Royal Bank of Canada Autocallable Optimization Securities with Contingent Protection
Linked to the shares of Market Vectors Gold Miners ETF®, due on January 6, 2012

Investment Description

Autocallable Optimization Securities with Contingent Protection are senior unsecured debt securities issued by Royal Bank of Canada (each, a “Security” and collectively, the “Securities”) with returns linked to the shares of Market Vectors Gold Miners ETF® (the “Index Fund”). The Index Fund is an exchange traded fund intended to track the performance of the NYSE Arca Gold Miners Index (the “Underlying Index”) by investing its assets in a portfolio of securities that generally replicates the Underlying Index. The Securities are designed for investors who anticipate that the level of the Index Fund will be at or above the Index Fund Starting Level on any Observation Date (as described below). The Securities will be automatically called for the principal amount plus an amount based on the applicable Call Return Rate if the closing price of one share of the Index Fund on any Observation Date is equal to or greater than the Index Fund Starting Level. If the Securities are called, you will receive the Call Price (as described below). You will receive a positive return on your Securities only if the Index Fund closes at a price equal to or above the Index Fund Starting Level on any Observation Date, including the final Observation Date. If the Securities are called, you will receive the Call Price (as described below). You will receive a positive return on your Securities only if the Index Fund closes at a price equal to or above the Index Fund Starting Level on any Observation Date, including the final Observation Date. If the Securities are not called, investors will have downside market exposure to the Index Fund at maturity, subject to the contingent protection feature.

Features

- **Tactical Investment Opportunity**—If you believe the Index Fund will appreciate in value over the term of the Securities but are unsure about the exact timing or magnitude of the appreciation, the Securities provide a potential opportunity to generate returns based on this market view. The Securities will be automatically called for the principal amount plus an amount based on the applicable Call Return Rate if the closing price of one share of the Index Fund on any Observation Date is equal to or greater than the Index Fund Starting Level. If the Securities are not called, investors will have downside market exposure to the Index Fund at maturity, subject to the contingent protection feature.

- **Contingent Protection Feature**—If you hold the Securities to maturity, the Securities are not called on the final Observation Date and the Index Fund is above or equal to the Trigger Price on the final Observation Date, you will receive 100% of your principal, subject to the creditworthiness of Royal Bank of Canada. If the Index Fund closes below the Trigger Price on the final Observation Date, your investment will be fully exposed to the negative Index Fund Return.

Security Offering

We are offering Autocallable Optimization Securities with Contingent Protection linked to the Index Fund. The Securities are offered at a minimum investment of $1,000 in denominations of $10 and integral multiples thereof.

See “Additional Information about Royal Bank of Canada and the Securities” in this pricing supplement. The Securities will have the terms specified in the prospectus dated January 11, 2010, the prospectus supplement dated January 11, 2010, product prospectus supplement no. UBS-AOS-2 dated June 17, 2010 and this pricing supplement. See “Key Risks” in this pricing supplement and “Risk Factors” in the accompanying product prospectus supplement no. UBS-AOS-2 for risks related to investing in the Securities.

<table>
<thead>
<tr>
<th>Securities with Contingent Protection Linked to the Market Vectors Gold Miners ETF®</th>
<th>Price to Public(1)</th>
<th>Fees and Commissions(2)</th>
<th>Proceeds to Us(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$5,827,630</td>
<td>Total</td>
<td>$72,845.38</td>
</tr>
<tr>
<td>Per Security</td>
<td>$10</td>
<td>Per Security</td>
<td>$0.125</td>
</tr>
</tbody>
</table>

(1) The price to the public includes the cost of hedging our obligations under the Securities through one or more of our affiliates, which includes our affiliates' expected cost of providing such hedge as well as the profit our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge. For additional related information, please see “Use of Proceeds and Hedging” in the accompanying product prospectus supplement no. UBS-AOS-2.

(2) UBS Financial Services Inc., which we refer to as UBS, will receive a commission of $0.125 per $10 in principal amount of the Securities.

The Securities will not constitute deposits insured under the Canada Deposit Insurance Corporation Act or the United States Federal Deposit Insurance Corporation or any other Canadian or United States government agency or instrumentality.
Additional Information about Royal Bank of Canada and the Securities

You should read this pricing supplement together with the prospectus dated January 11, 2010, as supplemented by the prospectus supplement dated January 11, 2010, relating to our Series D medium-term Notes of which these Securities are a part, and the more detailed information contained in product prospectus supplement no. UBS-AOS-2 dated June 17, 2010. **This pricing supplement, together with the documents listed below, contains the terms of the Securities and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours.** You should carefully consider, among other things, the matters set forth in “Risk Factors” in the accompanying product prospectus supplement no. UBS-AOS-2, as the Securities involve risks not associated with conventional debt securities.

You may access these on the SEC website at www.sec.gov as follows (or if such address has changed, by reviewing our filing for the relevant date on the SEC website):

- Product prospectus supplement no. UBS-AOS-2 dated June 17, 2010: http://www.sec.gov/Archives/edgar/data/1000275/000121465910001702/c617100424b5.htm
- Prospectus dated January 11, 2010: http://www.sec.gov/Archives/edgar/data/1000275/000121465910000063/m18100424b3.htm

As used in this pricing supplement, the “Company,” “we,” “us” or “our” refers to Royal Bank of Canada.
Investor Suitability

The Securities may be suitable for you if, among other considerations:

- You believe the Index Fund will close at or above the Index Fund Starting Level on one of the specified Observation Dates
- You believe the Index Fund will not close below the Trigger Price of $49.05 (which is 80% of the Index Fund Starting Level) on the final Observation Date
- You are willing to hold Securities that will be called on the first Observation Date on which the Index Fund closes at or above the Index Fund Starting Level, or you are otherwise willing to hold such Securities to maturity, a term of approximately 12 months, if they are not called
- You believe the Index Fund will remain stable for the term of the Securities and will close at or above the Index Fund Starting Level on the final Observation Date
- You are willing to make an investment whose return is limited to the applicable Call Return Rate, an annualized return of 17.50%.
- You are willing to invest in Securities for which there may be little or no secondary market and you accept that the secondary market will depend in large part on the price, if any, at which RBC Capital Markets, LLC, which we refer to as “RBCCM,” is willing to trade the Securities
- You are willing to forgo dividends paid on the equity securities held by the Index Fund and any distributions paid by the Index Fund
- You do not seek current income from this investment
- You are comfortable with the creditworthiness of Royal Bank of Canada, as issuer of the Securities
- You are willing to make an investment where you could lose some or all of your principal
- You seek exposure to the gold and silver mining industries

The Securities may not be suitable for you if, among other considerations:

- You believe the price of the Index Fund will decrease during the Observation Period
- You believe the Index Fund will close below the Trigger Price of $49.05 (which is 80% of the Index Fund Starting Level) on the final Observation Date
- You believe stock prices of gold and silver mining companies comprising the Index Fund will decrease during the Observation Period
- You are not willing to make an investment in which you could lose up to 100% of your principal amount
- You seek an investment whose return is not limited to the applicable Call Return Rate, an annualized return of 17.50%
- You seek an investment for which there will be an active secondary market
- You are unable or unwilling to hold Securities that will be called on any Observation Date on which the Index Fund closes at or above the Index Fund Starting Level and you are unable or unwilling to hold such Securities to maturity, a term of approximately 12 months, if such Securities are not called
- You seek current income from your investment
- You are not willing or are unable to assume the credit risk associated with Royal Bank of Canada, as issuer of the Securities
- You do not seek exposure to the gold and silver mining industries

The suitability considerations identified above are not exhaustive. Whether or not the Securities are a suitable investment for you will depend on your individual circumstances, and you should reach an investment decision only after you and your investment, legal, tax, accounting, and other advisers have carefully considered the suitability of an investment in the Securities in light of your particular circumstances. You should also review carefully the “Key Risks” on page 6 of this pricing supplement and “Risk Factors” in the accompanying product prospectus supplement no. UBS-AOS-2 for risks related to an investment in the Securities.
Final Terms

Issuer: Royal Bank of Canada
Issue Price: $10 per Security (subject to a minimum purchase of 100 Securities, or $1,000)
Term: Approximately 12 months, unless called earlier
Index Fund: Market Vectors Gold Miners ETF®
Call Feature: The Securities will be called automatically if the closing price of one share of the Index Fund on any Observation Date is at or above the Index Fund Starting Level.
Call Settlement Dates: Four business days following the applicable Observation Date
Call Return Rate: If the Securities are called, you will receive on the applicable Call Settlement Date a cash payment per $10.00 principal amount of each Security equal to the Call Price for the applicable Observation Date. The Call Price will be based upon the applicable Call Return Rate, at an annualized rate of 17.50%.

