connection with your use of the Website or to post comments, communications, or any other data of any kind to or on the Website with the intention that such postings may be viewed by other users of the Website.

- 22. Termination of This Website Use Agreement and The Website:** If you breach any provision of this Website Use Agreement, you may no longer use the Website. HSBC Canada may, at any time and for any reason and in its discretion: (a) change, suspend or terminate, temporarily or permanently, the Website or any part of it; or (b) restrict, suspend or



terminate (in whole or in part) your permission to access or use the Website; all without any notice or liability to you or any other person. If this Website Use Agreement or your permission to access or use the Website is terminated by you, or by a person you represent, or by HSBC Canada, this Website Use Agreement and all other then existing agreements between HSBC Canada and you or any persons you represent will continue to apply and be binding upon you and any persons you represent, jointly and severally, regarding your prior access to and use of the Website, and anything connected with, relating to or arising therefrom.

**23. Governing Law and Dispute Resolution:** This Website Use Agreement, your access to and use of the Website, and all related matters are governed solely by the laws of the Province of Ontario, Canada and applicable federal laws of Canada, excluding any rules of private international law or the conflict of laws that would lead to the application of any other laws.

Any dispute between HSBC Canada and you or any other person arising from, connected with, or relating to the Website, this Website Use Agreement, access to or use of the Website, or any related matters ("Disputes") must be resolved before the Courts of the Province of Ontario, Canada sitting in the City of Toronto, and you hereby irrevocably submit and attorn to the original and exclusive jurisdiction of those Courts in respect of all Disputes. Any proceeding regarding a Dispute must be commenced in a court of competent jurisdiction in Toronto, Ontario, Canada within six (6) months after the Dispute arises, after which time any and all proceedings regarding the Dispute are barred.

**24. Other Matters:** If any provision of this Website Use Agreement is found by a court of competent jurisdiction to be unlawful, void, or for any reason unenforceable, then that provision will be deemed to be severed from the rest of this Website Use Agreement and will not affect the validity and enforceability of any remaining provisions.

No consent or waiver by any party to or of any breach by any other party in its performance of its obligations under this Website Use Agreement will be deemed or construed to be a consent to or waiver of a continuing breach or any other breach of those or any other obligations of that party. No consent or waiver will be effective unless in writing and signed by all parties.

The provisions of this Website Use Agreement will enure to the benefit of and be binding upon HSBC Canada and the Affiliates and Providers and each of their respective successors and assigns and related persons, and you and your heirs, executors, administrators, successors, and personal representatives, and all persons you represent and their respective successors, assigns and related persons. You and the persons you represent may not assign this Website Use Agreement or the rights and obligations under this Website Use Agreement without the express prior written consent of HSBC Canada, which may be withheld in HSBC Canada's discretion. HSBC Canada may assign this Website Use Agreement and its rights and obligations under this Website Use Agreement without your consent or the consent of any persons you represent.

HSBC Canada's records regarding your access to and use of the Website and any transactions or communications through the Website or email are, unless shown to be wrong, conclusive evidence of your access to and use of the Website and of the communications. You agree not to object to the admission of HSBC Canada's records as evidence in any legal proceeding on the ground that the records are not originals, are not in writing, are hearsay, or are documents containing information extracted from a computer.

Notwithstanding any other provision of this Website Use Agreement to the contrary, the following provisions of this Website Use Agreement, and all other provisions necessary for their interpretation or enforcement, will survive indefinitely after the termination of this Website Use Agreement and remain in full force and effect and be binding upon the parties as applicable: 14 (Disclaimer, Liability Exclusion, Liability Limitation); 15 (Ownership and Permitted Uses of the Website); 16 (Copyright); 17 (Trademark Information); 18 (Other Businesses and Sites); 21 (Postings), 22 (Termination); 23 (Governing Law and Dispute Resolution); and 24 (Other Matters).

Any rights not expressly granted by this Website Use Agreement are reserved to HSBC Canada.

This Website Use Agreement is subject to change without notice.

## Monthly Contribution Plan Agreement

1. The persons ("you") signing the Monthly Contribution Plan (the "Plan") acknowledge that the Plan is provided: (a) for the benefit of InvestDirect and of the bank identified in the Plan ("Bank"); and (b) in consideration of InvestDirect and the Bank agreeing to process debits against the Bank account named in the Plan ("Bank Account") in accordance with the rules of the Canadian Payments Association.
2. You warrant and guarantee that all persons whose signatures are required to sign on the InvestDirect account(s) and the Bank Account have signed the Plan.
3. You hereby authorize InvestDirect and the Bank to draw on the Bank Account for the purposes set out in the Plan.
4. The Plan and this Agreement may be cancelled at any time upon notice being provided by you, either in writing or orally with proper authorization to verify your identity, within 5 business days before the next pre-authorized debit is to be issued. You acknowledge that, in order to revoke the Plan, you must provide notice of revocation to InvestDirect.
5. You acknowledge that the provision and delivery of the Plan to InvestDirect constitutes delivery of such authorization by you to the Bank and the relevant payor. Any delivery of the Plan to InvestDirect constitutes delivery by you.
6. You certify that all information provided in the Plan is up-to-date and accurate. You will advise InvestDirect immediately in writing of any change to the information in the Plan (including increases or adjustments in transfer amounts) by canceling the existing Plan as per section 4 above, and submitting a new signed Plan to InvestDirect within 5 business days before the next pre-authorized debit is to be issued under the new Plan.
7. You acknowledge that the Bank is not required to verify:
  - (a) that a pre-authorized debit has been issued in accordance with the particulars of the Plan or this Agreement including, but not limited to, the amount.
  - (b) that any purpose of payment for which a pre-authorized debit was issued has been fulfilled by you as a condition to honouring a debit issued or caused to be issued by you on the payor's account.
8. Revocation of the Plan does not terminate any contract for goods or services that exists between InvestDirect and you. The Plan and this Agreement applies only to the method of payment and does not otherwise have any bearing on the contract for goods or services exchanged.
9. A pre-authorized debit may be disputed by you under the following conditions:
  - (a) the debit was not drawn in accordance with the Plan or this Agreement; or
  - (b) the Plan was revoked; or
  - (c) pre-notification was not received and not waived.
10. You, in order to be reimbursed, acknowledge that a declaration to the effect that either (a), (b) or (c) described in section 9 took place, must be completed and presented to the branch of the Bank holding your Bank Account up to and including 90 calendar days in the case of a personal pre-authorized debit (or up to and including 10 business days in the case of a business pre-authorized debit), after the date on which the debit in dispute was posted to the payor's account. Personal and business pre-authorized debits are defined in Rule H1 of the Canadian Payment Association.
11. You acknowledge that a claim on the basis that your Plan was revoked, or any other reason, is a matter to be resolved solely between the payee and the payor, when disputing any pre-authorized debit after 90 calendar days in the case of a personal pre-authorized debit or 10 business days in the case of a business pre-authorized debit.
12. You consent to the disclosure of any personal information that may be contained on the Plan to the Bank, as far as any such disclosure of personal information is directly related to and necessary for the proper application of Rule H1 of the Canadian Payments Association.
13. You will each jointly and severally indemnify InvestDirect and the Bank and their respective employees and agents, and hold them harmless from all loss, fees, damages, expenses and costs incurred by them, and all claims made by and liability to anyone by reason of InvestDirect, the Bank, and their respective employees or agents acting on the Plan.
14. Without limiting the generality of the preceding paragraph, you agree that InvestDirect and the Bank shall not be liable to you for direct or consequential damages arising from any failure to process the Plan which is attributable, whether wholly or partly, to any recalled instructions received, or purporting to be received, from you, or to any cause beyond InvestDirect or the Bank's control, including any equipment or data disk malfunction or failure.



- InvestDirect and the Banks may terminate the Plan and this Agreement at any time on 5 business days' notice, or immediately if there is insufficient funds in your Bank Account to process the monthly contribution to the InvestDirect Account.

## HSBC InvestDirect Self-Directed RSP/RIF Terms and Conditions

### Part I – Applies to both RSP & RIF

HSBC Trust Company (Canada) (the "Trustee") hereby declares that it agrees to act as Trustee for the Applicant (the "Annuitant") as defined in the Income Tax Act, named in the application for an HSBC InvestDirect Self-Directed Retirement Savings Plan (the "RSP") and Retirement Income Fund (the "RIF") upon the following Terms and Conditions:

- 1. Registration:** The Trustee will apply to register the RSP/RIF under the provisions of the Income Tax Act (Canada) (the "Act") and any provincial income tax legislation relating to retirement income funds applicable in the province in which the Annuitant resides (the Act and such provincial income tax legislation being hereinafter collectively referred to as "Applicable Tax Legislation").
- 2. Investment of the Fund:** The Fund (as defined in Part II or Part III, as applicable) shall be invested and reinvested by the Trustee, on the direction of the Annuitant made in accordance with these Terms and Conditions, without being limited to investments authorized by law for Trustees. The Trustee will have absolute discretion to decide whether a particular investment is acceptable and the Trustee shall not be liable to the Annuitant for the exercise or failure to exercise such discretion. The Trustee may require any direction from the Annuitant to be in writing. In the absence of any direction, the Trustee may invest the Fund or not invest the Fund, at its discretion, provided any decision made by the Trustee to make any such investment is made with regard to the investment restrictions imposed upon the Annuitant and the Registered Plan hereunder and pursuant to Applicable Tax Legislation. The Annuitant acknowledges that cash balances may be invested and reinvested by the trustee in the Trustee's guaranteed accounts or in accounts HSBC Bank Canada and its affiliates (the "Bank"). The Annuitant authorizes and directs the Trustee in the exercise of its powers and duties under these Terms and Conditions to have dealings (and enter into transactions) with the Bank and to purchase and hold securities of the Bank and further authorizes the Trustee and the Agent to retain all or a portion of interest earned on cash reserves for services rendered by them. The Trustee must hold any investment in its own name, in the name of its nominee, or in such other name as the Trustee may determine. The Trustee may generally exercise the power of an owner with respect to all stocks, bonds, mortgages or securities held by it for the RSP/RIF, including the right to vote or give proxies to vote in respect thereof.
- 3. Qualified Investments:** The Trustee, or if applicable InvestDirect, shall exercise the care, diligence and skill of a reasonably prudent person to minimize the possibility that the RSP/RIF holds a non-qualified investment. However the Annuitant is responsible for ensuring that the investments held in the RSP/RIF are at all times qualified investments for the RSP or RIF under the Act.
- 4. Prohibited Investment:** The Annuitant is solely responsible for ensuring that the investments held in the RSP/RIF do not at any time include a prohibited investment for the RSP/RIF under the Act and to determine whether such investment could result in the imposition of any tax or penalty.
- 5. Taxes and Penalties on Non-Qualified and Prohibited Investments:** Neither the Trustee nor InvestDirect will be liable for or in respect of any taxes, interest, penalties or other charges which may be imposed on the Annuitant, RSP/RIF, the Trustee or InvestDirect under Applicable Tax Legislation, including the Act (other than those taxes, interest or penalties for which the Trustee is liable in accordance with the Act and which cannot be charged against the assets of the RSP/RIF in accordance with the Act), whether by way of assessment, reassessment or otherwise or for any other charges levied or imposed by any governmental authority, due to payments out of the RSP/RIF, the purchase, sale or retention of any investment, including an investment that is a non-qualified investment or a prohibited investment for the RSP/RIF under the Act, or any investment becoming a non-qualified investment or prohibited investment after the time of acquisition. The Trustee is authorized to reimburse itself for, or may pay, any such taxes, interest, penalties or other charges (other than those taxes, interest or penalties for which the Trustee is liable in accordance with the Act and which cannot be charged against the assets of the RSP/RIF in accordance with the Act) out of whichever assets of the RSP/RIF it may choose in its

