HSBC

Structured Products

September 8, 2006

HSBC BANK CANADA
S&P 500® INDEX LINKED QUARTERLY AVERAGING DEPOSIT NOTES

DUE OCTOBER 16, 2012

TERMS AND CONDITIONS
SETTLEMENT DATE: OCTOBER 16, 2006
INVESTMENT HIGHLIGHTS

- **Deposit notes ("Notes") issued by HSBC Bank Canada ("HSBC")**
- **6 year term**
- **100% principal protected at maturity**
- **United States dollar denominated**
- **Variable Return linked to the positive difference, if any, between the arithmetic average of the closing levels of the S&P 500 Index® (S&P 500® Index) on 24 preset quarterly observation dates during the term and the initial level of the S&P 500® Index on closing, subject to a minimum variable return**
- **Minimum variable return at maturity is 20.00% of the principal amount (which is equivalent to 3.09 % compounded annually)**
- **Senior unsecured obligations of HSBC. The unsecured long term deposits of HSBC are currently rated AA- (S&P), AA(low) (DBRS). These ratings represent the rating agencies' assessments of HSBC's creditworthiness and are not indicative of the market risk associated with the Notes or the S&P 500® Index.**
- **The purchase of the Notes involves certain risks. Prospective Investors should 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 and as part of an investment within an overall portfolio based on an investor's investment objectives and after careful consideration of the Risk Factors described below and in the Global Certificate as well as the other information contained herein and in the Global Certificate.**
- **The Notes will be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit-sharing plans (other than deferred profit-sharing plans under which contributions are made by HSBC or a person or partnership which does not deal at arm's length with HSBC).**

Instruments of the kind described in this term sheet are complex and involve certain risks. The suitability of these investments for a particular investor can only be determined on the basis of the investor's careful review of the terms and conditions in this term sheet and in the Global Certificate, and in consultation with the investor's independent financial, legal, tax, accounting and other professional advisers. This term sheet does not purport to identify all of the risks, whether direct or indirect, of investing in the instruments described herein. HSBC assumes that the investor has undertaken careful review and consultation as necessary with independent professional advisors, 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 HSBC 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 instrument.

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Terms & Conditions
Dated September 8, 2006

S&P 500 Index® Linked Quarterly Averaging Deposit Notes
6-Year Maturity
100% Principal Protected at Maturity
Variable Return Linked to the Average Quarterly Performance of the S&P 500® Index
20.00% Minimum Return (Equivalent to 3.09% Compounded Annually)

This term sheet is a summary only and is provided for discussion purposes only and may be amended, superceded or replaced in whole or in part 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.

An investment in the Notes is subject to certain risks which the investor should consider carefully before investing in the Notes. Investors should read this term sheet as well as the Global Certificate in their entirety including the sections titled "Risk Factors." HSBC recommends that investors consult with an independent investment and other advisors to discuss suitability of the Notes, as they may not be suitable for all investors.

SUMMARY

Issuer : HSBC Bank Canada ("HSBC")

Issue: HSBC Bank Canada S&P 500® Index Linked Quarterly Averaging Deposit Notes ("Notes"). The Notes are deposit notes issued by HSBC and are 100% principal protected if held to maturity. At maturity, the Notes will pay a Variable Return that is linked to the positive percentage difference, if any, between the arithmetic average of the Index closing levels on 24 preset Observation Dates and the Initial Index Level in accordance with the formula set out below under the heading "Variable Return" subject to a Minimum Variable Return of 20.00% (equivalent to 3.09 % per annum return compounded annually) regardless of the performance of the Index. The Variable Return will not exactly track the Index since the Variable Return is based on the difference between the arithmetic average of the Index closing levels observed on 24 preset quarterly Observation Dates and the Initial Index Level. The Variable Return may be substantially less than the difference between the Index closing level on the Maturity Date and the Initial Index Level.