If the Securities are not called, you will receive on the applicable Call Settlement Date a cash payment per $10.00 principal amount of each Security equal to the Call Price, calculated as follows:

<table>
<thead>
<tr>
<th>Observation Date</th>
<th>Call Return Rate</th>
<th>Call Price</th>
</tr>
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<tbody>
<tr>
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<td>March 25, 2011</td>
<td>4.375%</td>
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</tr>
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<td>April 25, 2011</td>
<td>5.833%</td>
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<td>May 24, 2011</td>
<td>7.292%</td>
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</tr>
<tr>
<td>June 24, 2011</td>
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</tr>
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<td>July 25, 2011</td>
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<td>August 25, 2011</td>
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<td>September 26, 2011</td>
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</tr>
<tr>
<td>November 23, 2011</td>
<td>16.041%</td>
<td>$11.6041</td>
</tr>
<tr>
<td>December 30, 2011</td>
<td>17.500%</td>
<td>$11.7500</td>
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At maturity, you will receive a cash payment of $10 per $10 in principal amount of the Securities.

Determine the Index Fund Return

If the Securities are not called and the Index Fund Ending Level is above or equal to the Trigger Price on the final Observation Date, you will receive at maturity a cash payment per $10 in principal amount of the Securities, calculated as follows:

\[\text{Payment at Maturity} = 10 \times (1 + \text{Index Fund Return})\]

Accordingly, if the Securities are not called, you may lose some or all of your investment. Specifically, if the Securities are not called and the Index Fund Ending Level is below the Trigger Price on the final Observation Date, you will lose 1% (or a fraction thereof) of your principal amount for each 1% (or a fraction thereof) decrease in the price per share of the Index Fund below the Index Fund Starting Level.

Index Fund

Return:

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Payment at Maturity (per $10):$4

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Yes

You will receive the Call Price for the applicable Observation Date. The Call Price for any Observation Date is based on the Call Rate.

No

At maturity, you will receive a cash payment of $10 per $10 in principal amount of the Securities.

Determine the Index Fund Return

If the Securities are not called and the Index Fund Ending Level is below the Trigger Price on the final Observation Date, you will receive at maturity a cash payment of $10 per $10 in principal amount of the Securities.

Accordingly, if the Securities are not called, you may lose some or all of your investment. Specifically, if the Securities are not called and the Index Fund Ending Level is below the Trigger Price on the final Observation Date, you will lose 1% (or a fraction thereof) of your principal amount for each 1% (or a fraction thereof) decrease in the price per share of the Index Fund below the Index Fund Starting Level.

1 Subject to postponement in the event of a market disruption event and as described under “General Terms of the Securities – Market Disruption Events” in the accompanying product prospectus supplement no UBS-AOS-2.
2 Any payment on the Securities, including the Call Price and contingent principal protection, is provided by Royal Bank of Canada, as issuer, and, therefore, is dependent on the ability of Royal Bank of Canada to satisfy its obligations when they come due.
Hypothetical Examples of How the Securities Perform

The following tables and examples reflect the Call Return Rate of 17.50% per annum.
The following examples illustrate the payment at maturity on a hypothetical offering of the Securities assuming the following*:

- Principal Amount: $10.00 per Security
- Term: Approximately one year, unless called earlier
- Index Fund Starting Level: $61.31
- Call Return Rate: 17.50% per annum
- Observation Dates: Monthly
- Trigger Price: $49.05 (which is 80% of the Index Fund Starting Level)

* The examples are provided for illustrative purposes only and are purely hypothetical. The numbers in the examples have been rounded for ease of analysis.

Example 1: Securities are Called on the First Observation Date.

| Closing Price at first Observation Date: | $61.50 (at or above the Index Fund Starting Level, Securities are called) |
| Call Price (per $10):                  | $10.1458                     |

Since the Securities are called on the first Observation Date, you will receive on the Call Settlement Date a Call Price of $10.1458 per $10 principal amount (a 1.458% return on the Securities).

Example 2: Securities are Called on the Final Observation Date.

| Closing Price at first Observation Date: | $50.00 (below the Index Fund Starting Level, Securities NOT called) |
| Closing Price at second Observation Date: | $51.25 (below the Index Fund Starting Level, Securities NOT called) |
| Closing Price at third Observation Date: | $51.00 (below the Index Fund Starting Level, Securities NOT called) |
| Closing Price at fourth to eleventh Observation Date: | Various (all below Index Fund Starting Level, Securities NOT called) |
| Closing Price at final Observation Date: | $61.50 (at or above the Index Fund Starting Level, Securities are called) |
| Call Price (per $10):                  | $11.7500                     |

Since the Securities are called on the final Observation Date, you will receive on the Call Settlement Date (which coincides with the maturity date in this example) a Call Price of $11.7500 per $10 principal amount (a 17.50% return on the Securities).

Example 3: Securities are NOT called and the Index Fund Ending Level is above the Trigger Price on the final Observation Date.

| Closing Price at first Observation Date: | $50.00 (below the Index Fund Starting Level, Securities NOT called) |
| Closing Price at second Observation Date: | $51.25 (below the Index Fund Starting Level, Securities NOT called) |
| Closing Price at third Observation Date: | $51.00 (below the Index Fund Starting Level, Securities NOT called) |
| Closing Price at fourth to eleventh Observation Date: | Various (all below Index Fund Starting Level, Securities NOT called) |
| Closing Price at final Observation Date: | $49.50 (below the Index Fund Starting Level, but above Trigger Price, Securities NOT called) |
| Settlement Amount (per $10):            | $10.0000                     |

At maturity, you will receive $10.000 per $10 principal amount (a zero percent return on the Securities). The Securities are not called during the Observation Period and the Index Fund Ending Level is above or equal to the Trigger Price on the final Observation Date.

Example 4: Securities are NOT called and the Index Fund Ending Level is below the Trigger Price on the final Observation Date.

| Closing Price at first Observation Date: | $50.00 (below the Index Fund Starting Level, Securities NOT called) |
| Closing Price at second Observation Date: | $51.25 (below the Index Fund Starting Level, Securities NOT called) |
| Closing Price at third Observation Date: | $51.00 (below the Index Fund Starting Level, Securities NOT called) |
| Closing Price at fourth to eleventh Observation Date: | Various (all below Index Fund Starting Level, Securities NOT called) |
| Closing Price at final Observation Date: | $36.81 (below the Index Fund Starting Level and Trigger Price, Securities NOT called) |
| Settlement Amount (per $10):            | $10.00 x [1 + Index Fund Return] |
|                                     | $10.00 x [1 – 40.00%] |
|                                     | $6.0000                      |

Since the Securities are not called and the Index Fund Ending Level is below the Trigger Price on the final Observation Date, at maturity you will receive $6.0000 per $10 principal amount (a 40.00% loss on the Securities).
What Are the Tax Consequences of the Securities?

Set forth below is a summary of certain U.S. federal income tax consequences relating to an investment in the Securities. The following summary is not complete and is qualified in its entirety by the discussion under the sections entitled “Supplemental Discussion of U.S. Federal Income Tax Consequences” in the accompanying product prospectus supplement, the section “Tax Consequences” in the accompanying prospectus and the section entitled “Certain Income Tax Consequences” in the accompanying prospectus supplement, which you should carefully review prior to investing in the Securities.