absolute discretion and where necessary the Trustee, in its absolute discretion, may liquidate investments of the RSP/RIF to provide payment of such taxes, interest, penalties or other charges and reasonable expenses in connection with such payment. The Annuitant and his or her heirs, executors and administrators shall indemnify and hold harmless at all times both the Trustee and InvestDirect in respect of any such taxes and reasonable expenses imposed on either the Trustee or InvestDirect in connection therewith (including all costs reasonably related to any audit, investigation or assessment of such taxes by a competent tax authority). Neither the Trustee nor InvestDirect will be liable for any loss to or diminution of the assets of the RSP/RIF resulting from any act or omission in connection with the RSP/RIF, except to the extent that such loss or diminution is directly caused by the Trustee's gross negligence. The indemnities contained in this section survive the termination of the RSP/RIF.

- 6. Accounts:** The Trustee will maintain an account in the name of the Annuitant showing all transfers-in made to the RSP/RIF and all investment transactions made at the direction of the Annuitant. The Trustee shall forward to the Annuitant in respect of each year, a statement showing all transfers-in, payment and investment transactions made, and all income and expenses earned or incurred during such period.
- 7. Delegation:** The Annuitant authorizes the Trustee to, and the Trustee may, delegate to InvestDirect the performance of the following duties and responsibilities of the Trustee under the RSP/RIF:
- (a) To receive transfers-in on behalf of the Annuitant under the RSP/RIF;
  - (b) To invest and reinvest the Fund in accordance with the directions of the Annuitant;
  - (c) To hold the assets forming the Fund in safekeeping;
  - (d) To maintain the Annuitant's account;
  - (e) To make payments to the Annuitant under the RSP/RIF;
  - (f) To provide statements to the Annuitant of the Annuitant's account; and
  - (g) Such other duties and responsibilities of the Trustee under the RSP/RIF as the Trustee may determine from time to time.

The Trustee shall, however, remain ultimately responsible for the administration of the RSP/RIF pursuant to the provisions of these Terms and Conditions. The Annuitant also authorizes the Trustee to, and the Trustee may, pay InvestDirect all or a portion of the fees paid by the Annuitant to the Trustee hereunder and may reimburse InvestDirect for its out-of-pocket expenses in performing the duties and responsibilities delegated to InvestDirect by the Trustee and charge the Annuitant's account there for.

**8. Trustee Fees and Disbursements:**

- (a) The Trustee shall be entitled to compensation for its services, and reimbursement of disbursements hereunder, in accordance with the fee schedule provided to the Annuitant and as it may from time to time amend. Notice of amendments to such schedule shall be given to the Annuitant and shall take effect no earlier than 30 days from the date of such notice which may be effected in accordance with the method set out in Paragraph 7 thereof.
- (b) All fees, taxes, penalties and reimbursements of disbursements provided for hereunder shall be charged against and deducted from the investments of the RSP/RIF (other than those taxes, interest or penalties for which the Trustee is liable in accordance with the Act and which cannot be charged against the assets of the RSP/RIF in accordance with the Act), at such time or times during each year as the Trustee may, in its absolute discretion determine, and where necessary, the Trustee, in its sole and absolute discretion, may liquidate investments of the RSP/RIF to provide for payment of such fees, taxes, penalties and reimbursements.

- 9. Amendment:** The Trustee may, from time to time at its discretion, amend these Terms and Conditions with the concurrence of the authorities administering the Applicable Tax Legislation, by giving 30 days' notice in writing to the Annuitant; provided, however, that any such amendments shall not have the effect of disqualifying the RSP/RIF as a registered retirement savings plan or registered retirement income fund within the meanings of the Applicable Tax Legislation.

- 10. Notice:** Any notice given by the Trustee to the Annuitant shall be sufficiently given if mailed, postage prepaid, to the Annuitant at the address set out in the application for the RSP/RIF, or at any subsequent address of which the Annuitant shall have notified the Trustee, and any such notice shall be deemed to have been given on the second business day following the day of mailing.

Any notice to the Trustee hereunder shall be sufficiently given if delivered or mailed postage prepaid to HSBC InvestDirect Self-Directed RSP/RIF, at any branch of InvestDirect or at such other address as the Trustee may from time to time specify in writing, and shall be deemed to have been given on the day that such notice is actually delivered to or received by the Trustee or InvestDirect, as the case may be.

- 11. Indemnity:** The Annuitant, any beneficiary receiving proceeds payable under Paragraph 3 (RIF) and Paragraph 6 (RSP), and legal representatives of the Annuitant agree to indemnify the Trustee, InvestDirect, and each of their nominees, agents, and correspondents against and hold them harmless from any and all taxes, assessments, expenses, liabilities, claims and demands (other than those taxes, interest or penalties for which the Trustee is liable in accordance with the Act and which cannot be charged against the assets of the RSP/RIF in accordance with the Act) whatsoever arising out of the holding and depositing of the investments to the Fund or for anything done hereunder, other than as the result of their gross negligence or willful misconduct. This indemnity survives the term of this agreement.
- Neither the Trustee, nor InvestDirect nor their nominees, agents or correspondents shall be responsible for any loss or diminution suffered by the RSP/RIF, by the Annuitant or by any beneficiary under the RSP/RIF as a result of the acquisition, disposition, or retention of any investment acquired at the direction of the Annuitant, and neither the Trustee, nor InvestDirect, nor their nominees' agents, or correspondents shall be liable in their personal capacity for or in respect of any taxes or penalties which may be imposed under the provisions of the Applicable Tax Legislation due to the acquisition, disposition, or retention of any investment, including non-qualified investments and foreign property investments, acquired at the discretion of the Annuitant.
- 12. Proof of Age:** The statement of the Annuitant's date of birth on the application for the RSP/RIF shall constitute a certification by the Annuitant and an undertaking to furnish such further evidence of proof of age as may be required for the provision of a retirement income.
- 13. No Pledge or Assignment:** No property held under the RSP/RIF can be pledged, assigned, or in anyway alienated as security for a loan or for any other purpose other than that of providing for the Annuitant a retirement income in accordance with terms of the RSP/RIF.
- 14. Replacement of Trustee:** The Trustee may resign its trust and be discharged from all further duties and liabilities hereunder upon 90 days' notice in writing to the Annuitant, or such shorter notice as the Annuitant shall accept as sufficient, provided that a successor Trustee has been appointed in writing by InvestDirect and the successor Trustee has accepted such appointment. In the event of a change of trustee, the Trustee shall transfer the RSP/RIF to the successor Trustee within 30 days after the effective date of change.
- If a successor Trustee cannot be found, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee. In such event InvestDirect shall bear the costs incurred by the Trustee in appointing a successor Trustee.
- 15. Governing Law:** These Terms and Conditions shall be construed and enforced according to the laws of the Province of Ontario and all provisions hereof shall be administered according to the laws of that Province, except that the term "spouse" shall include a "common-law partner," and both those terms shall be interpreted as they are interpreted for purposes of the Act.
- 16. Locked-in Retirement Account ("LIRA"), Life Income Fund ("LIF") or Locked-in Retirement Income Fund ("LRIF"):** If an addendum concerning a LIRA, LIF or LRIF is attached to these Terms and Conditions, the following provisions shall apply:
- (a) In case of conflict between the addendum and these Terms and Conditions, the provisions of the addendum shall prevail;
  - (b) Locked-in funds shall be accounted for separately from non locked-in funds; and
  - (c) The terms of the addendum may be amended from time to time without notice to you in order to ensure that the LIRA, LIF or LRIF continues to comply with all legislation including, without limitation, applicable pension benefits legislation governing locked-in funds.
- 17. No Advantages:** No advantage (as defined for this purpose in the Act or any equivalent provision of Applicable Tax Legislation) in relation to the RSP/RIF may be extended to, or received by, the Annuitant, the RSP/RIF, or any person who does not deal at arm's length with the Annuitant.

## Part II – Applies to RSP ONLY

HSBC Trust Company (Canada) (the “Trustee”) hereby declares that it agrees to act as Trustee for the Applicant (the “Annuitant”) as defined in the Income Tax Act, named in the application for an HSBC InvestDirect Self-Directed Retirement Savings Plan (the “RSP”) upon the following Terms and Conditions:

- 1. Contributions:** The Trustee shall accept such payments of cash and other transfers of property acceptable to it as may be made by the Annuitant or the Annuitant’s spouse, the same together with any income there from constituting a trust fund (the “Fund”) to be invested and held subject to the terms hereof. The Annuitant will have sole responsibility for ensuring that the aggregate amount of such contributions are within the limits imposed by Applicable Tax Legislation.
- 2. Contribution Receipts:** On or before March 31 of each year, the Trustee shall furnish the Annuitant or the Annuitant’s spouse with a receipt or receipts showing contributions by the Annuitant or the Annuitant’s spouse during the preceding calendar year and within 60 days thereafter.
- 3. Withdrawals:** The Annuitant may, on 30 days’ written notice at anytime before the commencement of a retirement income, request the Trustee to pay to the Annuitant all or any part of the assets held under the Plan (subject to the deduction of all proper charges including income tax, if any, required to be withheld), and the Trustee may liquidate any investments held under the Plan to the extent deemed necessary for that purpose.
- 4. Excess Payments:** It is the responsibility of the Annuitant or the Annuitant’s spouse to ensure that no contribution exceeds the maximum permitted deduction under the Applicable Tax Legislation. The Trustee shall, upon written application of the Annuitant or the Annuitant’s spouse, refund to the contributor all or part of the amount established to be an “amount” as defined in paragraph 146(2)(c.1) of the Act and in any such similar provisions of any applicable provincial income tax legislation. The Trustee may liquidate investments held under the Plan to the extent deemed necessary for that purpose.
- 5. Retirement Income:** The value of the accounts maintained by the Trustee for the Annuitant shall be invested, used, and applied by the Trustee for the purposes of providing a retirement income to the Annuitant.

