

## HSBC BANK CANADA

# 4 YEAR COMMODITY BASKET LINKED DEPOSIT NOTE DUE MARCH 29, 2010

## TERMS AND CONDITIONS

### INVESTMENT HIGHLIGHTS

- 4 year Deposit Notes (“Notes”) linked to the performance of a Commodity Basket.
- Commodity Basket: Equally weighted exposures to Crude Oil, Natural Gas, Aluminum, Copper and Nickel.
- 100% Principal Protected at Maturity.
- U.S. Dollar Denominated (“USD”).
- Variable Return is linked to 130% of the upside performance of the Commodity Basket.
- Senior unsecured obligations of HSBC Bank Canada, rated A+ (S&P), AA(low) (DBRS). These ratings represent the rating agencies’ assessments of the Issuer’s creditworthiness and are not indicative of the market risk associated with the Notes or the Commodity Basket.
- The purchase of Notes should be considered as part of an investment within an overall portfolio based on an investor’s investment objectives and after careful consideration of the Risk Factors referred to herein.
- RRSP eligible

Instruments of the kind described in this term sheet may be complicated and risky and can only be determined if appropriate for an investor on the basis of the investor’s careful review of the terms and conditions, and consultation as necessary with independent professional advisers. This term sheet does not purport to identify all of the risks, whether direct or indirect, of investing in the described financial instrument. The Issuer assumes that the investor has undertaken careful review and consultation as necessary with independent professional advisers, and has advised the selling agent of any conclusions or information relevant to these terms and conditions, the facts and investment objectives relevant to the investor’s circumstances prior to the purchase by the investor of the financial instrument described in this term sheet. The information in this term sheet is not to be construed as investment advice or any act in furtherance of a trade related to any financial instrument, nor does the Issuer purport to take on any obligation or liability of any kind related to any actions an investor may or may not take as a result of the information in this term sheet. While obtained from sources that the issuer believes to be reliable, the information in this term sheet is not guaranteed as to accuracy or completeness. All graphs, formulas and scenario analyses noted herein are for illustrative purposes only and in no way purport to predict, guarantee or make any representation on future performance of any financial instrument.

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### Terms & Conditions

**Commodity Basket Linked Deposit Notes**  
**4 Year Maturity**  
**130% Participation**  
**100% Principal Protected at Maturity**

This term sheet is provided for discussion purposes only and it does not constitute either an offer or the solicitation of an offer to enter into a transaction. It is not intended to set forth a final expression of the terms and conditions of any transaction and it may be amended, superseded or replaced in its entirety by subsequent term sheets or other summaries of terms and conditions. This term sheet does not purport to identify or suggest all of the risks which may be associated with the financial instrument described in this term sheet

**This term sheet is subject to and should be read in conjunction with the Global Certificate for the Notes. If there is any inconsistency between the terms and conditions set forth in this term sheet and those contained in the Global Certificate, the Global Certificate shall prevail.**

**HSBC recommends that each investor consult with a personal tax advisor to determine the tax consequences of purchasing this issue. Generally, interest paid on this issue will be subject to Canadian withholding tax if held by a non-resident of Canada. This issue is not available for sale to non-residents of Canada**

**The Notes are subject to price fluctuations of the components of the Commodity Baskets more fully described below. The Redemption Amount payable at maturity shall be determined on the Valuation Date based on the difference between the initial and final Official Closing Level for each Commodity Basket Component.**

**Description:** 100% Principal Protected Deposit Notes, evidenced by a global certificate held by The Canadian Depository for Securities Limited (“CDS”). On the Maturity Date each Note pays the Variable Return, if any, and the Principal Amount in USD.

*The Notes do not constitute deposits that are insured under the Canada Deposit Insurance Corporation Act or any other similar legislation.*

**Issuer:** HSBC Bank Canada (“HSBC”)

**Issue:** 4 Year USD Commodity Basket Linked Deposit Notes

**Rating of Issuer:** DBRS: AA (low) S&P: A+ These ratings represent the rating agencies’ assessments of the Issuer’s creditworthiness and are not indicative of the market risk associated with the Notes or the Commodity Basket. The Notes will not be specifically rated.