In the opinion of our counsel, Morrison & Foerster LLP, it would generally be reasonable to treat a Security with terms described in this pricing supplement as a callable pre-paid cash-settled derivative contract linked to the Index Fund for U.S. federal income tax purposes, and the terms of the Securities require a holder and us (in the absence of a change in law or an administrative or judicial ruling to the contrary) to treat the Securities for all tax purposes in accordance with such characterization. If the Securities are so treated and subject to the discussion of the “constructive ownership rules” in the following sentence, a holder should generally recognize capital gain or loss upon the call, sale or maturity of the Securities in an amount equal to the difference between the amount a holder receives at such time and the holder’s tax basis in the Securities. There may exist a risk that an investment in the Securities is, in whole or in part, a “constructive ownership transaction” to which Section 1260 of the Internal Revenue Code applies, in which case any long-term capital gain recognized in respect of the Securities in excess of the “net underlying long-term capital gain” (as defined in Section 1260 of the Internal Revenue Code) would be recharacterized as ordinary income and an interest charge would also apply to any deemed underpayment of tax assuming such income accrued at a constant rate equal to the applicable federal rate as of the date of sale or maturity of the Securities. Alternative tax treatments of the Securities are also possible and the Internal Revenue Service might assert that a treatment other than that described above is more appropriate. In addition, the Internal Revenue Service has released a notice that may affect the taxation of holders of the Securities. According to the notice, the Internal Revenue Service and the Treasury Department are actively considering whether the holder of an instrument such as the Securities should be required to accrue income currently and this could be applied on a retroactive basis. The Internal Revenue Service and the Treasury Department are also considering other relevant issues, including whether additional gain or loss from such instruments should be treated as ordinary or capital and whether the special “constructive ownership rules” of Section 1260 of the Internal Revenue Code might be applied to such instruments. Holders are urged to consult their tax advisors concerning the significance, and the potential impact, of the above considerations.

Individual holders that own “specified foreign financial assets” may be required to include certain information with respect to such assets with their U.S. federal income tax return. You are urged to consult your own tax advisor regarding such requirements with respect to the Securities.

Key Risks

An investment in the Securities involves significant risks. Investing in the Securities is not equivalent to investing directly in the Index Fund, the Underlying Index or any of the equity securities held by the Index Fund or included in the Underlying Index. These risks are explained in more detail in the “Risk Factors” section of the accompanying product prospectus supplement no. UBS-AOS-2. We also urge you to consult your investment, legal, tax, accounting and other advisors before investing in the Securities.

Risks Relating to the Securities Generally

♦ Your Investment in the Securities May Result in a Loss: The Securities do not guarantee any return of principal at maturity, and that return, if any, is subject to the creditworthiness of Royal Bank of Canada. You will only receive a positive return on the Securities if one share of the Index Fund closes at or above the Index Fund Starting Level on an Observation Date. You will lose some or all of your principal if the Securities are not called and the Index Fund Ending Level is below the Trigger Price on the final Observation Date.

♦ The Call Feature Limits Your Potential Return: The appreciation potential of the Securities as of any Observation Date is limited to the specified Call Price, regardless of the extent of the positive performance of the Index Fund. In addition, since the Securities could be called as early as the first Observation Date, the total return of the Securities could be significantly lower than the maximum potential Call Return Rate.

♦ Reinvestment Risk: If your Securities are called, you may not be able to reinvest the proceeds at a comparable rate of return or at other comparable terms to those of the Securities.

♦ Contingent Principal Protection: The Securities provide principal protection only if the Index Fund Ending Level is above or equal to the Trigger Price on the final Observation Date, and you hold the Securities to maturity. If you sell your Securities prior to maturity on the secondary market, you may have to sell them at a discount and your initial investment will not be protected. Principal protection depends on the ability of Royal Bank of Canada to satisfy its obligations as they come due.

♦ Credit Risk of Royal Bank of Canada: The Securities are senior unsecured debt obligations of the issuer, Royal Bank of Canada, and are not, either directly or indirectly, an obligation of any third party. Any payment to be made on the Securities, including any principal protection provided at maturity, depends on the ability of Royal Bank of Canada to satisfy its obligations as they come due. As a result, the actual and perceived creditworthiness of Royal Bank of Canada may affect the market value of the Securities and, in the event Royal Bank of Canada were to default on its obligations, you may not receive the contingent principal protection or any other amounts owed to you under the terms of the Securities.

♦ Certain Built-In Costs Are Likely to Adversely Affect the Value of the Securities Prior to Maturity: While the payment at maturity, if any, described in this pricing supplement is based on the full principal amount of your Securities, the original issue price of the Securities includes UBS’s commission and the estimated cost of hedging our obligations under the Securities. As a result, and as a general matter, the price, if any, at which RBCCM, will be willing to purchase Securities from you in secondary market transactions, if at all, will likely be lower than the original issue price and any sale prior to the maturity date could result in a substantial loss to you. This secondary market price will also be affected by a number of factors aside from UBS’s commission and our hedging costs, including those set forth under “Many Economic and Market Factors Will Impact the Value of the Securities” below. The Securities are not designed to be short-
term trading instruments. Accordingly, you should be able and willing to hold your Securities to maturity.

- **No Interest or Dividend Payments or Voting Rights:** As a holder of the Securities, you will not receive interest payments, and you will not have voting rights or rights to receive cash dividends or other distributions or other rights that holders of the Index Fund or equity securities held by the Index Fund would have.

- **Lack of Liquidity:** The Securities will not be listed on any securities exchange. RBCCM intends to offer to purchase the Securities in the secondary market, but is not required to do so. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Securities easily. Because other dealers are not likely to make a secondary market for the Securities, the price at which you may be able to trade your Securities is likely to depend on the price, if any, at which RBCCM is willing to buy the Securities.

- **Potential Conflicts:** We and our affiliates play a variety of roles in connection with the issuance of the Securities, including hedging our obligations under the Securities. In performing these duties, the economic interests of the calculation agent and other affiliates of ours are potentially adverse to your interests as an investor in the Securities.

- **Potentially Inconsistent Research, Opinions or Recommendations by RBCCM, UBS or Their Affiliates:** RBCCM, UBS or their affiliates may publish research, express opinions or provide recommendations as to the Index Fund or the equity securities included in the Underlying Index that are inconsistent with investing in or holding the Securities, and which may be revised at any time. Any such research, opinions or recommendations could affect the value of the Index Fund or the equity securities included in the Underlying Index, and therefore the market value of the Securities.

- **Tax Treatment:** Significant aspects of the tax treatment of the Securities are uncertain. You should consult your tax adviser about your tax situation.

- **Potential Royal Bank of Canada Impact on Price:** Trading or transactions by Royal Bank of Canada or its affiliates in the Index Fund or equity securities composing the Index Fund, or in futures, options, exchange-traded funds or other derivative products on the Index Fund or equity securities held by the Index Fund may adversely affect the market value of the equity securities held by the Index Fund, the closing price of one share of the Index Fund, and, therefore, the market value of the Securities.

- **Many Economic and Market Factors Will Impact the Value of the Securities:** In addition to the closing price of one share of the Index Fund on any trading day, the value of the Securities will be affected by a number of economic and market factors that may either offset or magnify each other, including:
  - the expected volatility of the Index Fund;
  - the time to maturity of the Securities;
  - the dividend rate on the equity securities held by the Index Fund;
  - interest and yield rates in the market generally, as well as in each of the markets of the equity securities held by the Index Fund;
  - a variety of economic, financial, political, regulatory or judicial events;
  - the occurrence of certain events to the Index Fund that may or may not require an adjustment to the Share Adjustment Factor; and
  - our creditworthiness, including actual or anticipated downgrades in our credit ratings.

**Risks Relating to the Index Fund**

- **No Affiliation with the Index Fund:** Van Eck Associates Corporation, is currently the Index Fund’s investment adviser (“Van Eck”). We are not affiliated with the Index Fund or Van Eck. You should make your own investigation into the Index Fund and the Underlying Index. We are not responsible for the Index Fund’s public disclosure of information, whether contained in its SEC filings or otherwise.

- **Owning the Securities Is Not the Same as Owning Shares of the Index Fund:** Owning the Securities is not the same as owning shares of the Index Fund. Accordingly, changes in the closing price of one share of the Index Fund may not result in a comparable change of the market value of the Securities. If the closing price of one share of the Index Fund on any trading day increases above the Index Fund Starting Level, the value of the Securities may not increase comparably, if at all. It is possible for the closing price of the shares of the Index Fund to increase moderately while the value of the Securities declines.