The Annuitant will, upon 90 days’ written notice, specify the date for the commencement of retirement income, which date shall not be later than the end of the calendar year in which the Annuitant attains age 71 or as otherwise may be specified in the Applicable Tax Legislation (such date being referred to herein as “maturity”). Such notice shall indicate the name of the company from which such retirement income shall be purchased and shall instruct the Trustee to liquidate the assets in the Plan and apply the proceeds for the provision of a retirement income for the Annuitant in accordance with the terms hereinafter set out, or to amend the Plan in order to permit the transfer of the value of such account to the carrier of the Registered Retirement Income Fund of the Annuitant.

If the Annuitant fails to give notice to the Trustee within 90 days prior to maturity, the Trustee shall on or prior to maturity transfer the proceeds of the Plan to a Self-Directed Retirement Income Fund with the Trustee. Notwithstanding anything herein contained, if the proceeds of the Plan are not sufficient to purchase a retirement income providing for payment of at least \$25.00 per month, the Trustee shall not apply the proceeds of the Plan to the purchase of a retirement income but shall hold such proceeds in an interest-bearing deposit account with the Bank on behalf of the Annuitant. The Annuitant shall be responsible for all reasonable expenses or administration charges by the Trustee.

Payments to the Annuitant of a retirement income shall be only by way of equal annual or more frequent periodic payments until such time, if any, as there is a full or partial commutation of the retirement income and, where such commutation is partial, equal annual, or more frequent periodic payments thereafter. The aggregate of periodic payments in a year under the retirement income after the death of the first annuitant may not exceed the aggregate of the payments under the retirement income in a year before that death. Any retirement income that would otherwise become payable to a person other than the Annuitant (or after his/her death, to his/her spouse) shall be commuted in whole. Retirement income may not be assigned in whole or in part.

- 6. Death of the Annuitant:** In the event of death of the Annuitant prior to maturity of the Plan, the Trustee shall, upon receipt of satisfactory evidence thereof and such releases and other documents as the Trustee may require, realize the interest of the Annuitant in the Plan and hold the proceeds of the Plan in trust for payment in a lump sum in accordance with this provision.

If permitted by applicable law and recognized by the Trustee for such purpose, the Annuitant may designate in the following manner one or more beneficiaries to receive the proceeds of the Plan in the event of his/her death prior to maturity of the Plan. A beneficiary designation under this Plan can only be made, altered or revoked by an instrument in a form provided by the Trustee for such purpose, dated and signed by the Annuitant, and filed with the Trustee at the branch of account for the Plan, prior to the death of the Annuitant, or, if a provincial law does not allow such a designation, the Annuitant may make such a designation in the Annuitant's Will. If more than one legally valid designation has been so filed and if such designations are inconsistent, then to the extent of such inconsistency the Trustee shall make payment only in accordance with the designation bearing the latest execution date and such designation shall be determinative of any inconsistency. If no legally valid beneficiary designation is in effect at the time a payment of the proceeds of the Plan is to be made, or if all beneficiaries who have been so designated predecease the Annuitant, the Annuitant will be deemed to have elected that such payments be made to his/her estate as beneficiary and the proceeds of the Plan will be paid to the legal personal representative(s) of the Annuitant.

In all cases, the proceeds of the Plan payable will be subject to the withholding of any applicable tax and deduction of all proper charges. The Trustee shall be fully discharged from any further obligations and liability in connection with the Plan upon payment being made in accordance with this provision.

**7. Splitting of Assets on Breakdown of Marriage or Common-Law Partnership:** The Trustee will, upon receipt of written direction by the Annuitant, allow and arrange for the Splitting of Assets on breakdown of marriage or common-law partnership, pay or transfer, on behalf of the Annuitant, any property held thereunder to a Registered Retirement Savings Plan or Registered Retirement Income Fund under which the spouse or former spouse of the Annuitant is the annuitant if, at any time of such transfer, the Annuitant and the spouse or former spouse are living separate and apart and the payment of or transfer is being effected pursuant to a decree, order or judgment of a competent tribunal, or in accordance with a written separation agreement, relating to a division of property between the Annuitant and such spouse or former spouse in settlement of rights arising out of or on the breakdown of their marriage or common-law partnership, in accordance with paragraph 146(16)(b) of the Act or any amended or substituted provision therefor.

### Part III – Applies to RIF ONLY

HSBC Trust Company (Canada) (the "Trustee") hereby declares that it agrees to act as Trustee for the Applicant (the "Annuitant") named in the application for an HSBC InvestDirect Self-Directed Retirement Income Fund (the "RIF") upon the following Terms and Conditions:

- 1. Transfers-In:** The Trustee shall accept only such transfer of cash or other property acceptable to it ("transfers-in") as may be directed by the Annuitant to be transferred from:
- (a) A registered retirement savings plan under which the Annuitant is an annuitant;
  - (b) Another registered retirement income fund under which the Annuitant is an annuitant; or
  - (c) The Annuitant to the extent only that the amount of the consideration was an amount described in subparagraph 60(1)(v) of the Act or in any amended or substituted provision therefor; or
  - (d) A registered retirement income fund or registered retirement savings plan of the Annuitant's spouse or former spouse pursuant to a decree, order, or judgement of a competent tribunal or a written separation agreement, relating to a division of property between the Annuitant and the Annuitant's spouse or former spouse in settlement of rights arising out of, or on the breakdown of, the Annuitant's marriage or common-law partnership; or
  - (e) A deferred profit sharing plan in respect of the Annuitant in accordance with subsection 147(19) of the Act; or
  - (f) A registered pension plan of which the Annuitant is a member; or
  - (g) A registered pension plan in accordance with subsection 147.3(5) or (7) of the Act or any amended or substituted provision therefor; or
  - (h) A specified pension plan in circumstances to which subsection 146(21) of the Act or any amended or substituted provision thereof applies; or
  - (i) A pooled registered pension plan in accordance with subsection 147.5(21) of the Act.
  - (j) Other sources that may be permitted from time to time by Applicable Tax Legislation.

Such transfers, together with any income there from, shall constitute a trust fund (the "Fund") to be used, invested and held subject to the terms of these Terms and Conditions.

**2. Payments:** The whole of the Fund shall be invested, used and applied by the Trustee only for the provision of payments to the Annuitant or, if applicable, to a surviving spouse as follows:

- (a) In each year commencing not later than the first complete calendar year after the Fund is established, the Trustee shall make one or more payments, the aggregate of which is not less than the minimum amount established in accordance with subsection 146.3(1) of the Act as amended from time to time, and not exceeding the value of the Fund immediately before any payment. The minimum amount for the year in which the RIF commences is nil.
- (b) No payment required to be made in accordance with the provisions hereof shall be capable of assignment in whole or in part.
- (c) On thirty (30) days written notice from the Annuitant, the Trustee shall in the prescribed form and manner, transfer all or part of the then current value of the Fund together with all information necessary for the continuance of the Fund, to another carrier of a registered retirement income fund of the Annuitant, provided that the minimum amount, as defined under subsection 146.3(1) of the Act is paid to the Annuitant, and that the Trustee will retain;
  - i. in the case of a Fund which does not govern a trust or where the Fund governs a trust created before 1998 that does not hold an annuity contract as a qualified investment, an amount equal to the lesser of:
    - A. the fair market value of such portion of the property as would, if the fair market value thereof does not decline after the transfer, be sufficient to ensure that the minimum amount under the Fund for the year in which the transfer is made may be paid to the annuitant in the year, and
    - B. the fair market value of all the property; and
  - ii. in all other cases, an amount sufficient to ensure that the total of:
    - A. all amounts each of which is the fair market value, immediately after the transfer, of a property held in connection with the Fund that is
      - (I) Property other than an annuity contract, or
      - (II) An annuity contract described immediately after the transfer, in paragraph (b.1) of the definition "qualified investment" in subsection 146.3 (1) of the Act and,
    - B. all amounts each of which is a reasonable estimate, as of the time of the transfer, of the amount of an annual or more frequent periodic payment under an annuity contract (other than an annuity contract described in clause (ii) (A) (II) above) that the trust may receive after the transfer and in the year of the transfer is not less than the amount, if any, by which the minimum amount under the Fund for that year exceeds the total of all amounts received out of or under the Fund before the transfer that are included in computing the income of the Annuitant under the Fund for that year.
- (d) On thirty (30) day's written notice from the Annuitant, the Trustee shall in the prescribed form and manner, transfer all or part of the Fund to: (a) an account of the annuitant under a pooled registered pension plan; or, (b) a registered pension plan of which the annuitant is a member or a prescribed registered pension plan provided the amount transferred is allocated to the annuitant under a money purchase provisions, all in accordance with subsection 146.3 (14.1) as the same may be amended from time to time or any applicable provision substituted therefor.

After affecting the transfer on such basis, the Trustee shall be discharged from all further duties and liabilities hereunder immediately following paying all amounts required hereunder.

**3. Death of the Annuitant:** In the event of death of the Annuitant prior to the Trustee paying all amounts required as provided in Paragraph 2, the Trustee shall, upon receipt of satisfactory evidence of such death, realize the interests of the Annuitant in the RIF, and subject to the deduction of all proper charges, including income tax, if any, required to be withheld, the proceeds of such realization shall be held by the Trustee for payment to the beneficiary, if any, designated pursuant to Paragraph 4, or to the legal personal representatives of the Annuitant, upon such beneficiary or representatives furnishing the Trustee with such releases and other documents as may be required or as counsel may advise, unless the Annuitant's spouse has been designated specifically as the successor annuitant of the Annuitant as provided for in Paragraph 4 or by will, in which case the Trustee shall continue the payments to the Annuitant's spouse in accordance with the provisions of Paragraph 2.