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

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Index:	S&P 500® Index (the "Index").
Trade Date:	October 11, 2006
Issue Date/Settlement Date:	October 16, 2006
Maturity Date/Term:	The Notes will mature on October 16, 2012 resulting in a term to maturity of approximately 6 years. In the case of a Market Disruption Event HSBC may postpone the payment of the Redemption Amount until a Final Observation Date has occurred.
Principal Amount:	We will issue up to USD 1,000,000 of Notes. HSBC may increase or decrease the size of the offering at its sole discretion.
Minimum Subscription Amounts:	You must invest a minimum of USD $10,000 in Notes. The Notes will be issued in denominations of USD 1,000.
Denomination:	The Notes are denominated in United States dollars (USD).
Issue Price:	100.00 % of Par
Redemption Amount:	The Redemption Amount payable on the Maturity Date is equal to the Principal Amount plus the Variable Return. **Redemption Amount = Principal Amount + Variable Return**
Variable Return:	A Note holder will be paid a variable return ("Variable Return") in United States dollars at maturity (subject to the provisions of Market Disruption and Extraordinary Events set out below) in an amount equal to the result obtained using the following formula: Variable Return = Principal Amount multiplied by the greater of the: (1) Index Average Return; and (2) the Minimum Variable Return. If the Index Average Return is equal to or less than the Minimum Variable Return, then the Variable Return will be equal to the Minimum Variable Return. **Variable Return = Principal Amount x Index Average Return or the Minimum Variable Return (whichever is greater).** The Variable Return will not exactly track the Index since the Variable Return is based on the positive percentage difference, if any, of the arithmetic average of the Index closing levels observed on 24 preset Quarterly Observation Dates. The Variable Return may be substantially less than the difference between the Index closing level on the Maturity Date and the Initial Index Level.

The Variable Return (including the Minimum Variable Return) does not compound and will only be credited in arrears on the Maturity Date.

Minimum Variable Return: 20.00% (equivalent to 3.09 % per annum compounded annually).

Index Average Return: The Index Average Return shall be calculated by using the following formula:

The difference between the Average Index Level and the Initial Index Level divided by the Initial Index Level

$$\textbf{Index Average Return} = \frac{\textbf{(Average Index Level -Initial Index Level)}}{\textbf{Initial Index Level}}$$

Initial Index Setting Date: October 11, 2006

Initial Index Level Closing level of the Index on the Initial Index Setting date.

Final Observation Date: October 11, 2012, provided that if such day is a date on which the Index level is not published, the Final Observation 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.

Average Index Level: Calculated as the arithmetic average of the closing level of the Index on each Observation Date

Observation Dates: The Observation Dates will be the 11th of each January, April, July, and October, commencing January 11, 2007 up to and including the Final Observation Date (24 observations). If an Observation Date is not a Scheduled Trading Day, the closing level from the next immediate Scheduled Trading Day will be used with respect to such Observation Date. If a Market Disruption Event occurs on an Observation Date, then the Observation Date for the Index closing level will be the next immediately Scheduled Trading Day on which a Market Disruption Event does not exist. If a Market Disruption Event exists on each of the five Scheduled Trading Days following such Observation Date, then the fifth Scheduled Trading Day following the original Observation Date will be the Observation Date for such Index closing level and the Calculation Agent will determine the closing level of such Index on such date.

Scheduled Trading Day: Any day on which all of the Relevant Exchanges and Related Exchanges are scheduled to be open for trading for each security then included in the Index.

Relevant Exchange: With respect to the Index, the primary exchanges for each security which is a component of such Index.

Related Exchange: With respect to the Index, the exchanges or quotation systems, if any, on which options or futures contracts on the Relevant Index are traded or quoted, and as may be selected from time to time by the Calculation Agent.

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: A Note holder cannot elect to receive the Principal Amount prior to the Maturity Date and the Notes will not be listed on any exchange. Should a Note holder 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) the performance of the Index and whether the level of the Index is lower or higher than the Initial Index Level. Even if the current Index level is higher than the Initial Index Level you may still receive less that than the amount payable on maturity based on expectations the Index level will continue to fluctuate until the Final Observation Date; (ii) the frequency and magnitude of changes in the level of the Index since the Trade Date, (iii) the fact that the Principal Amount of the Note is payable on the Maturity Date together with the Minimum Variable Return regardless of whether the Index level has risen or fallen at any particular time prior to maturity and (iv) a number of other interrelated factors, including, without limitation, supply and demand for the Notes, economic, financial, political, regulatory or judicial events that affect markets generally and which also affect the instruments comprising the Index, prevailing interest rates, HSBC's credit worthiness and the time remaining to the Maturity Date.