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<b>Ranking:</b>	The Notes will constitute deposit liabilities of HSBC ranking equally with all other deposit liabilities of HSBC without any preference among themselves and at least equally with all other unsecured and unsubordinated indebtedness and obligations of HSBC outstanding from time to time (except as otherwise prescribed by law).
<b>Denomination:</b>	U.S. Dollars (USD)
<b>Principal Amount:</b>	Minimum USD 1,000,000 plus any increase at the Issuer's sole discretion..
<b>Issue Price:</b>	100.00 %
<b>Trade Date:</b>	March 24, 2006
<b>Initial Fixing Date:</b>	March 24, 2006
<b>Issue Date/Settlement Date:</b>	March 29, 2006
<b>Valuation Date:</b>	March 24, 2010, provided that if such day is not a date on which an Official Closing Level (as defined in Annex A) is published in respect of a Commodity Basket Component (as defined in Annex A), the Valuation Date in respect of such Component shall be the next date on which an Official Closing Level is published in respect of such Component, subject to additional adjustment due to the occurrence of Market Disruption Events (as defined below).
<b>Maturity Date:</b>	March 29, 2010, provided, however, if such date is not an Exchange Business Day (as defined below) then the next available Exchange Business Day immediately following the originally scheduled Valuation Date; provided further that in the case of a Market Disruption Event affecting one or more of the Commodity Basket Components the Issuer may postpone the payment of the Redemption Amount until a Valuation Date with respect to each Component has occurred.
<b>Redemption Amount:</b>	The Redemption Amount payable on the Maturity Date is equal to the Principal Amount plus the Variable Return, if any.
<b>Commodity Basket:</b>	The Variable Return, if any, payable under the Notes is linked to the performance of the following equally weighted Commodity Basket Components: Crude Oil, Natural Gas, Aluminum, Copper and Nickel as defined at Annex A.
<b>Variable Return:</b>	Principal Amount multiplied by the Participation Rate multiplied by the Commodity Basket Return, subject to the Minimum Return, which is 0.00%. If the Commodity Basket Return is equal or less than zero, the Note will only return the Principal Amount Invested.  = Principal Amount x Participation Rate x Maximum (Commodity Basket Return, 0)
<b>Participation Rate:</b>	<b>130%</b>
<b>Minimum Return:</b>	0.00%

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**Commodity Basket Return:** The arithmetic sum of the Component Return for each Commodity Basket Component divided by 5

**Component Return:** For each Commodity Basket Component:

$$\text{Component Return} = \frac{[S_{\text{Final}} - S_{\text{Initial}}]}{S_{\text{Initial}}}$$

**S<sub>Initial</sub> :** Means, in respect of each Commodity Basket Component, the Official Closing Level as defined in Annex A on the Trade Date

**S<sub>Final</sub> :** Means, in respect of each Commodity Basket Component, the Official Closing Level on the Valuation Date; provided, however, if a Market Disruption Event occurs with respect to one or more of the Commodity Basket Components, then the Official Closing Level for such affected Component shall be determined on the next available Exchange Business Day for such Component on which a Market Disruption Event does not occur, unless a Market Disruption Event in respect of such affected Component occurs on each of the five Exchange Business Days immediately following the scheduled Valuation Date, in which case the Calculation Agent shall determine its good faith estimate of the value of such Component on such fifth Exchange Business Day following the originally scheduled Valuation Date.

**Exchange** For each Commodity Basket Component, initially, as set forth in the table in Annex A, and thereafter, the principal market for a Component as may be determined by the Calculation Agent.

**Scheduled Trading Day** Any day on which each Exchange is scheduled to be open for trading for its regular trading session.

**Exchange Business Day** Any Scheduled Trading Day on which each Exchange is open for business during its regular trading session, notwithstanding any such Exchange closing prior to its scheduled weekday closing time, without regard to after hours or other trading outside its regular trading session hours.

**Business Day:** Any day that is not a Saturday or a Sunday and is neither a legal holiday nor any other day on which banking institutions or financial trading markets in New York or Toronto are authorized or required by law or executive order to remain closed.

**Business Day Convention:** If the Maturity Date or any other relevant date falls on a day that is not a Business Day, then that date will be the first following day that is a Business Day.

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### Secondary Market:

An investor cannot elect to receive the Principal Amount prior to the Maturity Date and the Notes will not be listed on any exchange. However, investors may be able to sell Notes prior to maturity in any available secondary market. HSBC Securities (Canada) Inc. will maintain a secondary market for the Notes, but reserves the right not to do so in the future in its sole discretion without prior notice. The sale of a Note to HSBC Securities (Canada) Inc. will be effected at a price equal to (i) the bid price for the Note minus (ii) any applicable Early Trading Charge. The bid price of a Note at any time will generally be dependent upon, among other things, (i) how much the Official Closing Levels of the Commodity Basket Components have risen or fallen since the Issue Date and their performances concluded up to such time, (ii) the fact that the Principal Amount of the Note is payable on the Maturity Date regardless of the Official Closing Level of any Commodity Basket Components at any time and regardless of the aggregate performance of the Commodity Basket Components up to such time, (iii) whether, at such time, the forward price of any Commodity Basket Component is higher or lower than the initial Official Closing Level of that Commodity Basket Component, and (v) a number of other interrelated factors, including, without limitation, volatility in the prices of the Commodity Basket Components, prevailing interest rates, the time remaining to the Maturity Date.