- 4. Designation of Successor Annuitant or Beneficiary:** The Annuitant, if domiciled in a jurisdiction designated by the Trustee as one in which a participant in a Retirement Income Fund may validly designate a beneficiary or a successor annuitant other than by will, may, by instrument in writing in form prescribed by the Trustee and delivered to the Trustee prior to the death of the Annuitant, designate his spouse as successor annuitant or any person as beneficiary to be entitled to receive the share of the Annuitant in the Fund on the death of the Annuitant. Such person shall be deemed to be the successor annuitant or designated beneficiary, as the case may be, of the Annuitant for the purposes of the RIF unless such person shall predecease the Annuitant or unless the Annuitant shall, by instrument in writing in form prescribed by the Trustee and delivered to the Trustee prior to the death of the Annuitant, revoke such designation. A designation shall only be made, altered or revoked by an instrument in a form provided by the Trustee for such purpose dated and signed by the Annuitant and filed with the Trustee prior to the Annuitant's death, or, if a provincial law does not allow such a designation, by the Annuitant's Will. If more than one designation has been filed in the form provided by the Trustee and if such designations are inconsistent, then to the extent of such inconsistency, payment shall be made only in accordance with the designation bearing the latest execution date and such designation shall be determinative of any inconsistency. The Trustee shall be fully discharged from any further obligations and liability in connection with the Plan upon payment being made in accordance with these Terms and Conditions.
- 5. Splitting of Assets on Breakdown of Marriage or Common-Law Partnership:** The Trustee will, upon receipt of written direction by the Annuitant, allow and arrange for the Splitting of Assets on breakdown of marriage or common-law partnership, pay or transfer, on behalf of the Annuitant, any property held thereunder to a Registered Retirement Savings Plan or Registered Retirement Income Fund under which the spouse or former spouse of the Annuitant is the annuitant if, at anytime of such transfer, the Annuitant and the spouse or former spouse are living separate and apart and the payment of or transfer is being effected pursuant to a decree, order, or judgment of a competent tribunal, or in accordance with a written separation agreement, relating to a division of property between the Annuitant and such spouse or former spouse in settlement of rights arising out of or on the breakdown of their marriage or common-law partnership, in accordance with subsection 146.3(14) of the Act or any amended or substituted provision therefor.

## HSBC InvestDirect Tax-Free Savings Account Declaration of Trust

### (This Declaration of Trust is for Tax-Free Savings Accounts only)

HSBC Trust Company (Canada), a trust company incorporated under the laws of Canada (hereinafter referred to as the "Trustee") hereby declares that it agrees to act as Trustee for the applicant/holder as defined in the Act (hereinafter referred to as "you") named in the application under the HSBC InvestDirect Tax-Free Savings Account (hereinafter referred to as "the Account") upon the following terms and conditions:

- 1. Registration:** The Trustee will file an election to register the Account as a tax-free savings account pursuant to the provisions of the Income Tax Act (Canada) as amended from time to time (hereinafter referred to as the "Act"), and any applicable income tax legislation in the province or territory of residence designated by you in the application upon the face hereof (the Act and such provincial or territorial income tax legislation being hereinafter collectively referred to as "Applicable Tax Legislation"). The Trustee will give all notices as to commencement and termination of the Account required under applicable legislation. The Account will comply with any applicable conditions from time to time imposed by the Act on tax-free savings accounts.
- 2. Delegation:** Without limiting the responsibilities of the Trustee under the Account, you expressly authorize the Trustee to delegate to HSBC Securities (Canada) Inc. or such other duly authorized agent or agents as it may appoint (hereinafter referred to as the "Agent") the performance of such duties and responsibilities of the Trustee under the Account as may be agreed upon from time to time between the Trustee and the Agent and which the Trustee may by law delegate to the Agent. Notwithstanding the foregoing, the Trustee acknowledges and confirms that the ultimate responsibility for the administration of the Account remains with the Trustee.

You also authorize the Trustee to, and the Trustee may, pay the Agent all or a portion of the fees paid by you to the Trustee under the Account and may reimburse the Agent for its out-of-pocket expenses in performing the duties and responsibilities delegated to the Agent by the Trustee and charge you therefor.

- 3. Minimum Age:** At the time of entering into the Account, you have attained the minimum age as specified in the Act.
- 4. Your Account:** The Trustee will maintain an account in your name which will record all contributions made to the Account, all investment transactions, investment income earned and expenses incurred and all payments from the Account.
- The Trustee will send you annual or more frequent statements setting forth the particulars of each transaction since the last statement. Upon the expiration of ninety (90) days from the date of the mailing of the statement to you, the Trustee shall be released and discharged from all liability and accountability to you or anyone else with respect to the Trustee's acts and transactions during the period of time covered by the statement.
- 5. Use of Account:** The Account will be maintained for the exclusive benefit of the holder (as hereinafter defined), disregarding any right of a person to receive a payment out of or under the Account only on or after the death of the holder. While there continues to be a holder of the Account, only the holder and the Trustee have any rights under the Account relating to the amount and timing of withdrawals and the investing of funds. In this Declaration of Trust, "holder" means, until your death, you, and at and after your death, your validly designated successor holder (as described in Paragraph 15(a)), if any.
- 6. Purpose of Account:** Contributions to the Account shall be invested, used and applied by the Trustee for the purpose of making distributions under the Account to the holder in accordance with the Act.
- 7. Contributions:** No person other than the holder may make contributions to the Account. The Trustee shall accept only such contributions, in a form acceptable to it, of cash, stocks, bonds, mutual funds or other securities (collectively the "Securities"), which are qualified investments for tax-free savings accounts within the meaning of the Act, as may be directed by you to be contributed to the Account. The contributions, together with any income therefrom, shall constitute a trust fund to be used, invested and held subject to the terms of this Declaration of Trust.
- You are solely responsible for ensuring that contributions to your Account do not exceed the maximum contribution limits permitted for tax-free savings accounts by the Act and that you do not make contributions to your Account while you are a non-resident of Canada for purposes of the Act. Neither the Trustee nor the Agent shall be liable for or in respect of any taxes, interest or penalties which may be imposed under the Applicable Tax Legislation if such excess contributions or contributions while a non-resident are made.
- 8. Investment:** The Trustee shall invest the contributions made to the Account from time to time in the Securities, as directed by you.
- 9. Qualified Investment:** The Trustee and the Agent (to the extent applicable) will exercise the care, diligence and skill of a reasonably prudent person to minimize the possibility that the Account holds a non-qualified investment, however, you are responsible for ensuring that the investments held in your Account are at all times qualified investments for your Account under the Act. The Trustee will notify you in accordance with the Act if an investment that is a non-qualified investment for your Account under the Act has been acquired or sold, or where an existing investment has become or ceased to be a non-qualified investment.
- 10. Prohibited Investment:** You are solely responsible for ensuring that the investments held in your Account do not at any time include a prohibited investment for your Account under the Act and to determine whether such investment could result in the imposition of any tax or penalty.
- 11. Taxes and Penalties on Non-Qualified and Prohibited Investments:** Neither the Trustee nor the Agent shall be liable for or in respect of any taxes, interest or penalties which may be imposed on you, the Account, the Trustee or the Agent under applicable legislation, including the Act, whether by way of assessment, reassessment or otherwise or for any other charges levied or imposed by any governmental authority, due to payments out of the Account or the purchase, sale or retention of any investment, including an investment that is a non-qualified investment or a prohibited investment for your Account under the Act. The Trustee is hereby authorized to reimburse itself and the Agent for, or may pay, any such taxes, interest, penalties or other charges (other than those taxes, interest or penalties for which the Trustee is liable in accordance with the Act and which cannot be charged against the assets of the Account in accordance with the Act) out of whichever assets of the Account it may choose in its absolute discretion and where necessary, the Trustee, in its absolute discretion, may liquidate investments of the Account to provide payment of such taxes, interest, penalties, reimbursements or other charges. You and your heirs, executors and administrators shall indemnify and hold harmless

at all times both the Trustee and the Agent in respect of any such taxes, interest, penalties or other charges imposed on either the Trustee or the Agent. Neither the Trustee nor the Agent shall be liable for any loss to or diminution of the assets of the Account resulting from any act or omission in connection with the affairs of the Account, except to the extent that such loss or diminution is directly caused by the Trustee's breach of the standard of care referred to in Paragraph 23 hereof.

**12. Refund of Certain Contributions:** The Trustee shall, upon written application by you, in a form satisfactory to the Trustee, pay a distribution out of the Account to you in order to reduce the amount of tax otherwise payable under the Act in respect of contributions made while a non-resident of Canada and contributions in excess of the maximum contribution limits permitted by the Act. The Trustee will not have any responsibility whatsoever for determining the amount of such distribution.

**13. Transfers:** Upon receipt of a written direction from you in a form satisfactory to the Trustee, the Trustee shall forthwith transfer, in accordance with the Act, all of the assets of the Account or such part thereof as is specified in your written direction together with all relevant information with respect to the Account to a person who has agreed to be the issuer of:

- (a) another tax-free savings account under which you are the holder; or
- (b) a tax-free savings account held by your spouse or former spouse if, at the time of such transfer, you and your spouse or former spouse are living separate and apart and the transfer is being effected pursuant to a decree, order or judgment of a competent tribunal, or in accordance with a written separation agreement, relating to a division of property between you and your spouse or former spouse in settlement of rights arising out of, or on the breakdown of, the marriage or common-law partnership.

Such transfer shall take effect in accordance with the Act and other applicable laws and within a reasonable time after all forms required by law and by the Trustee to be completed in respect of such transfer have been completed. Upon such transfer, the Trustee shall be subject to no further liability or duty with respect to the Account, or the portion thereof, so transferred, as the case may be.

**14. Withdrawals:** You may, in a form required by the Trustee, at any time request that the Trustee pay as distributions to you all or part of the assets held under the Account, and the Trustee may liquidate any investments held under the Account, to the extent deemed necessary for that purpose. Such payment shall be made by the Trustee subject to the deduction of all proper charges, if any.