- **There Are Risks Associated with the Index Fund:** Although the Index Fund’s shares are listed for trading on the NYSE Arca and a number of similar products have been traded on NYSE Arca for varying periods of time, there is no assurance that an active trading market will continue for the shares of the Index Fund or that there will be liquidity in the trading market. The Index Fund is subject to management risk, which is the risk that the investment strategy of the investment adviser may not produce the intended results. Furthermore, the Index Fund is not managed according to traditional methods of “active” investment management, which involve the buying and selling of securities based on economic, financial and market analysis and investment judgment. Instead, the Index Fund, utilizing a “passive” or indexing investment approach, attempts to approximate the investment performance of the Underlying Index by investing in a portfolio of securities that generally replicates the Underlying Index. Therefore, unless a specific security is removed from the Underlying Index, the Index Fund generally would not sell a security because the security’s issuer was in financial trouble, or might otherwise be viewed as an undesirable investment.

- **Differences Between the Index Fund and the Underlying Index:** While the Index Fund is designed and intended to track the level of the Underlying Index, various factors, including fees and other transaction costs, will prevent the Index Fund from correlating exactly with changes in the level of the Underlying Index. Accordingly, the performance of the Index Fund will not be equal to the performance of the Underlying Index during the term of the Securities. Additionally, corporate actions with respect to the sample of equity securities (such as mergers and spin-offs) may impact the variance between the Index Fund and the Underlying Index. Finally, because the shares of the
Index Fund are traded on the NYSE Arca and are subject to market supply and investor demand, the market value of one share of the Index Fund may differ from the net asset value per share of the Index Fund.

♦ The Holdings of the Index Fund Are Concentrated in the Gold and Silver Mining Industries: All or substantially all of the equity securities held by the Index Fund are issued by gold or silver mining companies. Because the Securities are linked to the performance of the Index Fund, an investment in these Securities will be concentrated in the gold and silver mining industries. Competitive pressures may have a significant effect on the financial condition of companies in these industries. In addition, these companies are highly dependent on the price of gold or silver, as applicable. These prices fluctuate widely and may be affected by numerous factors. Factors affecting gold prices include economic 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, and confidence in, the U.S. dollar (the currency in which the price of gold is generally quoted), interest rates and gold borrowing and lending rates, and global or regional economic, financial, political, regulatory, judicial or other events. Gold prices may also be affected by industry factors such as industrial and jewelry demand, lending, sales and purchases of gold by the official sector, including central banks and other governmental agencies and multilateral institutions which hold gold, levels of gold production and production costs, and short-term changes in supply and demand because of trading activities in the gold market. Factors affecting silver prices include general economic trends, technical developments, substitution issues and regulation, as well as specific factors including industrial and jewelry demand, expectations with respect to the rate of inflation, the relative strength of the U.S. dollar (the currency in which the price of silver is generally quoted) and other currencies, interest rates, central bank sales, forward sales by producers, global or regional political or economic events, and production costs and disruptions in major silver producing countries such as Mexico and Peru. The supply of silver consists of a combination of new mine production and existing stocks of bullion and fabricated silver held by governments, public and private financial institutions, industrial organizations and private individuals. In addition, the price of silver has on occasion been subject to very rapid short-term changes due to speculative activities. From time to time, above-ground inventories of silver may also influence the market.

♦ Relationship to gold bullion — The Index Fund measures the performance of shares of gold and silver mining companies and not gold bullion. The Index Fund may under- or over-perform gold bullion over the short-term or the long-term.

♦ Single ETF risk: The price of the Index Fund can rise or fall sharply due to factors specific to the Index Fund, such as volatility, earnings, financial conditions, corporate, industry and regulatory developments, and other events affecting the companies whose securities make up the components of the Index Fund.

♦ The probability that the Securities will be called or that the Index Fund Ending Level will be below the Trigger Price will increase as the volatility of the Index Fund increases: “Volatility” refers to the frequency and magnitude of changes in the price of the Index Fund. If the Index Fund experiences significant volatility during the term of the Securities, there is a higher probability that the Securities will be called earlier or that the Index Fund Ending Level will be below the Trigger Price on the final Observation Date. As a result, the Securities may be called on an earlier Observation Date, or you may lose some or all of your investment.

♦ The Anti-Dilution Protection for the Index Fund Is Limited: The calculation agent will make adjustments to the Share Adjustment Factor for certain events affecting the shares of the Index Fund. However, the calculation agent will not make an adjustment in response to all events that could affect the shares of the Index Fund. If an event occurs that does not require the calculation agent to make an adjustment, the value of the Securities may be materially and adversely affected.
Index Fund

We have derived all information contained in this pricing supplement regarding the Index Fund, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by Market Vectors ETF Trust and Van Eck.

The Market Vectors Gold Miners ETF® is an investment portfolio maintained and managed by Market Vectors ETF Trust (the “Trust”) and advised by Van Eck Associates Corporation. The Trust is a registered open-end investment company that consists of numerous separate investment portfolios, including the Index Fund. The Index Fund is an exchange traded fund that trades on the NYSE Arca under the ticker symbol “GDX.”

Information provided to or filed with the SEC by the Index Fund under the Securities Act of 1933 and the Investment Company Act of 1940 can be located by reference to SEC file numbers 033-123257 and 811-10325, respectively, through the SEC’s website at http://www.sec.gov. Additional information about Van Eck and the Index Fund may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents and the Van Eck website at http://www.vaneck.com. The information below was compiled from the Van Eck website. We make no representation or warranty as to the accuracy of the information above or below. Information contained in the Van Eck website is not incorporated by reference in, and should not be considered a part of, this pricing supplement.

The Index Fund seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the Underlying Index. The Underlying Index was developed by the NYSE Amex (formerly the American Stock Exchange) and is calculated, maintained and published by the NYSE Arca. The Underlying Index is a modified market capitalization-weighted index consisting of common stocks and American Depository Receipts (“ADRs”) of publicly traded companies involved primarily in mining for gold and silver. The Underlying Index includes common stocks and ADRs of selected companies with market capitalizations greater than $100 million that have an average daily volume of at least 50,000 shares over the past six months. The Underlying Index’s benchmark value was 500.0 at the close of trading on December 20, 2002. As of December 29, 2010, there were 30 gold and silver mining companies included in the Index Fund.

The Index Fund utilizes a “passive” or “indexing” investment approach in attempting to track the performance of the Underlying Index. The Index Fund will invest in all of the securities which comprise the Underlying Index. The Index Fund will normally invest at least 95% of its total assets in common stocks that comprise the Underlying Index.

Holdings Information

The following table summarizes the Index Fund’s top holdings in individual companies as of December 29, 2010.

<table>
<thead>
<tr>
<th>Company</th>
<th>Percentage of Total Holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barrick Gold Corp</td>
<td>16.74%</td>
</tr>
<tr>
<td>Goldcorp Inc</td>
<td>10.70%</td>
</tr>
<tr>
<td>Newmont Mining Corp</td>
<td>9.58%</td>
</tr>
<tr>
<td>Kinross Gold Corp</td>
<td>6.79%</td>
</tr>
<tr>
<td>AngloGold Ashanti Ltd</td>
<td>5.96%</td>
</tr>
<tr>
<td>Yamana Gold Inc</td>
<td>4.58%</td>
</tr>
<tr>
<td>Eldorado Gold Corp</td>
<td>4.56%</td>
</tr>
<tr>
<td>Silver Wheaton Corp</td>
<td>4.52%</td>
</tr>
<tr>
<td>Cia de Minas Buenaventura SA</td>
<td>4.49%</td>
</tr>
<tr>
<td>Gold Fields Ltd</td>
<td>4.43%</td>
</tr>
</tbody>
</table>

Disclaimer

The Securities are not sponsored, endorsed, sold or promoted by Van Eck. Van Eck makes no representations or warranties to the owners of the Securities or any member of the public regarding the advisability of investing in the Securities. Van Eck has no obligation or liability in connection with the operation, marketing, trading or sale of the Securities.
### Historical Information

The following table sets forth the quarterly intra-day high and low price and quarterly closing price of one share of the Index Fund (rounded to two decimal places), as reported by Bloomberg Professional® service. The historical values of one share of the Index Fund should not be taken as an indication of future performance. We cannot give you assurance that the performance of the Index Fund will result in the return of any of your initial investment.