The Early Trading Charge will apply following the Settlement Date and will be equal to a percentage of the Principal Amount of the Notes determined as follows:

If Sold Within	Early Trading Charge
Year 1	3.50%
Year 2	2.50%
Year 3	0.00%
Year 4	0.00%
Year 5	0.00%
Year 6	0.00%

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

Listing:	The Notes will not be listed on any exchange. HSBC does not intend to apply for a listing.
Distribution:	The Notes will initially be distributed through an affiliate of HSBC, HSBC Securities (Canada) Inc., and certain other unaffiliated third party broker-dealers (the "Brokers").
Expenses of this Offering:	The Brokers will receive from HSBC a fee up to 4.00% of the aggregate Principal Amount of the Notes being sold by HSBC as a result of the services of the Brokers. These upfront expenses will not factor into the formula for, or affect the potential of, the Variable Return payable to Note holders.
Rating of Issuer:	As of the date of this term sheet, HSBC's unsecured long term deposits are rated AA (low) by DBRS and AA- by S&P. These ratings represent the rating agencies' assessments of HSBC's creditworthiness and are not indicative of the market risk associated with the Notes or the performance of the Index. A rating is not a recommendation to buy, sell or hold investments and may be subject to change or withdrawal at any time by the relevant rating agency. 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). The Notes do not constitute deposits that are insured under the Canada Deposit Insurance Corporation Act or any other similar legislation.
Documentation:	The Notes will be evidenced and issued by way of a single global certificate ("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 Notes 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.
Payment of Variable Return:	The Variable Return (including the Minimum Variable Return) on the Notes does not compound and the Variable Return will only be credited on the Maturity Date. The Notes are not renewable and no Variable Return will accrue after the Maturity Date.
Calculation Agent:	HSBC Bank USA, National Association. We reserve the right to appoint a different Calculation Agent at any time without notice to you. The Calculation Agent will make all

determinations regarding the Redemption Amounts on the Maturity Date, Variable Return, Index Average Return, Market Disruption Events, Business Days and Index closing levels and any other calculations or determinations to be made by the Calculation Agent hereunder. Absent manifest error, all calculations and determinations made by the Calculation Agent will be final and binding on you and HSBC, without any liability to the Calculation Agent.

Market Disruption: If a Market Disruption Event occurs on any Observation Date, then the relevant Observation Date shall be the immediately following Scheduled Trading Day during which no Market Disruption Event shall exist; provided, however, that if a a Market Disruption Event has occurred on each of the five Scheduled Trading Days immediately following such Observation Date, then the relevant Observation Date shall be the fifth Scheduled Trading Day following such original Observation Date, notwithstanding the occurrence of a Market Disruption Event on such day (an “Adjusted Observation Date”). With respect to any such Adjusted Observation Date on which a Market Disruption Event occurs, the Calculation Agent will determine the value of the Index on such Adjusted Observation Date in accordance with the formula for and method of calculating the Index last in effect prior to the commencement of the Market Disruption Event, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing price that would have prevailed but for such suspension or limitation) on such Scheduled Trading Day of each security most recently comprising the Index.

RISK FACTORS

An investment in the Notes is subject to significant risks not associated with conventional fixed-rate or floating-rate debt instruments. Before purchasing the Notes you should understand the risks associated with the Notes and you should reach an investment decision only after carefully considering, with your financial, legal, tax, accounting and other advisors, the suitability of the Notes in light of your particular circumstances, your total portfolio of investments and the risk factors set forth below and other information contained herein and in the Global Certificate.

Notes not suitable for all investors.

The Notes are complex and are subject to certain risks. You should not purchase the Notes unless you understand and are able to bear all of the various risks associated with the Notes including, among other things, market, liquidity and yield risks.

Before purchasing the Notes, you should consult with your financial, legal, tax, accounting and other advisors, as to the suitability of the Notes in light of your circumstances, your total portfolio of investments and the risks associated with the Notes. HSBC makes no recommendation as to the suitability of the Notes for investment.

Notes will not be Insured

The Notes will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance legislation or regime.

Principal Amount and Minimum Variable Return guaranteed only if Notes are held to maturity.

The Notes are designed so that if, and only if, they are held to maturity, you will receive no less than 100% of the Principal Amount plus the Minimum Variable Return regardless of the performance of the Index. If you sell your Notes prior to maturity you may not receive the entire Principal Amount of the Notes and the Minimum Variable Return.

No guaranteed secondary market for the Notes.

The Notes will not be listed and the Notes may not have an established trading market. We cannot assure you that a trading market for the Notes will develop or, if one develops, that it will be maintained. If you decide to dispose of your Notes prior to maturity, there is no guarantee that there will be a liquid market to facilitate disposition.

You have no rights in the Index

Neither the Note holders nor HSBC or any broker on their behalf, will have any ownership or other rights in the S&P 500® Index.

You have no recourse to the Index sponsor or any issuer of an instrument comprising the Index.