**15. Death of Account Holder:** In the event of your death and upon receipt of satisfactory evidence of your death and all other documents the Trustee may reasonably request, the following will apply:

- (a) if a designation has been validly made in accordance with Paragraph 16 hereof, and if one or more of the person or persons so designated are alive at the time of your death, then
  - (i) if your spouse has been designated as the successor holder in accordance with this Declaration of Trust and any applicable laws, and is then alive, no payment is required on death. Your spouse will become holder of the Account and acquire all of your obligations and rights as holder of the Account (including the unconditional right to revoke any beneficiary designation made, or similar direction imposed, by you under the Account or relating to property held in connection with the Account), and all references herein to "you" will be deemed to refer to him or her. Notwithstanding the foregoing, a successor holder may not designate a subsequent spouse to hold the Account after his or her death pursuant to Paragraph 16(a); or
  - (ii) if your spouse has not been designated as the successor holder or has been so designated but is not alive at the time of your death, and if an individual has been designated by you as beneficiary in accordance with Paragraph 16 hereof who is alive at the time of your death, and if permitted by applicable law, the Trustee shall redeem the investments held in your Account and distribute in a lump sum the value of the Account, after deduction of all proper charges, to the beneficiary designated by you in accordance with this Declaration of Trust; and
- (b) in any other case:
  - (i) if your spouse has been designated as the successor holder by you by way of validly executed will and if your spouse is alive at the time of your death, no payment is required on death, and your spouse will be subject to the provisions described in (a)(i) of this Paragraph 15 as if your spouse had been designated as the successor holder in accordance with this Declaration of Trust and any applicable laws;

- (ii) if your spouse has not been designated as the successor holder or has been so designated, but is not alive at the time of your death, and if an individual has been designated by you as beneficiary by way of validly executed will who is alive at the time of your death, the Trustee shall redeem the investments held in your Account and distribute in a lump sum the value of the Account, after deduction of all proper charges, to the beneficiary designated by you in such will; or
  - (iii) in any other case the Trustee shall redeem the investments held in your Account and distribute in a lump sum the value of the Account, after deduction of all proper charges, to your personal representatives.
- (c) Notwithstanding the provisions of (a)(ii), (b)(ii) or (b)(iii) of this Paragraph 15, as the case may be, in the event that Trustee is not, for any reason, able to distribute the value of the Account, after deduction of proper charges, to the named beneficiary or your personal representatives, as the case may be, in accordance with such provisions prior to December 1st of the year following the year of your death, the Trustee is authorized to transfer the value of the Account, after deduction of proper charges, to a non-registered account established in the name of the beneficiary or your personal representatives, as the case may be, and to maintain such non-registered account until such time as the Trustee is able to distribute the proceeds of the account to the beneficiary or your personal representatives, as the case may be. For the sake of certainty, the foregoing transfer by the Trustee shall in no way be or be deemed to be a change or amendment to the person or persons beneficially entitled to the value of the Account, after deduction of proper charges.

**16. Designation of Successor Holder or Beneficiary:** If you are domiciled in a jurisdiction in which a participant in a tax-free savings account may validly designate a successor holder or beneficiary other than by will, you may by instrument in writing in the form prescribed by the Trustee and delivered in accordance with the terms of this Account to the Trustee prior to your death, designate (a) your spouse as successor holder of the Account; or (b) any person as beneficiary to be entitled to receive the proceeds payable under the Account in the event of your death.

Subject to the applicable laws, such person shall be deemed to be your successor holder or designated beneficiary, as the case may be, for the purposes hereof unless such person shall predecease you or unless you by instrument in writing in the form prescribed by the Trustee and delivered to the Trustee prior to your death or by your will, revoke such designation.

A designation shall only be made, altered or revoked by an instrument in a form provided by the Trustee for such purpose, dated and signed by you and filed with the Trustee prior to your death or by your will.

If more than one valid designation has been filed in the form provided by the Trustee and if such designations are inconsistent, then to the extent of such inconsistency, payment shall be made only in accordance with the designation bearing the latest execution date and such designation shall be determinative of any inconsistency. If a will has been validly executed after the date of the last valid designation and if the will contains a designation that is inconsistent with such designation, the Trustee may treat the will as containing the last valid designation. The Trustee shall be fully discharged from any further obligations and liability in connection with the Account upon payment being made in accordance with this Declaration of Trust.

**17. No Advantages:** No advantage (as defined for this purpose in the Act or any equivalent provision of Applicable Tax Legislation) in relation to the Account may be extended to, or received by, you, the Account, or any person who does not deal at arm's length with you.

**18. Trustee Fees and Disbursements:**

- (a) The Trustee shall be entitled to compensation for its services, and reimbursement of disbursements hereunder, in accordance with the fee schedule provided to you, as amended from time to time. Notice of amendments to such schedule shall be given to you and shall take effect no earlier than thirty (30) days from the date of such notice which may be effected in accordance with the method set out in Paragraph 22 hereof.
- (b) All fees, taxes and reimbursements of disbursements provided for hereunder shall be charged against and deducted from the investments of the Account, at such time or times during each year as the Trustee may, in its absolute discretion determine, and where necessary, the Trustee, in its sole and absolute discretion, may liquidate investments of the Account to provide for payment of such fees, taxes and reimbursements (other than those taxes, interest or penalties for which the Trustee is liable in accordance with the Act and which cannot be charged against the assets of the Account in accordance with the Act). The Trustee shall not be responsible for any loss which results from such liquidation.

- 19. Income Tax Information:** The Trustee will forward, or cause to be forwarded, to you appropriate forms and information regarding the Account as may be required under the Applicable Tax Legislation. Such forms and information shall be forwarded to the address set out in the application for the Account, or at any subsequent address of which you shall have notified the Trustee.
- 20. Tax Information for Citizens and Residents of Countries Outside of Canada:** If you are a citizen or resident of a country other than Canada, we strongly advise you to contact your professional tax advisor before investing in a Canadian tax-free savings account, and on a regular basis thereafter. It is important that you are aware of the foreign tax consequences and reporting and filing requirements, if any, associated with being the holder of a tax-free savings account. Failure to comply with any such foreign requirements can have significant penalties. As well, contributions to the Account while you are a non-resident of Canada may result in taxes, interest and penalties being imposed under the Act.
- 21. Amendments to Plan:** The Trustee may, from time to time at its discretion, amend this Declaration of Trust with the concurrence of the authorities administering the Applicable Tax Legislation:
- (a) without notice to you, provided that the amendment is made for the purpose of satisfying a requirement imposed by the Applicable Tax Legislation; and
  - (b) in all other cases, by giving you notice, as more fully described in the Terms and Conditions, provided that in all cases no such amendment will have the effect of disqualifying the Account as a tax-free savings account within the meaning of the Act.
- 22. Notices:** Any notice given by the Trustee to you shall be sufficiently given if mailed, postage prepaid, to you at the address set out in the application for the Account, or at any subsequent address of which you shall have notified the Trustee, and any such notice shall be deemed to have been given on the second business day following the day of mailing. Any notice to the Trustee hereunder shall be sufficiently given if delivered or mailed postage prepaid to HSBC Securities Tax-Free Savings Account c/o HSBC Securities (Canada) Inc., or at such other address as the Trustee may from time to time specify in writing, and shall be deemed to have been given on the date that such notice is actually delivered to or received by the Trustee or HSBC Securities (Canada) Inc. as the case may be.
- 23. Standard of Care and Trustee's Liability:** In exercising its powers and performing its responsibilities hereunder, the Trustee shall act honestly and in good faith. The Trustee shall not be liable for any loss to, or diminution of the assets of the Account, or for any loss suffered by you or any beneficiary under the Account, resulting from any act or omission in connection with the affairs of the Account, except to the extent that such loss or diminution is directly caused by the Trustee's breach of the standard of care referred to herein.
- 24. Agent's Liability:** The Trustee's Agent, its subsidiaries and affiliates and each of their respective officers, directors, employees and agents shall not be liable for the following:
- (a) Any loss or diminution suffered by the Account, by you or any beneficiary under the Account as a result of the acquisition, disposition or retention of any investments; or
  - (b) Any loss to or diminution of the assets of the Account except for any loss or diminution caused by the Agent's wilful misconduct or lack of good faith.
- The Agent, its subsidiaries and affiliates and each of their respective officers, directors, employees and agents shall not be liable for any loss or damages whether direct or indirect resulting from the delay or failure of any of them in forwarding to you any information received by them concerning investments.
- 25. Indemnity:** You, any beneficiary receiving proceeds payable under Paragraph 15, and your heirs, executors and legal representatives agree to indemnify at all times the Trustee, the Agent, its subsidiaries and affiliates and each of their respective officers, directors, employees and agents against and hold them harmless from all taxes, interest, penalties, assessments, expense, loss, liability, claims, and demands whatsoever arising out of the holding and depositing of the investments to the Account or anything done hereunder.
- 26. Proof of Age:** The statement of your date of birth on the application for the Account shall constitute a certification by you and an undertaking to furnish such further evidence of proof of age as may be required for purposes of the Account.

**27. Use as Security for a Loan:** You may use your interest or, for civil law, right in the Account as security for a loan or other indebtedness provided that:

- (a) the terms and conditions of the indebtedness are those which persons dealing at arm's length with each other would have entered into; and
- (b) it can reasonably be concluded that none of the main purposes for such use is to enable a person (other than the holder) or a partnership to benefit from the exemption from tax provided by the Account.

To the extent the rights outlined in Paragraph 5 and Paragraph 13(a) are inconsistent with using an interest or right in the Account as security for a loan or other indebtedness, Paragraph 5 and Paragraph 13(a) will not apply.

**28. Borrowing Money:** The Account may not borrow money or other property.

**29. Trustee as Subsidiary:** You acknowledge that the Trustee is a wholly-owned subsidiary of HSBC Bank Canada and that it may periodically have dealings with HSBC Bank Canada, its affiliates or other subsidiaries (the "Bank") in the performance of its duties. You authorize and direct the Trustee, in the exercise of its powers under this Declaration of Trust to have such dealings (and enter into transactions) with the Bank, to purchase securities or deposit instruments of or guaranteed by the Bank, to deposit cash with the Bank, or to purchase services from the Bank, provided such dealings and transactions are made on terms no less favourable than market terms and conditions and competitive and fair rates.

**30. Replacement of Trustee:** The Trustee may resign its trust and be discharged from all further duties and liabilities hereunder upon sixty (60) days' notice in writing to you, or such shorter notice as you shall accept as sufficient, provided that a successor trustee has been appointed in writing by HSBC Securities (Canada) Inc. and the successor trustee has accepted such appointment. In the event of a change of trustee, the Trustee shall transfer the Account in such form and manner as may be prescribed by the Act together with such information as is necessary to continue the administration thereof to the successor trustee within ninety (90) days after giving notice in writing to you of such resignation.

If a successor trustee cannot be found, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor trustee. In such event, HSBC Securities (Canada) Inc. shall bear the costs incurred by the Trustee in appointing a successor trustee.

**31. Applicable Laws:** This Declaration of Trust shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein except that the term "spouse" includes any person who is recognized as a spouse or common-law partner for the purposes of any provision of the Act respecting tax-free savings accounts.