The Early Trading Charge will apply during the first 720 days following the Issue Date and will be equal to a percentage of the Principal Amount of the Notes determined as follows:

If Sold Within	Early Trading Charge
1 Year	3.00%
2 Years	2.00%

### Redemption:

Notes will not be redeemable prior to Maturity Date save upon the occurrence of an Extraordinary Event. See Risk Factors.

### Calculation Agent:

HSBC Bank USA, National Association

### Listing:

The Notes will not be listed on any exchange.

### Minimum Amounts:

Minimum USD 5,000 per order and USD 1,000 thereafter, subject to a minimum aggregate issuance amount of USD 1,000,000.

### Documentation:

The Notes will be issued by way of a single Global Certificate registered in the name of a nominee of CDS and deposited with CDS and reflecting the terms and conditions generally set out in this term sheet. Registration of interests in and transfers of Notes will be made only through the Book-Entry Only (BEO) system of CDS. Interests in the Note must be purchased either directly or indirectly through a participant in the CDS BEO system. No holder of a Note will be entitled to any Note or other instrument from HSBC or CDS evidencing the ownership thereof, and no holder of a Note will be shown on the records maintained by CDS, except through an agent who is a participant of CDS.

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**Distribution:** The Notes will initially be distributed through an affiliate of the Issuer, HSBC Securities (Canada) Inc., and certain other unaffiliated third party broker-dealers (the “Brokers”). The Brokers will receive from the Issuer a fee up to 3.00% of the aggregate Principal Amount of the Notes being sold by the Issuer as a result of the services of the Brokers.

**Payment of Variable Return:** The Variable Return, if any, on the Notes will equal the Principal Amount multiplied by the Participation Rate multiplied by the Commodity Basket Return for the term of the Notes, subject to a minimum return of zero. If the Commodity Basket Return is equal to or less than zero the Note will return only the Principal Amount invested.

The Variable Return, if any, on the Notes does not compound and the Variable Return, if any, will only be credited on the Maturity Date.

The Notes are not renewable and no Variable Return will accrue after the Maturity Date.

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### MARKET DISRUPTION

“Market Disruption Event” means, with respect to any Commodity Basket Component, any of the six events set forth below:

(i) “Price Source Disruption” means (A) the failure of the Exchange to announce or publish the Official Closing Level (or the information necessary for determining the Official Closing Level) for the relevant Commodity Basket Component; (B) the temporary or permanent discontinuance or unavailability of the Exchange.

(ii) “Trading Disruption” means the material suspension of, or the material limitation imposed on, trading in a Commodity Basket Component on the relevant Exchange or any futures contract or options contract on such Commodity Basket Component. For these purposes:

(A) a suspension of the trading in such Commodity Basket Component or any futures contract on such Commodity Basket Component on any Exchange Business Day shall be deemed to be material only if:

- (1) all trading in such Commodity Basket Components or the futures contract on such Commodity Basket Components is suspended for the entire day; or
- (2) all trading in such Commodity Basket Components or the futures contract on such Commodity Basket Components is suspended subsequent to the opening of trading on such day, trading does not recommence prior to the regularly scheduled close of trading in such Commodity Basket Components or the futures contract on such Commodity Basket Components on such day and such suspension is announced less than once hour preceding the opening of trading on such day; and

(B) a limitation of trading in such Commodity Basket Components or the futures contract on such Commodity Basket Components on any Exchange Business Day shall be deemed to be material only if the relevant Exchange establishes limits on the range within which the price of such Commodity Basket Components or the futures contract on such Commodity Basket Components may fluctuate and the Official Closing Level of such Commodity Basket Component or the futures contract on such Commodity Basket Components on such day is at the upper or lower limit of that range.

(iii) “Disappearance of Commodity Reference Price” means (A) the permanent discontinuation of trading, in the relevant futures contract on the relevant Exchange; (B) the disappearance of, or of trading in, the relevant Commodity Basket Components; or (C) the disappearance or permanent discontinuance or unavailability of an Official Closing Level, notwithstanding the availability of the related Exchange or the status of trading in the relevant Commodity Basket Components or the futures contract on such Commodity Basket Components.

(iv) “Material Change in Formula” means the occurrence since the original Issue Date of the transaction of a material change in the formula for or the method of calculating the relevant Commodity Basket Components.