<table>
<thead>
<tr>
<th>Quarter Begin</th>
<th>Quarter End</th>
<th>Quarterly Intra-Day High</th>
<th>Quarterly Intra-Day Low</th>
<th>Quarterly Close</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/3/2006</td>
<td>6/30/2006</td>
<td>$39.81</td>
<td>$31.82</td>
<td>$38.70</td>
</tr>
<tr>
<td>7/3/2006</td>
<td>9/29/2006</td>
<td>$42.58</td>
<td>$33.86</td>
<td>$35.65</td>
</tr>
<tr>
<td>10/2/2006</td>
<td>12/29/2006</td>
<td>$42.32</td>
<td>$32.41</td>
<td>$39.91</td>
</tr>
<tr>
<td>4/2/2007</td>
<td>6/29/2007</td>
<td>$42.85</td>
<td>$36.63</td>
<td>$37.89</td>
</tr>
<tr>
<td>7/2/2007</td>
<td>9/28/2007</td>
<td>$45.96</td>
<td>$32.79</td>
<td>$45.10</td>
</tr>
<tr>
<td>10/1/2007</td>
<td>12/31/2007</td>
<td>$53.60</td>
<td>$42.31</td>
<td>$45.85</td>
</tr>
<tr>
<td>1/2/2008</td>
<td>3/31/2008</td>
<td>$56.87</td>
<td>$44.88</td>
<td>$47.75</td>
</tr>
<tr>
<td>4/1/2008</td>
<td>6/30/2008</td>
<td>$51.43</td>
<td>$41.61</td>
<td>$48.52</td>
</tr>
<tr>
<td>7/1/2008</td>
<td>9/30/2008</td>
<td>$51.83</td>
<td>$27.36</td>
<td>$34.08</td>
</tr>
<tr>
<td>10/1/2008</td>
<td>12/31/2008</td>
<td>$35.49</td>
<td>$15.83</td>
<td>$33.88</td>
</tr>
<tr>
<td>1/2/2009</td>
<td>3/31/2009</td>
<td>$38.93</td>
<td>$27.15</td>
<td>$36.88</td>
</tr>
<tr>
<td>4/1/2009</td>
<td>6/30/2009</td>
<td>$45.10</td>
<td>$30.81</td>
<td>$37.76</td>
</tr>
<tr>
<td>7/1/2009</td>
<td>9/30/2009</td>
<td>$48.40</td>
<td>$34.05</td>
<td>$45.29</td>
</tr>
<tr>
<td>10/1/2009</td>
<td>12/31/2009</td>
<td>$55.40</td>
<td>$40.92</td>
<td>$46.21</td>
</tr>
<tr>
<td>1/1/2010</td>
<td>3/31/2010</td>
<td>$51.16</td>
<td>$39.48</td>
<td>$44.41</td>
</tr>
<tr>
<td>4/1/2010</td>
<td>6/30/2010</td>
<td>$54.83</td>
<td>$45.36</td>
<td>$51.96</td>
</tr>
<tr>
<td>7/1/2010</td>
<td>9/30/2010</td>
<td>$56.86</td>
<td>$46.80</td>
<td>$55.93</td>
</tr>
<tr>
<td>10/1/2010</td>
<td>12/29/2010</td>
<td>*</td>
<td>$64.62</td>
<td>*</td>
</tr>
</tbody>
</table>

* As of the date of this pricing supplement, available information for the fourth calendar quarter of 2010 includes data for the period from October 1, 2010 through December 29, 2010. Accordingly, the “Quarterly Intra-Day High,” “Quarterly Intra-Day Low” and “Quarterly Close” data indicated are for this shortened period only and do not reflect complete data for the fourth calendar quarter of 2010.
The graph below illustrates the performance of the Index Fund from December 29, 2006 to December 29, 2010, assuming an Index Fund Starting Level of $61.31, which was the closing price of one share of the Index Fund on December 29, 2010, and the Trigger Price of $49.05 which is 80% of the Index Fund Starting Level.

\[ \text{Trigger Price: 80\% of the Index Fund Starting Level} \]

\( \text{Dec-06} \quad \text{Dec-07} \quad \text{Dec-08} \quad \text{Dec-09} \quad \text{Dec-10} \)

**HISTORIC PERFORMANCE IS NOT AN INDICATION OF FUTURE PERFORMANCE**

*Source: Bloomberg L.P.* We make no representation or warranty as to the accuracy or completeness of information obtained from Bloomberg Financial Markets.

Information contained in the Van Eck website referenced above is not incorporated by reference in, and should not be considered a part of, this pricing supplement.

**Supplemental Plan of Distribution**

We have agreed to indemnify UBS Financial Services Inc. and RBCCM against liabilities under the Securities Act of 1933, as amended, or to contribute payments that UBS Financial Services Inc. and RBCCM may be required to make relating to these liabilities as described in the prospectus supplement and the prospectus. We have agreed that UBS Financial Services Inc. may sell all or a part of the Securities that it will purchase from us to its affiliates at the price indicated on the cover of this pricing supplement, the document filed under Rule 424(b)(2) containing the final pricing terms of the Securities.

Subject to regulatory constraints and market conditions, RBCCM intends to offer to purchase the Securities in the secondary market, but it is not required to do so.

We or our affiliate may enter into swap agreements or related hedge transactions with one of our other affiliates or unaffiliated counterparties in connection with the sale of the Securities and RBCCM and/or an affiliate may earn additional income as a result of payments pursuant to the swap or related hedge transactions. See “Use of Proceeds and Hedging” in the accompanying product prospectus supplement no. UBS-AOS-2.

**Terms Incorporated in Master Note**

The terms appearing above under the captions “Final Terms” and “Determining Payment at Maturity” and the provisions in the accompanying product prospectus supplement no. UBS-AOS-2 under the caption “General Terms of Securities”, are incorporated into the master note issued to DTC, the registered holder of the Securities.
Royal Bank of Canada

Autocallable Optimization Securities with Contingent Protection Linked to an Index Fund

- Royal Bank of Canada may offer and sell from time to time autocallable optimization securities with contingent protection linked to an Index Fund. We refer to these securities as the “securities.”
- This product prospectus supplement no. UBS-AOS-2 describes terms that will apply generally to the securities, and supplements the terms described in the accompanying prospectus supplement and prospectus. A separate term sheet, free writing prospectus or pricing supplement, as the case may be, will describe terms that apply specifically to the securities, including any changes to the terms specified below. We refer to such term sheets, free writing prospectuses and pricing supplements generally as terms supplements. A separate fund supplement or terms supplement will describe any index fund not described in this product prospectus supplement and to which the securities are linked. If the terms described in the relevant terms supplement are inconsistent with those described herein or in any related fund supplement, the accompanying prospectus supplement or prospectus, the terms described in the relevant terms supplement will control.
- The securities are senior unsecured obligations of Royal Bank of Canada.
- Payment on the securities will be linked to the performance of an Index Fund, as described below.
- The securities will be automatically called for the principal amount plus an amount based on the applicable Call Return if the closing price of one share of the Index Fund on any Observation Date, as set forth in the applicable terms supplement, is equal to or greater than the Index Fund Starting Level. If the securities are called, you will receive the Call Price for that Observation Date, as set forth in the applicable terms supplement. You will receive a positive return on your securities only if the Index Fund closes at a price equal to or above the Index Fund Starting Level on an Observation Date, including the final Observation Date.
- If the securities have not been called, and the Index Fund closes below the applicable Trigger Price on the final Observation Date, you will lose 1% (or a fraction thereof) of the principal amount for every 1% (or a fraction thereof) decrease in the price per share of the Index Fund below the Index Fund Starting Level.
- If you hold the securities to maturity, the securities are not called on the final Observation Date and the Index Fund is above or equal to the Trigger Price on the final Observation Date, you will receive 100% of your principal, subject to the creditworthiness of Royal Bank of Canada.
- The contingent protection feature applies only if you hold the securities to maturity.
- No interest payments will be made on the securities.
- For important information about U.S. federal tax consequences, see “Supplemental Discussion of U.S. Federal Income Tax Consequences” beginning on page PS-46.
- The securities will be offered in minimum denominations of $10 and integral multiples of $10, unless otherwise specified in the relevant terms supplement.
- Investing in the securities is not equivalent to investing in the Index Fund or the index the performance of which the Index Fund seeks to track, which we refer to as the Underlying Index, or any of the equity securities held by the Index Fund or included in the Underlying Index.
- The securities will not be listed on any securities exchange unless otherwise specified in the relevant terms supplement.

