

HSBC BANK CANADA**'BEARISH' S&P 500[®] INDEX LINKED DEPOSIT NOTE**
DUE JUNE 28, 2011

TERMS AND CONDITIONS
SETTLEMENT DATE: JUNE 28, 2006
STRIKE SETTING: JUNE 23, 2006

INVESTMENT HIGHLIGHTS

- 5 year Deposit Notes (“Notes”) linked to the negative performance of the S&P 500[®].
- 100% Principal Protected at Maturity.
- Canadian Dollar Denominated (“CAD”).
- No Foreign Exchange Rate risk.
- Variable Return linked to 150% of the downside performance of the S&P 500[®].
- 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 S&P 500[®].
- 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.

Structured Products

Terms & Conditions

‘Bearish’ S&P 500[®] Index Linked Deposit Notes
5-Year Maturity
150% 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 not be subject to Canadian withholding tax if held by a non-resident of Canada.

The Notes are subject to price fluctuations of the components of the S&P 500[®]. 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 the S&P 500[®].

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

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: 5-Year CAD ‘Bearish’ S&P 500[®] Index 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 S&P 500[®]. The Notes will not be specifically rated.

Ranking: 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).

Denomination: Canadian Dollars (CAD)

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.

Structured Products

Principal Amount:	Minimum CAD 1,000,000 plus any increase at the Issuer's sole discretion.
Issue Price:	100.00 %
Trade Date:	June 23, 2006
Initial Index Setting Date:	June 23, 2006
Issue Date/Settlement Date:	June 28, 2006
Final Index Setting Date:	June 23, 2011, provided that if such day is a date on which the Index Level is not published, the Final Index Setting Date shall be the next date on which an Index Level is published of, subject to additional adjustment due to the occurrence of Market Disruption Events (as defined below).
Maturity Date:	June 28, 2011, provided, that in the case of a Market Disruption Event the Issuer may postpone the payment of the Redemption Amount until a Final Index Setting Date has occurred.
Redemption Amount:	The Redemption Amount payable on the Maturity Date is equal to the Principal Amount plus the Variable Return, if any.
Index:	The Variable Return, if any, payable under the Notes is linked to the negative performance of the S&P 500[®]
Variable Return:	Principal Amount multiplied by the Participation Rate multiplied by the Bearish Index Return, subject to the Minimum Variable Return. If the Bearish Index Return is equal or less than the Minimum Variable Return, the Variable Return will be equal to the Minimum Variable Return = Principal Amount x Participation Rate x Bearish Index Return
Participation Rate:	150%
Minimum Variable Return:	0.00%
Bearish Index Return:	The difference between the Initial Index Level and the Final Index Level divided by the Initial Index Setting $\frac{(\text{Initial Index Level} - \text{Final Index Level})}{\text{Initial Index Level}}$
Initial Index Level	Closing level of the Index on the Initial Index Setting date
Final Index Level	Closing level of the Index on the Final Index Setting Date

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.

Structured Products

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.

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. Should an investor decide to liquidate the Notes prior to maturity, there is no guaranteed liquid market to facilitate disposition. However, should there be an available secondary market, the sale of a Note 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 closing level of the Index has risen or fallen since the Issue Date and the Index 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 closing level of the Index at any time and regardless of the performance of the Index up to such time, (iii) whether, at such time, the forward price of the Index is higher or lower than the Initial Index Level, and (v) a number of other interrelated factors, including, without limitation, volatility in the Index, prevailing interest rates, and 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	0.00%
2 Years	0.00%

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 CAD 10,000 per order and CAD 1,000 thereafter, subject to a minimum aggregate issuance amount of CAD 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

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.

Structured Products

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.

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 Bearish Index Return for the term of the Notes, subject to the Minimum Variable Return. If the Bearish Index Return is equal or less than the Minimum Variable Return, the Variable Return will be equal to the Minimum Variable Return

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.

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.

Structured Products

MARKET DISRUPTION

If a Market Disruption Event occurs on the Final Index Setting Date and the next ten (10) calendar days thereafter, the Calculation Agent shall designate the Final Index Setting Date in its sole discretion. To the extent the Final Index Setting Date occurs on a date that is after the Maturity Date because of the occurrence of a Market Disruption Event, the principal amount of the Notes shall be paid on the Maturity Date, and the Variable Return three days after the Final Index Setting Date; no interest shall accrue for the period from and including the Maturity Date to and including the date the Variable Return is paid.

“Market Disruption Event” means the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case, the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time, or (iii) Early Closure. For the purposes of determining whether a Market Disruption Event occurs in respect of a security included in the Index at any time, if a Market Disruption Event occurs in respect of a security included in the Index at any time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security, and (y) the overall level of the Index, in each case, immediately before the occurrence of such Market Disruption Event.