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(v) “Material Change in Content” means the occurrence since the original Issue Date of the transaction of a material change in the content, composition or constitution of the Commodity Basket Components or the futures contract on such Commodity Basket Components.

(vi) “Tax Disruption” means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the relevant Commodity Basket Components (other than a tax on, or measured by reference to overall gross or net income) by any government or taxation authority after the original Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the Official Closing Level on the day that would otherwise be the Valuation Date from what it would have been without that imposition, change or removal.

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### Annex A

**The Commodity Basket consists of the following 5 Underlying Components:**

	Commodity Basket Components	Official Closing Level	Exchange
1	Crude Oil Generic 1st 'CL' Futures Contract	The closing settlement price per barrel of West Texas Intermediate light sweet Crude Oil on the New York Mercantile Exchange ("NYMEX") of the Futures Contract on the Trade Date and the Valuation Date, as the case may be, for the first nearby futures contract, stated in U.S. dollars, as made public by the NYMEX on that date.	NYMEX
2.	Natural Gas Generic 1st 'NG' Futures Contract	The closing settlement price per MMBTU of Natural Gas on the NYMEX of the Henry Hub Natural Gas Futures Contract on the Trade Date and the Valuation Date, as the case may be, for the first nearby futures contract, stated in U.S. dollars, as made public by the NYMEX on that date.	NYMEX
3.	Aluminum	The closing cash price per tonne of high grade Primary Aluminum on the London Metals Exchange ("LME") for the Trade Date and the Valuation Date, as the case may be, stated in U.S. dollars, as determined by the LME and displayed on the Reuters Screen Page "MTLE" that displays prices effective on that date.	LME
4.	Nickel	The closing cash price per tonne of Primary Nickel on the LME for the Trade Date and the Valuation Date, as the case may be, stated in U.S. dollars, as determined by the LME and displayed on the Reuters Screen Page "MTLE" that displays prices effective on that date.	LME
5.	Copper	The closing cash price per tonne of Copper-Grade A on the LME for the Trade Date and the Valuation Date, as the case may be, stated in U.S. dollars, as determined by the LME and displayed on page "MTLE" of the Reuters Monitor Money Rates Service on that date.	LME

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### Risk Factors:

*It is suggested that prospective investors considering purchasing the Notes reach an investment decision only after carefully considering, with their financial, legal, tax, accounting and other advisors, the suitability of the Notes in light of their particular circumstances, their total portfolio of investments and the risk factors set forth below.*

**The Notes Are Not Suitable for Investment by All People.** No investor should purchase the Notes unless he or she understands and is able to bear the associated market, liquidity and yield risks. Because of the numerous factors that may affect the value of the Commodity Basket, no assurance can be given that investors in the Notes will receive a positive return from the Variable Return.

**Investors Are Guaranteed to Receive the Principal Amount Only If the Notes Are Held to Maturity.** The Notes are designed so that if, and only if, they are held to maturity, an investor will receive no less than 100% of the Principal Amount. Investors may not receive the entire Principal Amount of the Notes if the Notes are sold prior to maturity.

**Investors Have No Rights in the Commodity Basket or any of the Commodity Basket Components.** Neither the investors, nor the Issuer or any broker on their behalf, will have any ownership or other rights in the Commodity Basket or any of the Commodity Basket Components.

**Investors Are Not Guaranteed a Secondary Market.** Should an investor decide to liquidate the Notes prior to maturity, there is no guaranteed liquid market to facilitate disposition.

**Investors May Receive No Variable Return.** While a holder of a Note is entitled to repayment of 100% of the Principal Amount at maturity, the Notes do not bear interest, and there can be no assurance of the receipt of any Variable Return. The Variable Return is based on changes in the level of the Commodity Basket, which fluctuates. Changes in the levels of the Commodity Basket cannot be predicted. Although historical data with respect to each Commodity Basket Component is available, the historical performance of the Components should not be taken as an indication of future performance. In the event that, based upon decreases in the levels of the Commodity Basket on the Valuation Date, and application of the formula for the calculation of the Redemption Amount would yield a negative return on the Notes, then the Minimum Return amount will equal \$0 and the holders of the Notes will receive only 100% of the Principal Amount of their Notes at maturity.

**If the Commodity Basket Component Prices Changes, the Market Value of the Notes may not Change in the Same Manner.** The market value of the Notes may not have a direct relationship with the prices of the Commodity Basket Components and changes in the prices of the Components may not result in a comparable change in the market value of the Notes.