Your investment in the Notes will not give you any rights against any sponsor of the Index or any issuer of an instrument that is a constituent of the Index including any sponsor or issuer that may determine or publish the level of the Index or any instrument or instruments comprising the Index. The Notes are not sponsored, endorsed, sold or promoted by the sponsor of the Index or any issuer of any instrument or instruments that are constituents of the Index.

Investors holding to maturity may not receive Variable Return in excess of the Minimum Variable Return

There is no assurance the Notes will pay a Variable Return in excess of the Minimum Variable Return. Although, a Noteholder is entitled to repayment of 100% of the Principal Amount and the Minimum Variable Return at maturity, the Notes do not bear interest and there can be no assurance of the receipt of any Variable Return in excess of the Minimum Variable Return. The Variable Return (over and above the Minimum Variable Return), if any, is dependent on the arithmetic average of the Index closing levels as observed on the preset Observation Dates exceeding the Initial Index Level. The Index fluctuates and changes in the Index cannot be predicted. Although historical data with respect to the Index is available, this data should not be taken as an indication of future levels or that the Index level will increase.

Variable Return may be less than difference between Index level on Final Observation Date and the Initial Index Date

The Variable Return may be substantially less than the difference between the Index closing level on the Maturity Date and the Initial Index Level.

Even if the value of the Index increases over the term of the Notes the Variable Return may note exceed the Minimum Variable Return

The Variable Return will not exactly track the Index since the Variable Return is based on the positive percentage difference, if any, between the arithmetic average of the Index closing levels observed on 24 preset Quarterly Observation Dates and the Initial Index Level. As a result, the Index may increase over the term of the Notes and may increase on some of the Observation Dates, however the Note holders may still only be entitled to receive the Minimum Variable Return on maturity as the Index closing levels on the other Observation Dates (and the average closing levels over all of the Observation Dates) may not exceed the Initial Index Level.

You bear the risk of the nonperformance by HSBC

The Notes are not deposits insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance legislation or regime. You are relying solely on HSBC for payment on the Notes (including the guaranteed Principal Amount and the Minimum Variable Return). As a result, you bear the risk of failure of HSBC to pay any amount due on the Notes.

Market value of the Notes may not change in the same manner as changes in the Index.

The market value of the Notes may not have a direct relationship with the Index and may not result in a comparable change in the market value of the Notes.

Yield on Notes may be less than that of a standard debt security of comparable maturity.

The Notes are not conventional notes or debt instruments in that they do not provide investors with a return or income stream prior to maturity or a return at maturity calculated by reference to a fixed or floating rate of interest that is determinable prior to maturity. Investors in Notes will not have an opportunity to reinvest any income generated by their investment prior to maturity. Although the Notes are subject to a Minimum Variable Return it is not possible to predict the actual final Variable Return on the Notes until maturity. The Notes are generally more suitable for purchasing and holding up to maturity.
Even considering the payment of 100% of the Principal Amount plus the Minimum Variable Return at maturity, the effective yield to maturity of the Notes may be less than that which would be payable on a conventional fixed-rate or floating-rate debt instrument.

Price or other movements in the instrument or instruments comprising the Index are unpredictable.

Price or other movements in the instrument or instruments comprising the Index are unpredictable and volatile, and are influenced by complex and interrelated political, economic, financial, regulatory, geographic, judicial and other factors that can affect the markets in which the relevant instrument or instruments are traded and/or the particular instrument or instruments. As a result, it is impossible to predict whether the prices or levels of the instrument or instruments comprising the Index will rise or fall during the term of the Notes. During the term of the Notes, the price of the instrument or instruments comprising the Index may decrease below the initial level. We cannot guarantee that the price of the instrument or instruments comprising the Index will stay above the initial level over the life of the Notes or that, if the price of the instrument or instruments comprising the Index has decreased to or below the initial level, the price of the instrument or instruments comprising the Index will recover and be at or above the initial level on the Observation Dates.

The historical or pro forma performance of the Index is not an indication of future performance.

The historical or pro forma performance of the instrument or instruments comprising the Index should not be taken as an indication of the future performance of the instrument or instruments comprising the Index. It is impossible to predict whether the level of the Index will fall or rise over the term of the Notes. The level of the Index will be influenced by the complex and interrelated economic, financial, regulatory, geographic, judicial, political and other factors that can affect the trading markets on which the instrument or instruments comprising the Index are traded and/or the value of the Notes.

Reported Index levels may be based on non-current information.

If trading is interrupted in the instrument or instruments comprising the Index, publicly available information regarding the Index value may be based on the last reported prices or levels. As a result, publicly available information regarding reported Index levels may at times be based on non-current information.