Investing in the securities involves a number of risks. See “Risk Factors” beginning on page PS-3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the accuracy or the adequacy of this product prospectus supplement no. UBS-AOS-2 the accompanying prospectus supplement and prospectus, any related fund supplement, or any related terms supplement. Any representation to the contrary is a criminal offense.

The securities are unsecured and are not savings accounts or deposits of a bank. The securities are not insured or guaranteed by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation, or any other governmental agency of Canada or the United States.
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary</td>
<td>PS-1</td>
</tr>
<tr>
<td>Risk Factors</td>
<td>PS-3</td>
</tr>
<tr>
<td>Use of Proceeds and Hedging</td>
<td>PS-15</td>
</tr>
<tr>
<td>General Terms of the securities</td>
<td>PS-16</td>
</tr>
<tr>
<td>The iShares® MSCI EAFE Index Fund</td>
<td>PS-28</td>
</tr>
<tr>
<td>The Energy Select Sector SPDR Fund</td>
<td>PS-41</td>
</tr>
<tr>
<td>Other Index Funds</td>
<td>PS-45</td>
</tr>
<tr>
<td>Supplemental Discussion of Canadian Tax Consequences</td>
<td>PS-46</td>
</tr>
<tr>
<td>Supplemental Discussion of U.S. Federal income Tax Consequences</td>
<td>PS-48</td>
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<tr>
<td>Underwriting</td>
<td>PS-52</td>
</tr>
<tr>
<td>Employee Retirement Income Security Act</td>
<td>PS-54</td>
</tr>
</tbody>
</table>

In making your investment decision, you should rely only on the information contained or incorporated by reference in the terms supplement relevant to your investment, any related fund supplement, this product prospectus supplement no. UBS-AOS-2 and the accompanying prospectus supplement and prospectus with respect to the securities offered by the relevant terms supplement, any related fund supplement and this product prospectus supplement no. UBS-AOS-2, and with respect to Royal Bank of Canada. This product prospectus supplement no. UBS-AOS-2, together with the relevant terms supplement, any related fund supplement and the accompanying prospectus and prospectus supplement, contain the terms of the securities and supersede all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours, or any written materials prepared by any Agent (as defined in “Underwriting”), including UBS Financial Services Inc. and RBC Capital Markets Corporation. The information in the relevant terms supplement, any related fund supplement, this product prospectus supplement no. UBS-AOS-2 and the accompanying prospectus supplement and prospectus may only be accurate as of the dates of each of these documents, respectively.

The securities described in the relevant terms supplement and this product prospectus supplement no. UBS-AOS-2 are not appropriate for all investors, and involve important legal and tax consequences and investment risks, which should be discussed with your professional advisers. You should be aware that the regulations of the Financial Industry Regulatory Authority, or FINRA, and the laws of certain jurisdictions (including regulations and laws that require brokers to ensure that investments are suitable for their customers) may limit the availability of the securities. The relevant terms supplement, any related fund supplement, this product prospectus supplement no. UBS-AOS-2 and the accompanying prospectus supplement and prospectus do not constitute an offer to sell or a solicitation of an offer to buy the securities in any circumstances in which such offer or solicitation is unlawful.

In this product prospectus supplement no. UBS-AOS-2, any related fund supplement, the relevant terms supplement and the accompanying prospectus supplement and prospectus, “we,” “us” and “our” refer to Royal Bank of Canada, unless the context requires otherwise.
SUMMARY

The information in this “Summary” section is qualified by the more detailed information set forth in this product prospectus supplement, the prospectus supplement and the prospectus, as well as the relevant terms supplement.

Key Terms

Index Fund: The index fund specified in the relevant terms supplement (the “Index Fund”).

Underlying Index: An index, the performance of which the Index Fund seeks to track, as specified in the relevant terms supplement (the “Underlying Index”).

Call Feature: The securities will be called automatically if the closing price of one share of the Index Fund on any Observation Date is at or above the Index Fund Starting Level.

Call Return: A per annum percentage as specified in the relevant terms supplement.

Call Price: If the securities are called, you will receive on the applicable call settlement date a cash payment per $10.00 principal amount of the securities equal to the Call Price for the applicable Observation Date on which the securities are called. The Call Price applicable to each Observation Date will be specified in the relevant terms supplement and will be calculated based on the Call Return and the amount of time that the securities have been outstanding between the settlement date and the applicable call settlement date.

Call Settlement Dates: Unless otherwise specified in the relevant terms supplement, if the securities are called on any Observation Date (other than the final Observation Date), the Call Settlement Date will be three business days following such Observation Date, unless that day is not a business day, in which case the Call Settlement Date will be the next following business day. If the securities are called on the final Observation Date, the Call Settlement Date will be the maturity date. As described under “General Terms of the Securities — Observation Dates” below, the calculation agent may postpone any Observation Date, and therefore a Call Settlement Date, if a market disruption event occurs or is continuing on a day that would otherwise be an Observation Date. We describe market disruption events under “General Terms of the Securities — Market Disruption Event” below.

Payment at Maturity: Unless otherwise specified in the relevant terms supplement, if the securities are not called, at maturity you will receive a cash payment per $10.00 principal amount of the securities based on the Index Fund Ending Level, calculated as described below:

- If the Index Fund Ending Level is above or equal to the Trigger Price on the final Observation Date, you will receive a cash payment equal to the principal amount of your securities.
- If the Index Fund Ending Level is below the Trigger Price on the final Observation Date, you will receive, for each $10 in principal amount of the securities our own: $10.00 x (1 + Index Fund Return).

The securities are not principal protected. If the securities are not called, you may lose some or all of your investment. Specifically, if the securities are not called and the Index Fund Ending Level is below the Trigger Price on the final Observation Date, you will lose 1% (or a fraction thereof) of your principal amount for each 1% (or a fraction thereof) decrease in the price per share of the Index Fund below the Index Fund Starting Level. Accordingly, if the Index Fund Ending Level is below the Trigger Price on the final Observation Date, you may lose up to 100% of your principal amount.
Index Fund Return: Unless otherwise specified in the relevant terms supplement:

**Index Fund Ending Level – Index Fund Starting Level**

Index Fund Starting Level: Unless otherwise specified in the relevant terms supplement, the closing price of one share of the Index Fund on the Trade Date or such other date as specified in the relevant terms supplement, divided by the Share Adjustment Factor. The Share Adjustment Factor may be subject to adjustment. See “General Terms of the Securities—Payment at Maturity — Anti-Dilution Adjustments.”

Index Fund Ending Level: Unless otherwise specified in the relevant terms supplement, the closing price of one share of the Index Fund on the final Observation Date. The Share Adjustment Factor may be subject to adjustment. See “General Terms of the Securities—Payment at Maturity—Anti-Dilution Adjustments.”

Trigger Price: A specified price of the Index Fund below the Index Fund Starting Level, as set forth in the applicable terms supplement.

Observation Period: The period commencing on (and including) the Trade Date and extending to (and including) the final Observation Date.

Observation Date(s): One or more dates as specified in the relevant terms supplement, subject to postponement in the event of certain market disruption events.

Share Adjustment Factor: Unless otherwise specified in the relevant terms supplement, set initially to equal 1.0, subject to adjustment upon the occurrence of certain events affecting the Index Fund. See “General Terms of the Securities—Anti-Dilution Adjustments.”

Issue Price: Unless otherwise specified in the relevant terms supplement, $10 per $10 in principal amount of the securities.

Trade Date: As specified in the relevant terms supplement.

Settlement Date: As specified in the relevant terms supplement.

Maturity Date: As specified in the relevant terms supplement. If not previously called, the securities will mature on the maturity date. The maturity date is subject to postponement in the event of certain market disruption events and as described under “General Terms of the Securities — Payment at Maturity.”
RISK FACTORS

An investment in the securities is subject to the risks described below, as well as the risks described under “Risk Factors” in the prospectus and the prospectus supplement. The securities do not pay interest or guarantee any return of principal at, or prior to, maturity. Investing in the securities is not equivalent to investing directly in the Index Fund, the Underlying Index, or any of the equity securities held by the Index Fund or included in the Underlying Index. In addition, your investment in the securities entails other risks not associated with an investment in conventional debt securities. You should consider carefully the following discussion of risks before you decide that an investment in the securities is suitable for you.