**Risks Relating to the Commodity Basket.** The Notes are principal protected at maturity. However, the performance of the Notes will be subject to risks similar to those of any investment in a basket of commodities, including the risk that the general level of commodities prices and commodities futures prices

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may decline. The following is a list of some of the significant risks associated with the Commodity Basket:

- Historical performance of any Commodity Basket Component does not indicate the future performance of such Component or the Commodity Basket. It is impossible to predict whether the value of any Component or of the Commodity Basket will fall or rise during the term of the Notes.
- Trading prices of the Commodity Basket Components will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of any Component or on the Commodity Basket and, thus, the return on the Notes.
- The policies of the London Metals Exchange (“LME”) and the New York Mercantile Exchange (“NYMEX”) concerning the manner in which the prices of the Components are calculated may affect the value of the Commodity Basket. The LME and the NYMEX are not affiliates of the Issuer and the Issuer has no ability to control or predict the actions of either of the foregoing exchanges. The LME and the NYMEX may also from time to time change any rule or bylaw or take emergency action under their rules, any of which may affect the value of the Commodity Basket. The LME and the NYMEX may discontinue or suspend calculation or dissemination of information relating to the Components. Any such actions could affect the value of the Notes.
- The commodities futures markets and the markets for Aluminum, Copper, Nickel, Crude Oil and Natural Gas are subject to temporary distortions, extreme price variations and other disruptions due to, among other things, conditions of illiquidity in the markets, the participation of speculators, government regulation and intervention.
- The Official Closing Level of Copper, Aluminum and Nickel, for purposes of the Commodity Basket performance, are derived from principals’ markets which operate in a manner more closely analogous to the over-the-counter physical commodity markets than the futures markets, and certain features of U.S. futures markets are not present in the context of trading on such principals’ markets. For example, there are no daily price limits for such Commodity Basket Components, which would otherwise restrict the extent of daily fluctuations in the prices of such Commodity Basket Components in such markets. In a declining market, therefore, it is possible that prices would continue to decline without limitation within a trading day or over a period of trading days. In addition, trading of Copper, Aluminum and Nickel contracts on the LME, in contrast to trading on futures exchanges, which calls for delivery in stated delivery months, calls for delivery on any day during certain specified time periods. As a result, there may be less liquidity in the spot prices of Copper, Aluminum and Nickel on the LME and therefore more volatility in such prices. If such volatility occurs with respect to the LME official cash seller and Official Closing Levels for any of Copper, Aluminum and Nickel on the Valuation Date, the value of such Commodity Basket Components and, consequently, the value of the Notes, could be adversely affected.
- The NYMEX, the source for the Official Closing Level for Crude Oil and Natural Gas for purposes of the Commodity Basket performance, have regulations that limit the amount of fluctuation in futures contract prices which may occur during a single business day. These limits are generally referred to as “daily price fluctuation limits” and the maximum or minimum price of a futures contract on any given day

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as a result of these limits is referred to as a “limit price.” Once the limit price on a given day has been reached in a particular futures contract, no further trades on that day may be made at a different price. Limit prices may have the effect of precluding trading in a particular contract on a given day or forcing the liquidation of futures contracts at disadvantageous times or prices. These circumstances could adversely affect the Official Closing Level of Crude Oil and Natural Gas and the Commodity Basket performance and, therefore, could adversely affect the value of the Notes.

- Prices of commodities and commodity futures contracts may be adversely affected by the promulgation of new laws or regulations or by the reinterpretation of existing laws or regulations (including, without limitation, those relating to taxes and duties on commodities) by one or more governments, governmental agencies or instrumentalities, courts or other official bodies. Any such event could adversely affect the value of the Commodity Basket Components and, correspondingly, could adversely affect the value of the Notes.
- Commodities prices including those of each of the Commodity Basket Components are subject to volatile price movements over short periods of time and are affected by numerous factors, including, among other things, the structure of and confidence in the global monetary system, expectations of the future rate of inflation, the relative strength of the U.S. dollar, interest rates and borrowing and lending rates relating to such commodity, global and regional economic, global industrial demand, financial, political, regulatory, judicial and other events, war (or the cessation thereof), development of substitute products, terrorism, weather, epidemics, supply, price levels, global energy levels, production levels and production costs, delivery costs and lending, sales and purchases by central banks and other governmental and international institutions. Such political, economic and other developments that affect the Commodity Basket Components may also affect the value of the Notes.
- The price of each Commodity Basket Component can fluctuate widely due to supply and demand disruptions in major producing or consuming regions. In particular, recent growth in industrial production and gross domestic product has made China an oversized user of commodities and has increased the extent to which such Commodity Basket Components rely on the Chinese markets. Political, economic and other developments that affect China will affect the value of the Commodity Basket Components and, thus, the value of the Notes. Furthermore, a significant proportion of world Crude Oil production capacity is controlled by a small number of producers, and such producers have in the recent past implemented curtailments on output and trade, thus affecting the price of Crude Oil. Political developments and the outcome of meetings of the Organization of Petroleum Exporting Countries can particularly affect world oil supply and therefore Crude Oil prices. The introduction of substitute products for oil, as well as disruptions in production, could also have an adverse effect on the price of Crude Oil. Finally, because some of the Commodity Basket Components are produced in a limited number of countries and are controlled by a small number of producers, political, economic and supply related events in such countries could have a disproportionate impact on the prices of such Commodity Basket Components.