Secondary market for the Notes / Possible illiquidity and possible losses on sales before maturity

The Notes will be new instruments for which there is currently no trading market. HSBC does not intend to apply for listing of the Notes on any exchange. The Notes are more suitable for purchasing and holding up to maturity.

Although HSBC and one or more of its affiliates may facilitate, under normal market conditions, a secondary market for the sale of Notes by Noteholders, neither HSBC nor its affiliates is under any obligation to facilitate such a secondary market and, should there be such a secondary market, it is not possible to predict, due to several factors, at what price the Notes will trade in the secondary market or whether such market will be liquid or illiquid.

Noteholders choosing to sell their Notes prior to maturity may receive a market price which is not necessarily equal to 100% of the Principal Amount plus the Minimum Variable Return.

Only the Principal Amount and Minimum Variable Return is protected and must be paid by the HSBC at maturity. However, HSBC does not guarantee the payment at maturity of any premium that may have been paid by a Noteholder having purchased Notes in the secondary market over such Principal Amount and Minimum Variable Return. In addition, the trading price of a Note at any time will be dependent on, among other things, (i) how much the value of the Index has risen or fallen since the Trade Date, (ii) whether the Index has risen or fallen on any of the Observation Dates, (iii) the frequency and magnitude of changes in the level of the Index since the Trade Date, (iv) the fact that the amount of protected principal at maturity is limited to the Principal Amount plus the Minimum Variable Return and that any premium paid for the Notes on the secondary market is not protected by HSBC, and (v) a number of other interrelated factors, including, without limitation, the volatility of Index and the underlying components of the Index, the time remaining to maturity, the creditworthiness of HSBC, correlation of returns between the different investment strategies and market demand for the Notes. The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the trading price of a Note. Although the Notes are generally more suitable for purchasing and holding up to maturity, the Noteholder may wish to consult his, her or its investment advisor on whether it would be more appropriate in the circumstances at any time to sell or to hold the Note until maturity.

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 Exchange Rate.

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 futures or options on the Index or shares of any issuer comprising the Index or other derivative instruments with returns linked or related to changes in the performance of the Index, and HSBC may adjust these hedges by, among other things, purchasing or selling shares, futures or options or unwinding or disposing of these positions at any time. Although they are not expected to, any of these hedging activities may adversely affect the level of the Index or any of the instruments comprising 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, now or in the future, publish research reports with respect to the Index, the Index sponsor or any of the instruments comprising the Index. This research may be 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 level of the Index and, therefore, the market value of the Notes.

Calculation Agent

Because the Calculation Agent is an affiliate of HSBC, a potential conflict of interest may exist between the Calculation Agent and the Noteholders, including with respect to certain determinations and judgments that the Calculation Agent must make including, among other things, the observation or determination of the level of the Index on Observation Dates and the calculation of the Variable Return.

CERTAIN CANADIAN INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of a Note by a Note holder who, for purposes of the *Income Tax Act* (the "Tax Act") and at all relevant times, is resident in Canada, deals at arm's length with, and is not affiliated with, HSBC, and holds the Note as capital property (a "Canadian Holder"). This summary is not applicable to a Canadian Holder that is a corporation, partnership or trust, including a "financial institution" as defined in the Tax Act for the purposes of the rules governing securities held by financial institutions.

A Note will generally be capital property to a Note holder unless: (i) such Note holder holds the Note in the course of carrying on a business of dealing in securities; or (ii) such Note holder acquired the Note in a transaction or transactions considered to be an adventure in the nature of trade. Certain Note holders whose Notes might not otherwise qualify as capital property, or who would like certainty with respect to the treatment of the Notes as capital property, may be entitled to make an irrevocable election to have the Notes and every other "Canadian security" (as defined in the Tax Act) held by the Note holder, deemed to be capital property pursuant to subsection 39(4) of the Tax Act. Note holders should consult their own tax advisors as to whether they will hold the Notes as capital property.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the "Regulations") as in force at the date of this term sheet, all proposed amendments to the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments"), and the current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"). There can be no assurances that the Proposed Amendments will be enacted in the form proposed, or at all. This summary does not take into account provincial, territorial or foreign income tax considerations.

This summary is of a general nature only, is not exhaustive of all Canadian federal income tax considerations and should not be interpreted or relied upon as legal or tax advice to any particular Note holder. You should consult your tax advisers with respect to your particular circumstances.

A Canadian Holder will be required to compute such Canadian Holder's net income and net realized capital gains in Canadian dollars for the purposes of the Tax Act.