**32. Quebec Only:** It is the express wish of the parties that this Declaration of Trust and any related documents be drawn up and executed in English. *Les parties conviennent que la présente convention et tous les documents s'y rattachant soient rédigés et signés en anglais.*

**33. Binding Agreement:** The terms and conditions of this Declaration of Trust shall be binding upon your heirs, executors, administrators and assigns and upon the successors and assigns of the Trustee.



# Strip Bonds and Strip Bond Packages Information Statement

**We are required by provincial securities regulations to provide you with this Information Statement before you can trade in strip bonds or strip bond packages based on bonds of the Government of Canada, a Canadian province, or certain foreign governments or political subdivisions thereof. Please review it carefully.**

## **Preliminary Note Regarding the Scope of This Information Statement**

This information statement relates to strip securities that are based on bonds of the Government of Canada, a Canadian province, or certain foreign governments or political subdivisions thereof. Provincial securities regulations create an exemption from dealer registration and prospectus requirements for these types of securities.

Strip securities may also be based on Canadian corporate bonds. While some of the information in this Information Statement may also be relevant to corporate bond-based strips, corporate bond-based strips are outside the scope of this Information Statement. If you are planning to purchase a strip or strip package based on a corporate Canadian bond, please note that such securities are not governed by the regulations referred to above, but rather, may be subject to certain decisions issued by Canada's securities regulatory authorities exempting certain Canadian corporate bond-based strip securities from various regulatory requirements, including Section 2.1 of National Instrument 44-102 – *Shelf Distributions* and Section 2.1 of National Instrument 44-101 – *Short Form Prospectus Distributions*. See e.g. *RBC Dominion Securities Inc. et al.*, (2013) 36 OSCB 3867 (Apr. 8), online: [www.osc.gov.on.ca/en/SecuritiesLaw\\_ord\\_20130411\\_2110\\_rbc-dominion.htm](http://www.osc.gov.on.ca/en/SecuritiesLaw_ord_20130411_2110_rbc-dominion.htm). Pursuant to each such decision, Canadian securities dealers file with the applicable Canadian securities regulatory authorities a short form base shelf prospectus and certain supplements thereto, pursuant to which certain Canadian corporate-bond based strip securities may be distributed on an on-going basis without a full prospectus (the "CARs<sup>1</sup> and PARs<sup>2</sup> Programme"). For each decision, the applicable shelf prospectus and its supplements may be found on the System for Electronic Document Analysis and Retrieval or "SEDAR" at [www.sedar.com](http://www.sedar.com).

**Risk and other disclosures relating to securities issued as part of the CARs and PARs Programme are set forth in the shelf prospectus and supplements published on SEDAR, and investors considering purchasing such securities are advised to consult these documents, since considerations unique to securities issued as part of the CARs and PARs Programme are not addressed herein.**

## **Strip Bonds and Strip Bond Packages ("Strips")**

A strip bond—commonly referred to as a "strip"—is a fixed-income product that is sold at a discount to face value and matures at par. This means the holder is entitled to receive the full face value at maturity. Strips do not pay interest, but rather, the yield at the time of purchase is compounded semi-annually and paid at maturity. Since the return on a strip is fixed at the time of purchase, strips may be a suitable investment where the holder requires a fixed amount of funds at a specific future date.

A strip is created when a conventional debt instrument, such as a government or corporate bond, discount note or asset-backed security (i.e., the "underlying bond"), is separated into its "interest" and "principal" component parts for resale. Components are fungible and may be pooled together where they share the same issuer, payment date and currency and have no other distinguishing features. The two types of components may be referred to as follows:

- The "coupon": the interest-paying portion of the bond; and
- The "residual": the principal portion.

A strip bond package is a security comprised of two or more strip components. Strip bond packages can be created to provide holders with a regular income stream, similar to an annuity, and with or without a lump sum payment at maturity.<sup>3</sup> By laddering strips with staggered maturities or other payment characteristics, holders can strategically manage their cash flow to meet their future obligations and specific needs.

<sup>1</sup> CARs are corporate strip bonds comprised of coupon and residual securities.

<sup>2</sup> PARs are a form of strip bond package where the coupon rate is reduced to current yields, thus allowing the package to be sold at par.

<sup>3</sup> A bond-like strip bond package has payment characteristics resembling a conventional bond, including regular fixed payments and a lump-sum payment at maturity. In contrast, an annuity-like strip bond package provides regular fixed payments but no lump-sum payment at maturity.

## Strips vs. Conventional Bonds

Strips are offered on a variety of terms and in respect of a variety of underlying bonds, including government bonds issued by the Government of Canada or provincial, municipal and other government agencies, or a foreign government. CARs and PARs are examples of strips derived from high-quality corporate bonds. Some differences between strips and conventional bonds that you may wish to consider include the following:

- strips are sold at a discount to face value and mature at par, similar to T-bills. Unlike conventional interest-bearing debt securities, strips do not pay interest throughout the term to maturity; rather, the holder is entitled to receive a fixed amount at maturity. The yield or interest earned is the difference between the discounted purchase price and the maturity value; thus, for a given par value, the purchase price for a strip will typically be lower the longer the term to maturity;
- a strip with a longer term to maturity will generally be subject to greater price fluctuations than a strip of the same issuer and yield but with a shorter term to maturity;
- strips typically offer higher yields over T-Bills, GICs and term deposits, and over conventional bonds of the same issuer, term and credit rating;
- the higher yield offered by strips reflects their greater price volatility. Like conventional bonds, the price of a strip is inversely related to its yield. Thus, when prevailing interest rates rise, strip prices fall, and vice versa. However, the rise or fall of strip prices is typically more extreme than with conventional bonds of the same issuer, term and credit rating. The primary reason for this greater volatility is that no interest is paid in respect of a strip bond prior to its maturity;
- unlike conventional bonds that trade in \$1,000 increments, strips may be purchased in \$1 multiples above the minimum investment amount, thereby enabling a holder to purchase a strip for any desired face value amount above the minimum investment amount; and
- strips are less liquid than conventional bonds of the same issuer, term and credit rating: there may not be a secondary market for certain strips and strip bond packages, and there is no requirement or obligation for investment dealers or financial institutions to maintain a secondary market for strips sold by or through them; as a result, purchasers should generally be prepared to hold a strip to maturity, since they may be unable to sell it—or only able to sell it at a significant loss—prior to maturity.

## Dealer Mark-ups and Commissions

When purchasing or selling a strip bond or a strip bond package, the prospective purchaser or seller should inquire about applicable commissions (mark-ups or mark-downs) when executing the trade through an investment dealer or financial institution, since such commissions will reduce the effective yield (if buying) or the net proceeds (if selling). Investment dealers must make reasonable efforts to ensure the aggregate price, inclusive of any mark-up or mark-down, is fair and reasonable taking into consideration all reasonable factors. Commissions quoted by investment dealers generally range between \$0.25 to \$1.50 per \$100 of maturity amount of the strip, with commissions typically at the higher end of this range for small transaction amounts, reflecting the higher relative costs associated with processing small trades.

The table below illustrates the after-commission yield to a strip holder with different terms to maturity and assuming a before-commission yield of 5.5%. All of the yield numbers are semi-annual. For example, a strip bond with a term to maturity of one year and a commission of 25 cents per \$100 of maturity amount has an after-commission yield of 5.229%. The before-commission cost of this particular strip bond will be \$94.72 per \$100 of maturity amount while the after-commission cost will be \$94.97 per \$100 of maturity amount. In contrast, a strip bond with a term to maturity of 25 years and a commission of \$1.50 per \$100 of maturity amount has an after-commission yield of 5.267%. The before-commission cost of this particular strip bond will be \$25.76 per \$100 of maturity amount while the after-commission cost will be \$27.26 per \$100 of maturity amount.<sup>4</sup>

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<sup>4</sup> The purchase price of a strip bond may be calculated as follows:

$$\text{Purchase Price} = \text{Maturity (Par) Value} / (1 + y/2)^{2n}$$

where “y” is the applicable yield (before or after commission) and “n” is the number of years until maturity. For example, the purchase price (per \$100 of maturity value) for a strip bond that has a yield of 5.5% and 25 years until maturity is:  $100/(1+0.0275)^{50} = \$25.76$ .

Commission or dealer mark-up amount (per \$100 of maturity amount)	Term to maturity in years and yield after commission or dealer mark-up (assuming a yield before commission of 5.5%)					
	1	2	5	10	15	25
\$0.25	5.229%	5.357%	5.433%	5.456%	5.462%	5.460%
\$0.75	4.691%	5.073%	5.299%	5.368%	5.385%	5.382%
\$1.50	3.892%	4.650%	5.100%	5.238%	5.272%	5.267%

**Prospective purchasers or sellers of strips should ask their investment dealer or financial institution about the bid and ask prices for strips and may wish to compare the yield to maturity of the strip, calculated after giving effect to any applicable mark-up or commission, against the similarly calculated yield to maturity of a conventional interest-bearing debt security.**

### Secondary Market and Liquidity

Strips may be purchased or sold through investment dealers and financial institutions on the “over-the-counter” market rather than on an exchange. Where there is an active secondary market, a strip may be sold by a holder prior to maturity at the prevailing market price in order to realize a capital gain or to access funds. However, liquidity may be limited for certain strip bonds and strip bond packages, and, as noted above, investment dealers and financial institutions are not obligated to maintain a secondary market for strips sold by or through them. **As a result, there can be no assurance that a market for particular strip bonds or strip bond packages will be available at any given time, and investors should generally be prepared to hold strips to maturity or run the risk of taking a loss.**

### Other Risk Considerations

Potential purchasers of strips should conduct their own research into the term, yield, payment obligations and particular features of a strip prior to purchase. While not an exhaustive list, you may wish to consider some of the following potential risks:

*Credit risk of the issuer* – strips represent a direct payment obligation of the government or corporate issuer, thus any change to an issuer’s credit rating or perceived credit worthiness may affect the market price of a strip, and the impact may be more severe than the impact on conventional bonds of the same issuer.

*Interest rate risk* – if interest rates rise, the market value of a strip will go down, and this drop in market value will typically be more severe than the drop in market value for the corresponding conventional bond from the same issuer for the same term and yield. If interest rates rise above the yield of the strip at the time of purchase, the market value of the strip may fall below the original price of the strip.

*Market and liquidity risk* – strips are not immune to market or liquidity risks and may have specific terms and conditions that apply in the event of a market disruption or liquidity event. If liquidity is low, it may be difficult to sell a strip prior to maturity and there may be large spreads between the bid and ask prices. **There can be no assurance that a market for particular strip bonds or strip bond packages will be available at any given time.**

*Currency risk* – strips may pay out in a currency other than Canadian dollars. Currency fluctuations may enhance, nullify or exacerbate your investment gains or losses.