Risks Relating to the Securities Generally

The securities do not pay interest or guarantee the return of your investment. A decrease in the value of the Index Fund may lead to a loss of some or all of your investment at maturity.

The securities do not pay interest and may not return any of your investment. The amount payable to you at maturity, if any, will be determined as described in this product prospectus supplement no. UBS-AOS-2, any related fund supplement and the relevant terms supplement.

The return on the securities will depend on whether Index Fund increases in value as of each Observation Date, or if the securities are not called, the extent to which the Index Fund Ending Level is less than the applicable Trigger Price. If the securities are not called and the Index Fund Ending Level is below the Trigger Price on the final Observation Date, you will lose 1% (or a fraction thereof) of the principal amount for every 1% (or a fraction thereof) decrease in the price per share of the Index Fund below the Index Fund Starting Level.

The securities are subject to the credit risk of Royal Bank of Canada.

The securities are subject to the credit risk of Royal Bank of Canada and our credit ratings and credit spreads may adversely affect the market value of the securities. Investors are dependent on Royal Bank of Canada’s ability to pay all amounts due on the securities at maturity, and therefore investors are subject to our credit risk and to changes in the market’s view of our creditworthiness. Any decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the value of the securities. Payment on the securities, including any principal protection feature, is subject to the creditworthiness of Royal Bank of Canada.

Holders of the securities will not necessarily participate in the full potential appreciation of the Index Fund.

The appreciation potential of the securities is limited to the Call Return set forth in the relevant terms supplement, regardless of the appreciation of the Index Fund. Your investment in the securities will result in a gain if the closing price of one share of the Index Fund on any of the Observation Dates is at or above the Index Fund Starting Level. However, this gain will be limited to the return represented by the applicable Call Price, regardless of the appreciation of the Index Fund, which may be significantly greater than the return associated with the Call Price.

In addition, the automatic call feature of the securities may shorten the term of your investment. Further, if your securities are called, you may not be able to reinvest at comparable terms or returns.

Your return on the securities may be lower than the return on a conventional debt security of comparable maturity.

The return that you will receive on your securities, which could be negative, may be less than the return you could earn on other investments. Even if your return is positive, your return may be less than the return you would earn if you bought a conventional senior interest bearing debt security of Royal Bank of Canada with the same maturity date or if you invested directly in the Index Fund or the securities included in the Underlying Index. Your investment may not reflect the full opportunity cost to you when you take into account factors that affect the time value of money.
Your return on the securities will not reflect dividends on the equity securities held by the Index Fund or included in the Underlying Index.

The return on the securities will not reflect the return you would realize if you actually owned the equity securities held by the Index Fund or included in the Underlying Index and received the dividends paid on those equity securities. This is because the calculation agent will determine whether the securities are subject to an automatic call as of each Observation Date by reference to the closing price of one share of the Index Fund on that date. The closing price of one share of the Index Fund reflects the prices of the equity securities held by the Index Fund on the applicable Observation Date, without taking into consideration the value of the dividends paid on those equity securities.

Secondary trading may be limited.

Unless otherwise specified in the relevant terms supplement, the securities will not be listed on a securities exchange. There may be little or no secondary market for the securities. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the securities easily.

RBC Capital Markets Corporation, or RBCCM, may act as a market maker for the securities, but is not required to do so. Because we do not expect that other market makers will participate significantly in the secondary market for the securities, the price at which you may be able to trade your securities is likely to depend on the price, if any, at which RBCCM is willing to buy the securities. If at any time RBCCM or another Agent does not act as a market maker, it is likely that there would be little or no secondary market for the securities. We expect that transaction costs in any secondary market would be high. As a result, the difference between the bid and asked prices for your securities in any secondary market could be substantial. If you sell your securities before maturity, you may have to do so at a substantial discount from the issue price, and as a result, you may suffer substantial losses.

The securities are not designed to be short-term trading instruments.

The price at which you will be able to sell your securities to us or our affiliates prior to maturity, if at all, may be at a substantial discount from the principal amount of the securities, even in cases where the closing price of one share of the Index Fund has appreciated since the Trade Date. In addition, you will not receive the benefit of the securities’ contingent principal protection feature if you sell your securities before the maturity date. The potential returns described in the relevant terms supplement assume that your securities, which are not designed to be short-term trading instruments, are held to maturity.

Prior to maturity, the value of the securities will be influenced by many unpredictable factors.

Many economic and market factors will influence the value of the securities. We expect that, generally, the closing price of one share of the Index Fund on any day will affect the value of the securities more than any other single factor. However, you should not expect the value of the securities in the secondary market to vary in proportion to changes in the closing price of one share of the Index Fund. The value of the securities will be affected by a number of other factors that may either offset or magnify each other, including:

- the market price of the shares of the Index Fund;
- the expected volatility of the Index Fund;
- the time to maturity of the securities;
- the dividend rate on the equity securities held by the Index Fund;
- the occurrence of certain events relating to the Index Fund that may or may not require an adjustment to the applicable Share Adjustment Factor;
- interest and yield rates in the market generally, as well as in the markets of the equity securities held by the Index Fund;
• economic, financial, political, regulatory or judicial events that affect the equity securities held by the Index Fund or stock markets generally, and which may affect the closing price of shares of the Index Fund on any Observation Date;

• for securities linked to an Index Fund holding primarily foreign equity securities (a “foreign Index Fund”), the exchange rate and the volatility of the exchange rate between the U.S. dollar and the currencies in which the equity securities held by the foreign Index Fund are traded, and, if the net asset value of the foreign Index Fund is calculated in one currency and the equity securities held by the foreign Index Fund are traded in another currency or currencies, the correlation between those rates and the price of shares of the foreign Index Fund; and

• our creditworthiness, including actual or anticipated downgrades in our credit ratings.

Some or all of these factors will influence the price you will receive if you choose to sell your securities prior to maturity. The impact of any of the factors set forth above may enhance or offset some or all of any change resulting from another factor or factors. You may have to sell your securities at a substantial discount from the principal amount if the value of the Index Fund is at, below or not sufficiently above the Index Fund Starting Level.

You cannot predict the future performance of the Index Fund based on its historical performance. The value of one share of the Index Fund may decrease such that you may not receive any return of your investment. There can be no assurance that the price of one share of the Index Fund will not decrease so that at maturity you will not lose some or all of your investment.

If the price of the shares of the Index Fund changes, the market value of your securities may not change in the same manner.

Owning the securities is not the same as owning shares of the Index Fund. Accordingly, changes in the price of one share of the Index Fund may not result in a comparable change of the market value of the securities. If the closing price of one share of the Index Fund on any trading day increases above the Index Fund Starting Level, the value of the securities may not increase in a comparable manner, if at all. It is possible for the price of the shares of the Index Fund to increase while the value of the securities declines.

The inclusion in the original issue price of each agent’s commission and the estimated cost of hedging our obligations under the securities through one or more of our affiliates is likely to adversely affect the value of the securities prior to maturity.

While the payment at maturity, if any, will be based on the full principal amount of your securities as described in the relevant terms supplement, the original issue price of the securities includes each agent’s commission and the estimated cost of hedging our obligations under the securities through one or more of our affiliates. Such estimated cost includes our affiliates’ expected cost of providing such hedge, as well as the profit our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge. As a result, assuming no change in market conditions or any other relevant factors, the price, if any, at which RBCCM may be willing to purchase securities from you in secondary market transactions, if at all, will likely be lower than the original issue price. In addition, any such prices may differ from values determined by pricing models used by RBCCM, as a result of such compensation or other transaction costs.

You will have no shareholder rights with respect to the Index Fund or the equity securities of which are held by the Index Fund or included in the Underlying Index.

As a holder of the securities, you will not have voting rights or rights to receive dividends or other distributions or other rights with respect to the Index Fund or the equity securities held by the Index Fund or included in the Underlying Index.
You must rely on your own evaluation of the merits of an investment linked to the Index Fund.

In the ordinary course of their business, our affiliates may have expressed views on expected movements in any Index Fund, the applicable Underlying Index or the component stocks of the Underlying Index, and may do so in the future. These views or reports may be communicated to our clients and clients of our affiliates. However, these views are subject to change from time to time. Moreover, other professionals who transact business in markets relating to any Index Fund, or any Underlying Index, or its components, may at any time have significantly different views from those of our affiliates. For these reasons, you are encouraged to derive information concerning the applicable Index Fund from multiple sources, and you should not rely solely on views expressed by our affiliates.