Variable Return and Minimum Variable Return

In the event that the Canadian Holder holds Notes until the Maturity Date, the full amount of the Variable Return, if any, will generally be included in the Canadian Holder's income in the Canadian Holder's taxation year that includes the Maturity Date, except to the extent that such Variable Return has already been included in the Canadian Holder's income for that or a preceding taxation year, provided that such Canadian Holder owns the Note on the Maturity Date or at such other time as the Variable Return is capable of being determined.

The Notes are "prescribed debt obligations" for the purposes of the Tax Act and the Regulations. Accordingly, a Canadian Holder will generally be required to include annually in income any interest deemed to accrue on the Notes in accordance with the provisions of the Tax Act and the Regulations. Based in part on an understanding of the CRA's administrative practice, (i) an amount of interest should be deemed to accrue each year on the Notes with respect to the Minimum Variable Return, and (ii) there should be no deemed accrual of interest in excess of the Minimum Variable Return on the Notes for any taxation year of a Canadian Holder ending before the taxation year in which the Maturity Date occurs. The interest accrual rules in the Tax Act and the Regulations are complex. Canadian Holders of the Notes should consult their own tax advisors regarding the application of these rules to their particular circumstances.

It is possible that there may be a requirement to include further accrued interest in the Canadian Holder's income for a taxation year in addition to the accrued interest described in the preceding paragraph. This would occur if, on a particular Observation Date, it becomes known with certainty that an amount of Variable Return (in excess of the Minimum Variable Return) will be payable on the Maturity Date in any event, even on the assumption that the levels of the Index will be nil for all subsequent Observation Dates. The accrual of interest would be limited to the known minimum amount of Variable Return payable on the Maturity Date.

Disposition of the Notes

Where a Canadian Holder assigns or otherwise transfers a Note, the amount of any interest deemed to accrue on the Note (as described above) to that time will be excluded from the proceeds of disposition of the Note and will be required to be included as interest in computing the Canadian Holder's income for the taxation year in which the transfer occurs, except to the extent that it has been otherwise included in income for the taxation year or a preceding taxation year.

Although not free from doubt, a Canadian Holder who disposes of, or is deemed to dispose of, a Note (other than a disposition by virtue of the repayment or purchase of such Note by HSBC) should realize a capital gain (or a capital loss) to the extent that the proceeds of disposition of the Note, less any costs of disposition, exceed (or are exceeded by) the Canadian Holder's adjusted cost base of the Note at the time of disposition.

One-half of a capital gain realized by a Canadian Holder must be included in the income of the Canadian Holder. One-half of a capital loss realized by a Canadian Holder is deductible against the taxable portion of capital gains realized in the year, in the three preceding years or in subsequent years, subject to the rules in the Act. Capital gains realized by an individual may give rise to a liability for alternative minimum tax.

Eligibility for Investment

The Notes will be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit-sharing plans (other than deferred profit-sharing plans under which contributions are made by HSBC or a person or partnership which does not deal at arm's length with HSBC).

SOME ADDITIONAL DEFINITIONS

"Market Disruption Event" shall be declared or shall exist upon the occurrence or existence on any Observation Date of any of the following conditions which the Calculation Agent, in its sole discretion determines is material: (i) any suspension or other limitation imposed on trading by the Relevant Exchange or any Related Exchange or otherwise, and whether by reason of movements in price exceeding limits permitted by the Relevant Exchange or any Related Exchange or otherwise, (A) relating to the constituents of the Index or any successor Index or (B) in any futures or options contracts relating to the Index or any Successor Index, as the case may be, on any relevant Related Exchange; (ii) any event (other than an event described in (iii) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, constituents of the Index or any Successor Index, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the Index or any Successor Index, as the case may be, on any relevant Related Exchange or (iii) the closure on any Scheduled Trading Day of the Relevant Exchange relating to the constituents of the Index or any Successor Index or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by the Relevant Exchange or such Related Exchange at least one hour prior to the actual closing time for the regular trading session on the Relevant Exchange or such Related Exchange on such Scheduled Trading Day; or (iv) the Relevant Exchange or Related Exchange for the Index or Successor Index fails to open for trading during its regular trading session.

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

INDEX

DISCONTINUANCE OR MODIFICATON OF THE INDEX

If the Index sponsor discontinues publication of or otherwise fails to publish the Index on any day on which such Index is scheduled to be published and the Index sponsor or another entity publishes a successor or substitute index that the Calculation Agent determines, in its sole discretion, to be comparable to the discontinued Index (such index being referred to as a "Successor Index"), then such Successor Index will be deemed to be the Index for all purposes relating to the Notes.