*Component risk* – you should ensure that you understand and are comfortable with the underlying components, terms, risks and features of a strip bond or strip bond package prior to purchase. For example, strips may be derived from asset-backed securities or callable or retractable bonds, and may have features such as inflation indexation or structured payments.

*Price volatility* – strips are generally subject to greater price volatility than conventional bonds of the same issuer, term and credit rating, and will typically be subject to greater price fluctuations in response to changes to interest rates, credit ratings and liquidity and market events. The table below shows the impact that prevailing interest rates can have on the price of a strip. For example, as indicated in the table below, an increase in interest rates from 6% to 7% will cause the price of a 5 year strip bond with a maturity value of \$100 to fall by 4.73%—a larger percentage drop than for a \$100 5 year traditional bond, whose price would fall only 4.16%, assuming the same increase in interest rates.

### Market Price Volatility

Bond Type	Market Price	Market Yield	Price with Rate Drop to 5%	Price Change	Price with Rate Increase to 7%	Price Change
6% 5 Year Bond	\$100.00	6.00%	\$104.38	+ 4.38%	\$95.84	- 4.16%
5 Year Strip Bond	\$74.41	6.00%	\$78.12	+ 4.99%	\$70.89	- 4.73%
6% 20 Year Bond	\$100.00	6.00%	\$112.55	+ 12.55%	\$89.32	- 10.68%
20 Year Strip Bond	\$30.66	6.00%	\$37.24	+ 21.49%	\$25.26	-17.61%

### Custodial Arrangements

Due to the high risk of forgery, money laundering and similar illegal activities—and the costs associated with such risks—with physical strips and bearer instruments, most investment dealers and financial institutions will only trade or accept transfer of book-based strips. CDS Clearing and Depository Services Inc. (“CDS”) provides strip bond services, including book-based custodial services for strips and underlying bonds. Custodian banks or trust companies may also create and take custody of strips that are receipt securities, and may permit holders to obtain a registered certificate or take physical delivery of the underlying coupon(s) or residue(s). However, if the holder decides to take physical delivery, he or she should be aware of the risks, including the risk of lost ownership, associated with holding a bearer security which cannot be replaced. In addition, the holder should be aware that the secondary market for physical strips may be more limited than for book-based strips due to the risks involved. Investors in strip components held by and at CDS are not entitled to a physical certificate if the strips are Book Entry Only.

### Canadian Income Tax Summary

The Canadian income tax consequences of purchasing strip bonds and strip bond packages are complex. Purchasers of strip bonds and strip bond packages should refer questions to the Canada Revenue Agency (<http://www.cra-arc.gc.ca/>) or consult their own tax advisors for advice relating to their particular circumstances.

The following is only a general summary regarding the taxation of strip bonds and strip bond packages under the *Income Tax Act (Canada)* (the “Tax Act”) for purchasers who are residents of Canada and hold their strip bonds and strip bond packages as capital property for purposes of the Tax Act. The following does not constitute legal advice.

### Qualified Investments

Strip bonds and strip bond packages that are issued or guaranteed by the Government of Canada or issued by a province or territory of Canada are “qualified investments” under the Tax Act and are therefore eligible for purchase by trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts (“Registered Plans”). Depending on the circumstances, strip bonds issued by corporations may also be “qualified investments” for Registered Plans.

### Annual Taxation of Strip Bonds

The Canada Revenue Agency takes the position that strip bonds are a “prescribed debt obligation” within the meaning of the Tax Act. Consequently, a purchaser will be required to include in income in each year a notional amount of interest, notwithstanding that no interest will be paid or received in the year. Strips may therefore be more attractive when purchased and held in non-taxable accounts, such as self-directed Registered Plans, pension funds and charities.

In general terms, the amount of notional interest deemed to accrue each year will be determined by using the interest rate which, when applied to the total purchase price (including any dealer mark-up or commission) and compounded at least annually, will result in a cumulative accrual of notional interest from the date of purchase to the date of maturity equal to the amount of the discount from face value at which the strip bond was purchased.

For individuals and certain trusts, the required accrual of notional interest in each year is generally only up to the anniversary date of the issuance of the underlying bond. For example, if a strip bond is purchased on February 1 of a year and the anniversary date of the issuance of the underlying bond is June 30, only five months of notional interest accrual will be

required in the year of purchase. However, in each subsequent year, notional interest will be required to be accrued from July 1 of that year to June 30 of the subsequent year (provided that the strip bond is still held on June 30 of the subsequent year).

In some circumstances the anniversary date of the issuance of the underlying bond may not be readily determinable. In these circumstances individual investors may wish to consider accruing notional interest each year to the end of the year instead of to the anniversary date.

A corporation, partnership, unit trust or any trust of which a corporation or partnership is a beneficiary is required for each taxation year to accrue notional interest to the end of the taxation year and not just to an earlier anniversary date in the taxation year.

### ***Disposition of Strip Bonds Prior To Maturity***

A purchaser who disposes of a strip bond prior to, or at, maturity, is required to include in the purchaser's income for the year of disposition notional interest accrued to the date of disposition that was not previously included in the purchaser's income as interest. If the amount received on a disposition exceeds the total of the purchase price and the amount of all notional interest accrued and included in income, the excess will be treated as a capital gain. If the amount received on disposition is less than the total of the purchase price and the amount of all notional interest accrued and included in income, the difference will be treated as a capital loss.

### ***Strip Bond Packages***

For tax purposes, a strip bond package is considered a series of separate strip bonds with the income tax consequences as described above applicable to each such component of the strip package. Thus a purchaser of a strip bond package will normally be required to make a calculation in respect of each component of the strip bond package and then aggregate such amounts to determine the notional interest accrued on the strip bond package. As an alternative, in cases where the strip bond package is issued at or near par and is kept intact, the Canada Revenue Agency will accept tax reporting that is consistent with reporting for ordinary bonds (i.e., reported on a T5 tax slip as accrued interest where it is matched by cash flow), including no obligation to report premium or discount amortization where the strip bond package is subsequently traded on the secondary market.

## **National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer Form 54-101F1 Explanation to Clients**

In this section, "you," "your" and "yours" mean the Client and "we," "us" and "our" mean HSBC Securities.

The securities held in your account with us are not registered in your name but in our name or the name of another person or company holding your securities on our behalf. As a result, the issuers of the securities in your account may not know the identity of the beneficial owner of these securities.

Please provide your instructions by completing the "National Instrument 54-101" section of this application form.

### **PART 1 – Disclosure of Beneficial Ownership Information**

Securities law permits reporting issuers, other persons and companies to send materials related to the affairs of the reporting issuer directly to the beneficial owner of the reporting issuer's securities if the beneficial owner does not object to having information about them disclosed to the reporting issuer or other persons and companies.

This section of the application form allows you to tell us if you **OBJECT** to the disclosure by us to the reporting issuer or other persons or companies of your name, address, electronic mail address, securities holdings and preferred language of communication. Securities legislation restricts the use of your beneficial ownership information to matter relating to the affairs of the reporting issuer

- i. If you **DO NOT OBJECT** to the disclosure of that information, please mark the first box in Part 1. In those circumstances, you will not be charged with any costs associated with sending security-holder materials to you.
- ii. If you **OBJECT** to the disclosure of this information by us, please mark the second box in Part 1. If you **OBJECT**, all materials to be delivered to you as a beneficial owner of securities will be delivered by us. We are permitted to charge you the reasonable costs incurred by us in making those deliveries.

## PART 2 – Receiving Security-holder Materials

For securities that you hold through your account, you have the right to receive proxy-related materials that have been sent by reporting issuers to the registered security-holders in connection with meeting of such security-holders. Among other things, this will permit you to receive the necessary information and allow you to have your securities voted in accordance with your wishes at a security-holder meeting.

In addition, reporting issuers may choose to send other security-holder materials to beneficial owners, although they are not obliged to do so.

Securities law permits you to decline to receive three types of security-holders materials. The three types of material that you may decline to receive are:

- (a) Proxy-related materials including annual reports and financial statements that are sent in connection with a security-holder meeting ;
- (b) Annual reports and financial statements that are not part of the proxy-related materials; and
- (c) Materials that a reporting issuer or other person or company sends to security-holders that are not required by corporate or securities law to be sent to registered security-holders.

This section of the application allows you to receive all materials sent to beneficial owners of securities or to decline to receive the three types of material referred to above.

- i. If you want to receive **ALL** materials sent to beneficial owners of securities, please mark the first box in Part 2.
- ii. If you want to **DECLINE** to receive the three types of materials referred to above, please mark the second box in Part 2.

Even if you decline to receive the three types of materials referred to above, a reporting issuer or other person or company is entitled to deliver these materials to you, provided that the reporting issuer pays all costs associated with the sending of security-holder materials. These materials would be delivered to you through your intermediary if you have objected to the disclosure of your beneficial ownership information to reporting issuers.

## PART 3 – Preferred Language of Communication

This section of the application allows you to tell us your preferred language of communication (English or French). You will receive materials in your preferred language of communication if the materials are available in that language.

### Contact

If you have any questions or want to change your instructions in the future, please contact us at 1-800-760-1180.



# Resolving Your Complaints

## We're here to listen

At HSBC InvestDirect - a division of HSBC Securities (Canada) Inc. - we are sensitive to your needs and would like to hear any complaints you may have so we can serve you better. We are here to listen and help. To quickly address any issues you may have, we have designed a simple customer complaint process. The process begins with contacting your local HSBC InvestDirect. We believe many of your concerns can be successfully resolved by HSBC InvestDirect, where staff have both the training and authority to arrive at a solution. You can be assured that we will resolve your complaint as soon as possible.

## Steps that HSBC Securities will follow in handling your complaint

As a division of HSBC Securities (Canada) Inc., which is a member firm of the Investment Industry Regulatory Organization of Canada (IIROC), HSBC InvestDirect is required to ensure that client complaints are handled in an effective, fair and expeditious manner. Summarized below are the steps that will be taken in the review of your complaint:

1. Your complaint is received by HSBC InvestDirect.
2. The nature of the complaint is determined and someone is assigned to handle it:
  - complaints involving alleged misconduct will be handled by the Compliance Department
  - complaints relating to customer service issues will be handled by the HSBC InvestDirect Management Team
3. Receipt of your complaint is acknowledged within five (5) business days. This acknowledgement may include a request for you to provide additional information if reasonably required to investigate the complaint, and will include the contact information for the individual handling the complaint.
4. Account documentation (such as your application forms and monthly statements) relevant to the complaint is reviewed.
5. Any internal comments and supporting HSBC InvestDirect documentation related to the concerns raised in the complaint are also reviewed.
6. A balanced assessment of your concerns against the internal information collected is undertaken by the individual handling the complaint.
7. A substantive response letter is sent to you no later than ninety (90) days of receipt of your complaint. This letter will outline the results of the review, the firm's final decision(s), and any proposed remedial steps and escalation options available to you should you be dissatisfied with the outcome of the complaint handling process.
8. If, due to unforeseen or uncontrollable circumstances, a substantive response letter cannot be issued within ninety (90) days of receipt of your complaint, a letter will be sent to you within the ninety (90) day time frame outlining the reason(s) for the delay and the new estimated time for completion of the firm's review.