“Valuation Time” means 4:00PM EST; provided that if the relevant Exchange closes prior to its Scheduled Closing Time and after 4:00PM EST, then the Valuation Time shall be such actual closing time.

“Early Closure” means the closure on any Exchange Business Day of any relevant exchange(s) relating to securities that comprise 20 percent or more of the level of the Index), prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange on such Exchange Business Day, and (ii) the submission deadline for orders to be entered into the Exchange system for execution at the Valuation Time on such Exchange Business Day.

“Exchange” means New York Stock Exchange, AMEX and NASDAQ.

“Exchange Business Day” means any day that is (or but for the occurrence of a Market Disruption Event, would have been) a trading day on the Exchange notwithstanding any such Exchange closing prior to its Scheduled Closing Time.

“Exchange Disruption” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, securities that comprise 20 percent or more of the level of the Index, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Index on any relevant exchange.

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.

Structured Products

“Scheduled Closing Time” means, in respect of an Exchange and a Scheduled Trading Day, the scheduled weekly closing time of such Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

“Scheduled Trading Day” means any day on which each exchange is scheduled to be open for trading for its regular trading sessions.

“Trading Disruption” means any suspension of or limitation imposed on trading by the relevant exchange or otherwise and whether by reason of movements in price exceeding limits permitted by such an exchange or otherwise (i) relating to securities that comprise 20 percent or more of the level of the Index, or (ii) in futures or options contracts relating to the Index on any relevant exchange.

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.

Structured Products

ADJUSTMENTS TO THE INDEX

If the Index is (i) not calculated and announced by the relevant Index sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or substantially similar formula for and method of calculation as used in the calculation of the Index, that Index (the “Successor Index”) will be deemed to be the Index.

If (i) on the Final Index Setting Date, a sponsor of an Index announces that it will make a material change in the formula or the method of calculating that Index, or in any other way, materially modifies that Index (other than modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalization and other routine events), (an “Index Modification”), or permanently cancels an Index, and no successor index or exchange traded fund exists (an, “Index Cancellation”), or (ii) on the Final Index Setting Date, the index sponsor fails to calculate and announce a relevant Index (an “Index Disruption” and together with an Index Modification and an Index Cancellation, each an “Index Adjustment”), then, the Calculation Agent shall determine if such Index Adjustment event has a material effect on the transaction, and if so, shall calculate the relevant closing price or the Variable Return, or other applicable variables, as the case may be, using in lieu of a published level for that Index, the level for that Index as at Final Index Setting Date as determined by the Calculation Agent in accordance with the formula for and method of calculating the Index, as applicable, last in effect prior to the change, failure or cancellation, but using only those securities that comprised the Index immediately prior to that Index Adjustment event.

CORRECTIONS TO INDEX

In the event that any level published by the Index sponsor and which is utilized for any calculation or determination made under this transaction is subsequently corrected and the correction is published by the Index sponsor after the original publication, Calculation Agent will notify the parties of such correction, and determine the amount that is payable or deliverable as a result of that correction, and to the extent necessary, will adjust the terms of this transaction to account for such correction; provided that no adjustment or payment will be made if Issuer has paid the relevant amount to the holder(s) of the Notes based on the initial Index level prior to the related correction.

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.

Structured Products

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 **S&P 500[®]**, no assurance can be given that investors in the Notes will receive a positive 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 S&P 500[®] Neither the investors, nor the Issuer or any broker on their behalf, will have any ownership or other rights in the **S&P 500[®]**.

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 **S&P 500[®]**, which fluctuates. Changes in the levels of the **S&P 500[®]** cannot be predicted. Although historical data with respect to the **S&P 500[®]** is available, the historical performance of the **S&P 500[®]** should not be taken as an indication of future performance. In the event that, based upon an increase in the level of the **S&P 500[®]** on the final Index Setting Date, and application of the formula for the calculation of the Redemption Amount would yield a negative return on the Notes, then the return amount will equal the Minimum Variable Return and the holders of the Notes will receive 100% of the Principal Amount of their Notes plus the Minimum Variable Return at maturity.

If the S&P 500[®] Price 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 **S&P 500[®]** and changes in the prices of the **S&P 500[®]** may not result in a comparable change in the market value of the Notes.

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.

Structured Products

Investors' Yield May Be Less Than That of a Standard Debt Security of Comparable Maturity.

There will be no interest payments on the Notes as there would be on a conventional fixed-rate or floating rate debt security having the same maturity date and issuance date as the Notes. Even considering the payment of 100% of the Principal Amount at maturity, the effective yield to maturity of the Notes may be less than that which would be payable on such a conventional fixed-rate or floating rate debt security. The return of only 100% of the Principal Amount of each Note at maturity will not fully compensate the investor for any opportunity cost implied by inflation and other factors relating to the time value of money.