Upon any selection by the Calculation Agent of a Successor Index, the Calculation Agent will cause written notice thereof to be furnished to HSBC and to the depositors in respect of the Notes. If a Successor Index is selected by the Calculation Agent, the Successor Index will be used as a substitute for the Index for all purposes, including for purposes of determining whether a Market Disruption Event exists.

If the Index is discontinued or if the Index sponsor fails to publish the Index and the Calculation Agent determines that no Successor Index is available at such time, then the Calculation Agent will determine the Index level that is to be used for such Scheduled Trading Day using the same general methodology previously used by the Index Sponsor. The Calculation Agent shall continue to make such a determination until the earlier of (i) the Valuation Date or (ii) a determination by the Calculation Agent that the Index or a Successor Index is available. In such case, the Calculation Agent will cause written notice thereof to be furnished to the Issuer and to the Note holders.

If at any time the method of calculating the Index or a Successor Index, or the value thereof, is changed in a material respect, or if the Index or a Successor Index is in any other way modified so that, in the determination of the Calculation Agent, the value of such index does not fairly represent the value of the Index or such Successor Index that would have prevailed had such changes or modifications not been made, then the Calculation Agent will make such calculations and adjustments as may be necessary in order to determine an Index value comparable to the value that would have prevailed had such changes or modifications not been made. If, for example, the method of calculating the Index or a Successor Index is modified so that the value of such index is a fraction of what it would have been if it had not been modified (e.g., due to a split in the index), then the Calculation Agent will adjust such index in order to arrive at a value of the Index or such Successor Index as if it had not been modified (e.g., as if such split had not occurred). In such case, the Calculation Agent will cause written notice thereof to be furnished to HSBC and to the depositors in respect of the Notes.

CORRECTIONS TO INDEX

In the event that any level published by the Index sponsor and which is utilized for any calculation or determination made in respect of the Notes is subsequently corrected and the correction is published by the Index sponsor after the original publication, the 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 HSBC has paid the relevant amount to the holder(s) of the Notes based on the initial Index level prior to the related correction.

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 paid on any Deposit Notes. Standard & Poor's has no obligation or liability in connection with administration, marketing or trading of any Deposit Notes.

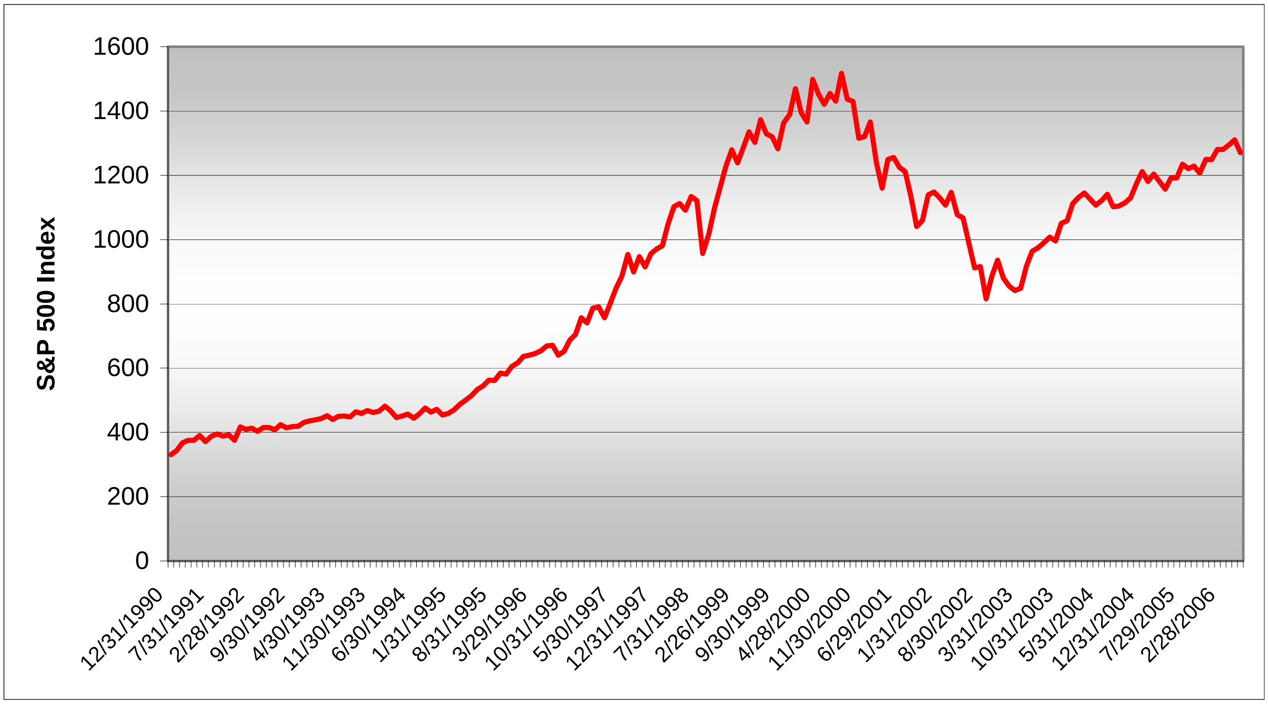
Standard & Poor's does not guarantee the accuracy and/or the completeness of the S&P 500® Index or any data included therein and Standard & Poor's shall have no liability for any errors, omissions or interruptions therein. Standard & Poor's makes no warranty, expressed or implied, as to results to be 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.