**Lack of Regulation.** The Notes are direct obligations of the Issuer. The net proceeds to be received by the Issuer from the sale of the Notes will not be used to purchase or sell Aluminum, Copper, Nickel, Crude Oil,

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Natural Gas or options or futures contracts related thereto, for the benefit of the holders of Notes. An investment in the Notes does not constitute either an investment in commodities or futures contracts or options on futures contracts and Note holders will not benefit from the regulatory protections of the Commodity Futures Trading Commission (the “CFTC”) or other regulatory authorities afforded to persons who trade in such contracts. Unlike an investment in the Notes, an investment in a collective investment vehicle that invests in futures contracts on behalf of its participants may be subject to regulation as a commodity pool and its operator may be required to be registered with and regulated by the CFTC or other regulatory authorities as a “commodity pool operator” (“CPO”), or qualify for an exemption from the registration requirement. Because the Notes are not interests in a commodity pool, the Notes will not be regulated by the CFTC as a commodity pool, the Issuer will not be registered with the CFTC as a CPO, and holders of Notes will not benefit from the CFTC’s or any non-U.S. regulatory authority’s regulatory protections afforded to persons who invest in regulated commodity pools.

**The Valuation of the Commodity Basket Components Used to Determine the Commodity Basket Performance May Not Be Consistent with Other Measures of Value for Such Components.** The value of Aluminum, Copper and Nickel included in the Commodity Basket will be determined by reference to spot prices and the value of Crude Oil and Natural Gas included in the Commodity Basket will be determined by reference to the first nearby month futures contract prices for such commodities. Such values will not necessarily be consistent with other valuations of the Commodity Basket Components, such as those determined by reference to futures contracts or forward contracts with different maturities.

**The Official Closing Level for each of the Commodity Basket Components are quoted in U.S. dollars.** As a result, appreciation of the U.S. dollar will increase the relative cost of such Commodity Basket Components for foreign consumers, thereby potentially reducing demand for those Commodity Basket Components and affecting the market value of those Underlying Components. As a result, the value of the Notes may be adversely affected by changes in exchange rates between the U.S. dollar and foreign currencies. In recent years, rates of exchange between the U.S. dollars and various foreign currencies have been highly volatile and this volatility may continue in the future. However, fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative of fluctuations that may occur during the term of the Notes.

**There may not be an actively traded secondary market in the Notes—Sales in the secondary market and/or live unwind prices quoted for the Notes by HSBC Securities (Canada) Inc. prior to maturity may result in losses.** It is the current practice but not the legal obligation of HSBC Securities (Canada) Inc. to quote on request a live price (determined in its sole discretion), which it would pay to purchase the Notes in the secondary market. HSBC Securities (Canada) Inc. may under certain conditions such as request for unwinds in small denominations or a market disruption event affecting the markets generally or the Issuer specifically cease to provide live unwind prices. A live unwind price for a Note of this type on any day of its term may be affected by then-current market conditions including liquidity. A live unwind price for a Note of this type can change significantly from day to day over the life of the Note. HSBC Securities (Canada) Inc. is under no obligation to hold a price quoted for any length of time unless this is agreed at the time of giving the quote.

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**Variable Return will depend on the price performance of the Commodity Basket Components.** The return on the Notes, if any, will be calculated based on any positive change in the value of the Commodity Basket. No assurance can be given that the prices of the Commodity Basket Components will increase or that an increase in the price of one or more Commodity Basket Component will not be offset by a decrease in the price of another Commodity Basket Component.

**Extraordinary Events.** The occurrence of certain extraordinary events may delay the time at which the amount of any return is determined and may allow us the option of crystallizing the amount of return payable and (if positive) paying such amount before maturity. These include events that could have an impact on our ability to perform our obligations under the Notes or to hedge our position in respect of our obligation to make payments under the Notes. In these circumstances, the amount of return payable under the Notes, if any, will be subject to reduction to reflect the direct or indirect cost of disposing of, terminating, settling, liquidating or otherwise unwinding arrangements to hedge market exposure to the Commodity Basket or to individual Commodity Basket Components.