Risks Relating to the S&P 500[®]. 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 the S&P 500[®], including the risk that the general level of equity prices and equity futures prices may increase. The following is a list of some of the significant risks associated with the S&P 500[®]:

Historical performance of the S&P 500[®] does not indicate the future performance of the S&P 500[®]. It is impossible to predict whether the value of the S&P 500[®] will fall or rise during the term of the Notes.

Prices of the S&P 500[®] 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 the S&P 500[®] and, thus, the return on the Notes.

Equity markets 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.

Index price is 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 Index may also affect the value 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 prior to maturity may result in losses. It is the current practice but not the legal obligation of HSBC 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 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 is under no obligation to hold a price quoted for any length of time unless

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.

Structured Products

this is agreed at the time of giving the quote.

Variable Return will depend on the price performance of the Index. The return on the Notes, if any, will be calculated based on any negative change in the value of the Index. No assurance can be given that the prices of Index will decrease

Extraordinary Events. The occurrence of certain extraordinary events may delay the time at which the amount of any return is determined and may allow HSBC 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 HSBC's ability to perform its obligations under the Notes or to hedge its position in respect of its 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 Index.

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 Index or in futures contracts, forward contracts, option contracts or other instruments linked or related to changes in the performance of the Index, 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 Index 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 Index . 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 Index and, therefore, the market value of the Notes.

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.

Structured Products

HISTORICAL DATA

Monthly Historic Performance of S&P 500® (31 May 1986 – 31 May 2006)



Source: Bloomberg

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

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

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.

Structured Products

SCENARIO EXAMPLES

 Example I: Negative 5-Year S&P 500[®] Performance

Initial Index Level (A)	Final Index Level (B)	Bearish Index Return (C)	Variable Return (D)	Redemption Amount (E)	Implied Annual Yield
1296.18	999.99	22.85%	34.28%	\$134.28	6.07%

 Example II: Positive 5-Year S&P 500[®] Performance

Initial Index Level (A)	Final Index Level (B)	Bearish Index Return (C)	Variable Return (D)	Redemption Amount (E)	Implied Annual Yield
1296.18	1,593.18	-22.91%	0.00%	\$100.00	0.00%

Where:

$$C = (A - B) / A$$

$$D = C * 150\% \text{ subject to the Minimum Variable Return}$$

$$E = \$100 \times (1 + D)$$

The prices shown in the examples for the S&P 500[®] are not actual or projected prices on the Initial Index Fixing Date or the Final Index Fixing Date 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.

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.

Structured Products

Index Disclaimer:

S&P 500®:

The Deposit Notes are not sponsored, endorsed, sold or promoted by The S&P 500®. The Index is the S&P 500index® sponsored by The McGraw Hill Companies, Inc. The closing value of the Index is determined by Standard & Poor's. The S&P 500 Index is published in the Eastern Edition of The Wall Street Journal on the Business Day following the date of the Index. If, due to a misprint, there is a difference between the closing value of the Index as determined by Standard & Poor's and the closing value of the Index as published the next Business Day in The Wall Street Journal, then the closing value of the Index as determined by Standard & Poor's shall be the value of the Index used to determine the Variable Return for this Account.

“Standard & Poor's®”, “S&P®”, “S&P 500®”, “Standard & Poor's 500®”, and “500” are trademarks of The McGraw Hill Companies, Inc. and have been licensed for use by the Issuer. No Deposit Notes will be sponsored, endorsed, sold or promoted by Standard & Poor's. Standard & Poor's makes no representation or warranty, expressed or implied, regarding the advisability of investing in securities generally or in any Deposit Notes particularly or the ability of the S&P 500® Index to track general stock market performance. Standard & Poor's only relationship to the Issuer is the licensing of certain trademarks and trade names of Standard & Poor's and of the S&P 500® Index which is determined, composed and calculated by Standard & Poor's without regard to the Issuer or any Deposit Notes. Standard & Poor's has no obligation to take the needs of the Issuer or of any holder of a Deposit Note into consideration in determining, composing or calculating the S&P 500® Index. Standard & Poor's is not responsible for and has not participated in the development of any Deposit Notes or in the determination or calculation of the equation by which interest is to be paid on any Deposit Notes. Standard & Poor's has no obligation or liability in connection with administration, marketing or trading of any Deposit Notes.

Standard & Poor's does not guarantee the accuracy and/or the completeness of the S&P 500® Index or any data included therein and Standard & Poor's shall have no liability for any errors, omissions or interruptions therein. Standard & Poor's makes no warranty, expressed or implied, as to results to be obtained by the Issuer, the holder of any Deposit Notes or any other person or entity from the use of the S&P 500® Index or any data included therein. Standard & Poor's makes no expressed or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use, with respect to the S&P 500® Index or any data included therein. Without limiting any of the foregoing, in no event shall Standard & Poor's have any liability for any special, punitive, indirect, or consequential damages (including lost profits) even if notified of the possibility of such damages. The Corporations make no warranties and bear no liability with respect to the Deposit Notes.

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.