HISTORICAL DATA

Monthly Historic Performance of S&P 500 Index® (31 DEC 1990 – 31 JUL 2006)

The following table sets forth the monthly closing levels from December 31,1990 to July 31, 2006. The closing level of the Index on July 31, 2006 was 1276.66. We obtained the data in the following table from Bloomberg Financial Service, without independent verification by us. **Historical levels of the Index should not be taken as an indication of future performance.**

MONTHLY PRICE HISTORY OF THE S&P 500 INDEX® – Dec. 31, 1990 to July 31, 2006



Source: *Bloomberg*

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

BECAUSE OF THE NUMEROUS FACTORS THAT MAY AFFECT THE LEVEL OF THE INDEX, NO ASSURANCE CAN BE GIVEN THAT HOLDERS OF THE NOTES WILL RECEIVE VARIABLE RETURN IN EXCESS OF THE MINIMUM ANNUAL RETURN OF 20.00% (EQUIVALENT TO 3.09% PER ANNUM COMPOUNDED ANNUALLY).

HYPOTHETICAL EXAMPLES OF REDEMPTION AMOUNT CALCULATIONS

The following examples are provided for illustration purposes only and are hypothetical; they do not purport to be representative of every possible scenario concerning increases or decreases in the level of the Index relative to its Initial Index Level. We cannot predict the closing level of the Index on any Observation Date or any other date. The assumptions we have made in connection with the illustrations set forth below may not reflect actual events, and the hypothetical Initial Index Level used in the illustrations below are not the actual Initial Index Level. You should not take these examples as an indication or assurance of the expected performance of the Index.

The following examples indicate how the Redemption Amount would be calculated with respect to a hypothetical USD $10,000 investment in the Notes. These examples assume that there is no early redemption or Market Disruption Events, that the Notes are held to maturity and that the Initial Index Level is 1,000.

Illustration Purposes Only – Not Intended to Predict Actual Results

HSBC

Structured Products

September 8, 2006

	Final S&P 500 Index Level	
Observation Date	Up Scenario	Down Scenario
Issue Date	1,000	1,000
1st Quarter	1,130	970
2nd Quarter	1,180	1,020
3rd Quarter	1,260	1,060
4th Quarter	1,330	1,100
5th Quarter	1,440	980
6th Quarter	1,550	960
7th Quarter	1,620	990
8th Quarter	1,580	1,020
9th Quarter	1,610	970
10th Quarter	1,490	880
11th Quarter	1,520	910
12th Quarter	1,560	920
13th Quarter	1,530	895
14th Quarter	1,590	880
15th Quarter	1,620	885
16th Quarter	1,580	870
17th Quarter	1,610	890
18th Quarter	1,630	910
19th Quarter	1,645	885
20th Quarter	1,625	860
21st Quarter	1,615	850
22nd Quarter	1,640	870
23rd Quarter	1,645	865
24th Quarter	1,630	845
Average Index Level	1,526	929
Index Average Return	52.6%	-7.1%
Variable Return	52.6%	20.0%
Redemption Proceeds at Maturity	**152.6%**	**120.0%**

The prices shown in the examples for the S&P 500® Index 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

In the Up Scenario (above)

In this hypothetical scenario, at maturity the Note would return the Principal Amount invested by a holder plus a Variable Return of 52.60% [(1,526/1,000)-1] or an equivalent annually compounded return of 7.30%.

In the Down Scenario (above)

In this hypothetical scenario, at maturity the Note would return the Principal Amount invested by a holder plus the Minimum Return of 20.00% (as the Index Average Return is less than the Minimum Variable Return), or an equivalent annually compounded return of 3.09%.