**Hedging activities may create conflicts of interest between you and us.** HSBC or one or more affiliates may hedge its obligations under the Notes by acquiring positions in the Commodity Basket Components or in futures contracts, forward contracts, option contracts or other instruments linked or related to changes in the performance of the Commodity Basket Components, and HSBC may adjust these hedges by, among other things, unwinding or disposing of these positions at any time. Although they are not expected to, any of these hedging activities may adversely affect the market price of the Commodity Basket Components and, therefore, the market value of the Notes. It is possible that HSBC or one or more of its affiliates could receive substantial returns from these hedging activities while the market value of the Notes decline.

**Business activities may create conflicts of interest between investors and HSBC.** HSBC or one or more of its affiliates may, at present or in the future, publish research reports with respect to the Commodity Basket Components or the commodities markets generally. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities may affect the market prices of the Commodity Basket Components and, therefore, the market value of the Notes.

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## Structured Products

### HISTORICAL DATA

#### USD Quarterly Price History of Standard Units of the Components of the Commodity Basket (31 March 1993 – 30 December 2005)

Date	Commodity Basket Component Price History					Commodity Basket Level
	Crude Oil (PPB)	Natural Gas (MMBTU)	Aluminum (per Tonne)	Nickel (per Tonne)	Copper (per Tonne)	
30-Dec-2005	61.04	11.23	2280.25	13372.00	4584.50	295.29
30-Sep-2005	66.24	13.92	1835.75	13525.00	3949.00	313.12
30-Jun-2005	56.50	6.98	1703.00	14730.00	3597.00	234.81
31-Mar-2005	55.40	7.65	1982.50	16325.00	3408.00	248.66
31-Dec-2004	43.45	6.15	1962.50	14877.00	3279.50	216.13
30-Sep-2004	49.64	6.80	1862.50	16580.00	3140.00	230.93
30-Jun-2004	37.05	6.16	1716.00	15360.00	2664.50	201.40
31-Mar-2004	35.76	5.93	1710.00	14022.00	3067.50	197.26
31-Dec-2003	32.52	6.19	1588.75	16583.00	2321.00	195.84
30-Sep-2003	29.20	4.83	1410.00	10123.00	1794.00	150.20
30-Jun-2003	30.19	5.41	1388.00	8267.00	1644.00	148.91
31-Mar-2003	31.04	5.06	1340.75	7772.00	1587.50	143.36
31-Dec-2002	31.20	4.79	1346.65	7115.00	1536.00	138.37
30-Sep-2002	30.45	4.14	1280.50	6450.00	1434.50	127.05
28-Jun-2002	26.86	3.25	1368.60	7137.00	1654.00	120.76
29-Mar-2002	26.31	3.28	1385.50	6699.00	1623.00	119.17
31-Dec-2001	19.84	2.57	1339.50	5858.00	1462.00	100.87
28-Sep-2001	23.43	2.24	1314.75	4822.00	1424.00	97.05
29-Jun-2001	26.25	3.10	1448.75	6084.00	1550.50	115.74
30-Mar-2001	26.29	5.03	1471.75	5855.00	1666.00	135.16
29-Dec-2000	26.80	9.78	1568.75	7110.00	1808.50	188.73
29-Sep-2000	30.84	5.19	1579.75	8545.00	1978.00	154.81
30-Jun-2000	32.50	4.48	1559.50	8290.00	1773.50	146.46
31-Mar-2000	26.90	2.95	1525.50	10160.00	1728.50	131.29
31-Dec-1999	25.60	2.33	1630.00	8460.00	1846.00	121.44
30-Sep-1999	24.51	2.74	1480.00	7175.00	1758.00	116.69
30-Jun-1999	19.29	2.39	1376.00	5516.00	1536.00	98.85
31-Mar-1999	16.76	2.01	1213.50	4755.50	1371.50	85.78
31-Dec-1998	12.05	1.95	1236.00	4046.00	1456.00	79.38