## Where to go if you have a complaint or concern about procedures, compliance standards or any other matter with the HSBC group of companies in Canada†

We are committed to setting the highest customer service standards in the financial services industry. We hope you will give us the opportunity to correct any situation you may encounter that does not meet expectations.

If you have any concerns about a procedure, privacy or compliance issue, or have encountered a problem with our service, we want to know about it. To help resolve your complaint quickly and efficiently, you should contact one of the following offices, in the order provided:

1. HSBC InvestDirect
2. Head of HSBC InvestDirect
3. Compliance Department/Designated Complaints Officer
4. Internal Independent Bodies: HSBC Commissioner of Complaints/HSBC Office of Privacy Officer

5. Ombudsman for Banking Services and Investments
6. Other External Bodies: Investment Industry Regulatory Organization of Canada/Office of the Privacy Commissioner of Canada

### **1. Filing a complaint at HSBC InvestDirect**

If you have a complaint or concern, the first place to make it known is at your local HSBC InvestDirect. Staff are trained to do everything they can to correct the situation and to respond to complaints promptly. They can also provide you with specific details on policy concerning permitted sales practices and other compliance issues including information about HSBC's privacy policies and a copy of HSBC's Privacy Code. If your concerns remain unresolved or if your concerns relate to any alleged misconduct, you should ask to speak with the HSBC InvestDirect Management Team who will undertake further investigation and action. You may also have your concerns directed to the HSBC InvestDirect Management Team by contacting the following:

Toll-free telephone: 1-800-760-1180

Email: [investdirect@hsbc.ca](mailto:investdirect@hsbc.ca)

### **2. Office of the Head of HSBC InvestDirect**

Sometimes, a situation cannot be resolved to your satisfaction. In such cases, you may also write to the Head of HSBC InvestDirect. If necessary, the Head of HSBC InvestDirect will initiate further investigation into your concerns and ensure that you receive a written response. You may contact the Head of HSBC InvestDirect at the following:

Head of HSBC InvestDirect  
HSBC InvestDirect  
3381 Steeles Avenue East, Suite 300  
Toronto, Ontario M2H 3S7

### **3. Filing your complaint with the Compliance Department of Designated Complaints Officer**

If your complaint deals with conduct related concerns, you may direct your complaint at any time to the Compliance Department at HSBC Securities (Canada) Inc. Additionally, if you wish to express concerns with the manner in which your complaint was previously handled by an HSBC InvestDirect representative, you may escalate your concerns with the Designated Complaints Officer, who is a senior member of the Compliance Department and responsible for the oversight of the firm's complaint handling procedures. Receipt of your complaint will be acknowledged in writing and your concerns will be investigated before a written response is provided. You may contact the Compliance Department at the following:

Designated Complaints Officer  
Compliance Department  
HSBC Securities (Canada) Inc.  
5th Floor - 70 York Street  
Toronto, Ontario M5J 1S9  
Email: [hsbcsecurities\\_complaints@hsbc.ca](mailto:hsbcsecurities_complaints@hsbc.ca)

### **4. Internal Independent Bodies**

If you are not completely satisfied with the resolution reached after pursuing other HSBC channels, you may escalate your complaint to the HSBC Commissioner of Complaints or, if your complaint relates to privacy, the HSBC Office of the Privacy Officer.

#### **The HSBC Commissioner of Complaints**

HSBC has established a Commissioner of Complaints to help with unresolved matters if you feel your complaint has not been adequately addressed.

Receipt of your request will be acknowledged by email, telephone or mail according to your preference. On completion of a detailed investigation, the HSBC Commissioner of Complaints will provide you with a written response containing details of its investigation, its decision and an explanation on how this decision was reached.

The HSBC Commissioner of Complaints will only address your concern once they have been fully investigated by the other HSBC channels. The HSBC Commissioner of Complaints can be reached at:

HSBC Commissioner of Complaints  
2910 Virtual Way  
Vancouver, BC V5M 0B2  
Toll-free telephone: 1-800-343-1180  
Fax: 1-604-673-3202  
Email: commissioner\_complaints@hsbc.ca

### **The Office of the Privacy Officer**

If you have unanswered questions, or unresolved concerns or complaints about the way in which personal information is collected, used or disclosed by HSBC, you may contact HSBC's Privacy Officer. Receipt of your complaint will be acknowledged in writing or by telephone. Upon completion of a detailed investigation the Privacy Officer will provide a written response. You may contact the HSBC Office of the Privacy Officer at the following:

HSBC Office of the Privacy Officer  
2910 Virtual Way  
Vancouver, BC V5M 0B2  
Toll-free telephone: 1-866-373-2738  
Fax: (604) 647-2758  
Email: privacy\_officer@hsbc.ca

A copy of the HSBC Privacy Code is available through your local HSBC office, from the Office of the Privacy Officer or the HSBC website at [www.hsbc.ca](http://www.hsbc.ca).

## **5. Ombudsman for Banking Services and Investments**

HSBC is a member of the Ombudsman for Banking Services and Investments (OBSI). This is an independent external complaints body, approved by the Ministry of Finance, responsible for assisting financial services customers with their concerns.

If you do not feel appropriate action was taken by HSBC to resolve your concerns, you should write or call the Ombudsman for Banking Services and Investments. You may refer your complaint to OBSI within 180 calendar days from the date of the firm's response to your complaint.

OBSI may contact HSBC's internal complaint resolution staff, including the HSBC Commissioner of Complaints, to facilitate the earliest possible resolution of your complaint. If you wish, the HSBC Commissioner of Complaints can assist you in forwarding your concerns to OBSI.

Ombudsman for Banking Services and Investments  
401 Bay Street, Suite 1505, P.O. Box 5  
Toronto, Ontario M5H 2Y4  
Toll-free telephone: 1-888-451-4519  
Toll-free fax: 1-888-422-2865  
Web site: [www.obsi.ca](http://www.obsi.ca)  
Email: [ombudsman@obsi.ca](mailto:ombudsman@obsi.ca)

## **6. Other External Bodies**

### **Investment Industry Regulatory Organization of Canada**

HSBC Securities (Canada) Inc. is a member of the Investment Industry Regulatory Organization of Canada (IIROC). Investors who have a dispute with their investment dealer or advisor may file a complaint with IIROC. Recommending unsuitable investments, performing transactions without client approval or encouraging an excessive number of transactions are all examples of improper practices that may warrant an escalation to IIROC. You may contact IIROC as follows:

Toll-free telephone: 1-877-442-4322  
Web site: [www.iiroc.ca](http://www.iiroc.ca) > Investors > Making a Complaint

## **The Office of the Privacy Commissioner of Canada**

If you do not feel appropriate action was taken by the HSBC Privacy Officer to resolve your privacy concerns, you may write or call the Privacy Commissioner of Canada. The Privacy Commissioner of Canada is an independent office responsible for assisting customers with their privacy concerns. If you wish, the HSBC Privacy Officer can assist you in forwarding your concerns to the Privacy Commissioner of Canada.

The Privacy Commissioner of Canada  
112 Kent Street, Place de Ville  
Tower B, 3rd Floor  
Ottawa, Ontario K1A 1H3  
Telephone: (613) 947-1698  
Toll-free telephone: 1-800-282-1376  
Fax: (613) 947-6850

## **HSBC Mutual Funds**

Complaints or concerns specifically involving HSBC Mutual Funds can be directed to one of the following offices:

1. HSBC InvestDirect
2. HSBC Securities (Canada) Inc.  
Chief Compliance Officer\*
3. Individual Provincial Securities Commission  
\*Chief Compliance Officer  
HSBC Securities (Canada) Inc.  
5th Floor - 70 York Street  
Toronto, Ontario M5J 1S9  
Email: [hsbcsecurities\\_complaints@hsbc.ca](mailto:hsbcsecurities_complaints@hsbc.ca)

## **Voluntary Commitments and Codes of Conduct**

Voluntary Codes of Conduct are commitments and guidelines on standards of business practice designed to protect you, our customer. At HSBC, we are committed to the following Codes of Conduct:

### **Principles of Consumer Protection for Electronic Commerce**

Our commitment to respect guidelines on protecting customers when using electronic channels for financial services, including over the Internet.

### **Guidelines for Transfers of Registered Plans**

Our commitment to respect guidelines regarding transfers of registered savings plans.

### **Code of Conduct for Authorized Insurance Activities**

Our commitment to respect guidelines on offering authorized insurance products.

*Note: For a full description of these codes please contact your branch or visit [www.hsbc.ca](http://www.hsbc.ca)*

## **We are always ready to help**

HSBC is committed to delivering a world-class customer experience. If you have any concerns, please let us know so we can serve you better.

<sup>†</sup> In this brochure, "HSBC" includes HSBC Bank Canada and its subsidiaries: HSBC Global Asset Management (Canada) Limited; HSBC Investment Funds (Canada) Inc.; HSBC Securities (Canada) Inc. (including its division HSBC InvestDirect); HSBC Trust Company (Canada); HSBC Mortgage Corporation (Canada); HSBC Capital (Canada) Inc.; and HSBC Financial Corporation Limited.

HSBC Securities (Canada) Inc. is a wholly owned subsidiary of, but separate entity from, HSBC Bank Canada. HSBC Securities (Canada) Inc. is a member of the Canadian Investor Protection Fund. HSBC InvestDirect is a division of HSBC Securities (Canada) Inc.

*Issued by HSBC Securities (Canada) Inc.*

If you have any questions, please contact:

Head of HSBC InvestDirect

**HSBC InvestDirect**

3381 Steeles Avenue East,

Suite 300,

Toronto, Ontario

M2H 3S7

[investdirect@hsbc.ca](mailto:investdirect@hsbc.ca)

GST# 87079-4674 RT0001

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Member of Canadian Investor Protection Fund.

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