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Date	Commodity Basket Component Price History					Commodity Basket Level
	Crude Oil (PPB)	Natural Gas (MMBTU)	Aluminum (per Tonne)	Nickel (per Tonne)	Copper (per Tonne)	
30-Sep-1998	16.14	2.43	1300.75	3995.00	1634.50	90.74
30-Jun-1998	14.18	2.47	1297.50	4323.00	1619.00	90.05
31-Mar-1998	15.61	2.52	1420.85	5473.00	1745.00	99.09
31-Dec-1997	17.64	2.26	1529.50	5980.00	1724.00	101.98
30-Sep-1997	21.18	3.08	1640.75	6776.00	2148.00	121.89
30-Jun-1997	19.80	2.14	1561.00	6790.00	2585.50	114.13
31-Mar-1997	20.41	1.93	1606.50	7590.00	2412.00	114.48
31-Dec-1996	25.92	2.76	1500.63	6583.60	2217.50	120.91
30-Sep-1996	24.38	2.21	1407.71	7010.00	1938.00	111.30
28-Jun-1996	20.92	2.91	1482.88	7712.00	1960.00	118.49
29-Mar-1996	21.47	2.34	1635.00	8024.30	2547.50	122.67
29-Dec-1995	19.55	2.62	1657.11	8094.20	2797.00	126.48
29-Sep-1995	17.54	1.75	1761.29	8408.00	2944.00	120.36
30-Jun-1995	17.40	1.53	1802.00	8345.00	3093.00	120.00
31-Mar-1995	19.17	1.69	1872.00	7670.00	2986.00	121.27
30-Dec-1994	17.76	1.73	1955.00	8870.00	3040.00	126.18
30-Sep-1994	18.39	1.66	1598.50	6415.00	2486.50	106.61
30-Jun-1994	19.37	2.18	1461.00	6192.00	2352.50	108.24
31-Mar-1994	14.79	2.08	1293.00	5575.00	1890.50	93.39
31-Dec-1993	14.17	2.00	1108.50	5295.00	1767.20	86.68
30-Sep-1993	18.79	2.29	1115.73	4012.00	1657.50	88.95
30-Jun-1993	18.85	2.18	1221.00	5347.00	1891.70	96.37
31-Mar-1993	20.44	2.07	1126.00	6105.00	2144.70	100.00

*Source: Bloomberg*

The Commodity Basket Level on any given date is the percentage price appreciation of the Commodity Basket applied to the Commodity Basket indexed at 100 on March 31<sup>st</sup>, 1993.

**PAST PERFORMANCE IS NOT NECESSARILY A RELIABLE PREDICTOR OF FUTURE RESULTS.**

**BECAUSE OF THE NUMEROUS FACTORS THAT MAY AFFECT THE VALUE OF THE COMMODITY BASKET, NO ASSURANCE CAN BE GIVEN THAT HOLDERS OF THE NOTES WILL RECEIVE ANY VARIABLE RETURN.**

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### SCENARIO EXAMPLES

#### Example 1: Positive 4 Year USD Commodity Basket Performance

Observation Date	Crude Oil	Natural Gas	Aluminum	Nickel	Copper	Commodity Basket
Initial Fixing* - S(initial)	\$61.83	\$6.76	\$2,390.50	\$14,831.00	\$4,839.00	100.0
Valuation Date* - S(Final)	\$76.79	\$8.12	\$2,820.79	\$14,237.76	\$5,613.24	114.9
Return	24.2%	20.1%	18.0%	-4.0%	16.0%	<b>Average 14.9%</b>
Participation Rate						130.0%
Variable Return	(Average Return x 130% Participation Rate)					19.3%
Redemption Amount	(Principal Amount + Variable Return)					<b>119.3%</b>
Implied Annual Compounded Return						5.18%

\*The prices for the Commodity Basket Components shown are not actual or projected prices on the initial Fixing Date or the Valuation Date for such Components but rather prices chosen solely to illustrate the calculation of a potential Redemption Amount.

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## Structured Products

**Example 2: Negative 4-Year USD Commodity Basket Performance**

Observation Date	Crude Oil	Natural Gas	Aluminum	Nickel	Copper	Commodity Basket
Initial Fixing* - S(initial)	\$61.83	\$6.76	\$2,390.50	\$14,831.00	\$4,839.00	100.0
Valuation Date* - S(Final)	\$60.35	\$6.55	\$2,295.36	\$13,822.49	\$4,524.47	95.4
Return	-2.4%	-3.1%	-4.0%	-6.8%	-6.5%	<b>Average -4.6%</b>
Participation Rate						130.0%
Variable Return	(Average Return x 130% Participation Rate)					0.0%
Redemption Amount	(Principal Amount + Variable Return)					<b>100.0%</b>
Implied Annual Compounded Return						0.00%

\*The prices for the Commodity Basket Components shown are not actual or projected prices on the initial Fixing Date or the Valuation Date for such Components but rather prices chosen solely to illustrate the calculation of a potential Redemption Amount.

THE NOTES ARE NOT AUTOMATICALLY RENEWABLE AND NO INTEREST WILL BE EARNED AFTER MATURITY.

ANY INFORMATION OR REPRESENTATION NOT CONTAINED IN THIS DESCRIPTION OF THE NOTES MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY HSBC BANK CANADA.

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