The anti-dilution protection is limited.

The calculation agent will make adjustments to the Share Adjustment Factor, which will initially be set at 1.0, for certain events affecting the shares of the Index Fund. See “General Terms of the Securities – Anti-Dilution Adjustments.” The calculation agent is not required, however, to make such adjustments in response to all events that could affect the shares of the Index Fund. If an event occurs that does not require the calculation agent to make an adjustment, the value of the securities may be materially and adversely affected.

We or our affiliates may have adverse economic interests to the holders of the securities.

RBCCM and other affiliates of ours trade the equity securities held by the Index Fund or included in the Underlying Index and other financial instruments related to the Index Fund, the Underlying Index and the equity securities held by the Index Fund or included in the Underlying Index on a regular basis, for their accounts and for other accounts under their management. RBCCM and these affiliates may also issue or underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments linked to the Index Fund or the Underlying Index. To the extent that we or one of our affiliates serves as issuer, agent or underwriter for such securities or financial instruments, our or their interests with respect to such products may be adverse to those of the holders of the securities. Any of these trading activities could potentially affect the performance of the Index Fund or level of the Underlying Index and, accordingly, could affect the value of the securities and the amount, if any, payable to you at maturity.

We or our affiliates may currently or from time to time engage in business with companies the equity securities of which are held by the Index Fund or included in the Underlying Index, including extending loans to, or making equity investments in, or providing advisory services to them, including merger and acquisition advisory services. In the course of this business, we or our affiliates may acquire non-public information about the companies, and we will not disclose any such information to you. We do not make any representation or warranty to any purchaser of a security with respect to any matters whatsoever relating to our business with companies the equity securities of which are held by the Index Fund or included in the Underlying Index or future price movements of the equity securities held by the Index Fund or included in the Underlying Index.

Additionally, we or one of our affiliates may serve as issuer, agent or underwriter for additional issuances of securities with returns linked or related to changes in the price of the shares of the Index Fund or the level of the Underlying Index or the price of the equity securities held by the Index Fund or included in the Underlying Index. By introducing competing products into the marketplace in this manner, we or one or more of our affiliates could adversely affect the value of the securities.

We may hedge our obligations under the securities through certain affiliates, who would expect to make a profit on such hedge. We or our affiliates may adjust these hedges by, among other things, purchasing or selling those assets at any time, including around the time of each Observation Date and the maturity date, which could have an impact on the return of your securities. Because hedging our obligations entails risk and may be influenced by market forces beyond our or our affiliates’ control, such hedging may result in a profit that is more or less than expected, or it may result in a loss.
We or one of our affiliates may currently or from time to time engage in trading activities related to the currencies in which the equity securities held by a foreign Index Fund are denominated. These trading activities could potentially affect the exchange rates with respect to such currencies and, if currency exchange rate calculations are involved in the calculation of the net asset value of that foreign Index Fund, could affect the closing prices of one share of that foreign Index Fund and, accordingly, if the securities are linked to that foreign Index Fund, the value of the securities.

In the course of our or our affiliates’ currency trading activities, we or our affiliates may acquire material nonpublic information with respect to currency exchange rates, and we will not disclose any such information to you. In addition, one or more of our affiliates may produce and/or publish research reports, or otherwise express views, with respect to expected movements in currency exchange rates. We do not make any representation or warranty to any purchaser of securities with respect to any matters whatsoever relating to future currency exchange rate movements and, if the securities are linked to a foreign Index Fund, any prospective purchaser of the securities should undertake an independent investigation of the currencies in which equity securities held by that foreign Index Fund are denominated and their related exchange rates as, in its judgment, is appropriate to make an informed decision with respect to an investment in the securities.

The calculation agent will have a significant discretion with respect to the securities, which may be exercised in a manner that is adverse to your interest.

The Bank of New York Mellon will act as the calculation agent. The calculation agent will determine, among other things, the closing price of one share of the Index Fund on each Observation Date; the Share Adjustment Factor and anti-dilution adjustments, if any; whether the securities are subject to an automatic call; the Index Fund Ending Level; the Index Fund Return; and the amount, if any, that we will pay you at maturity. The calculation agent will also be responsible for determining whether a market disruption event has occurred, which exchange-traded fund will be substituted for the Index Fund (or successor index fund, if applicable) if the Index Fund (or successor index fund, if applicable) is delisted, liquidated or otherwise terminated; whether the Underlying Index (or the underlying index related to a successor index fund, if applicable) has been changed in a material respect, and whether the Index Fund (or successor index fund, if applicable) has been modified so that the Index Fund (or successor index fund, if applicable) does not, in the opinion of the calculation agent, fairly represent the closing price of one share of the Index Fund (or successor index fund, if applicable) had those modifications not been made. The calculation agent may exercise its discretion in a manner which reduces your return on the securities.

Market disruptions may adversely affect your return.

The calculation agent may, in its sole discretion, determine that the markets have been affected in a manner that prevents it from properly determining the closing price of one share of the Index Fund on any Observation Date or calculating the Index Fund Return and the amount, if any, that we are required to pay you at maturity. These events may include disruptions or suspensions of trading in the markets as a whole. If the calculation agent, in its sole discretion, determines that any of these events prevents us or any of our affiliates from properly hedging our obligations under the securities, it is possible that one or more of the Observation Dates and the maturity date will be postponed and your return will be adversely affected. See “General Terms of the Securities — Market Disruption Events.”

Significant aspects of the U.S. federal income tax treatment of the securities may be uncertain.

The tax treatment of the securities is uncertain. We do not plan to request a ruling from the Internal Revenue Service regarding the tax treatment of the securities, and the Internal Revenue Service or a court may not agree with the tax treatment described in this product prospectus supplement.

The Internal Revenue Service has issued a notice indicating that it and the Treasury Department are actively considering whether, among other issues, a holder should be required to accrue interest over the term of an instrument such as the securities even though that holder will not receive any payments with respect to the securities until maturity and whether all or part of the gain a holder may recognize upon
sale or maturity of an instrument such as the securities could be treated as ordinary income. The outcome of this process is uncertain and could apply on a retroactive basis.

Please read carefully the sections entitled “Supplemental Discussion of U.S. Federal Income Tax Consequences” in this product prospectus supplement, the section “Tax Consequences” in the accompanying prospectus and the section entitled “Certain Income Tax Consequences” in the accompanying prospectus supplement. You should consult your tax advisor about your own tax situation.

Risks Relating to the Index Fund

The policies of the investment advisor for the Index Fund, and the sponsor of the Underlying Index, could affect the value of and the amount payable on the securities.

The policies of the investment advisor concerning the calculation of the Index Fund’s net asset value, the investment strategy or guidelines of the Index Funds, additions, deletions or substitutions of equity securities held by the Index Fund and manner in which changes affecting the Underlying Index are reflected in the Index Fund could affect the market price of the shares of the Index Fund and, therefore, affect the probability of the securities being called on any Observation Date, the amount payable on the securities at maturity, if any, and their value before maturity. The amount payable on the securities and their value could also be affected if the investment advisor changes these policies, for example, by changing the manner in which it calculates the Index Fund’s net asset value, or if the investment advisor discontinues or suspends calculation or publication of the Index Fund’s net asset value, in which case it may become difficult to determine the value of the securities.

In addition, the sponsor of the Underlying Index is responsible for the design and maintenance of the Underlying Index. The policies of the sponsor concerning the calculation of the Underlying Index, including decisions regarding the addition, deletion or substitution of the equity securities included in the Underlying Index, could affect the level of the Underlying Index and, consequently, could affect the market prices of the shares of the Index Fund and, therefore, the probability of the securities being called on any Observation Date, the amount payable on the securities at maturity, and their value before maturity.

The performance of the Index Fund and the performance of the Underlying Index may vary.

The performance of the Index Fund and that of its Underlying Index generally will vary due to transaction costs, certain corporate actions, and timing variances. If the Index Fund maintains a “representative sampling” strategy as to the Underlying Index, the performance of the Index Fund will differ to some degree from that of the Underlying Index; this is because the holdings of the Index Fund will differ from the composition of the Underlying Index.

In addition, because the shares of the Index Fund are expected to be traded on a securities exchange and are subject to market supply and investor demand, the market value of one share of the Index Fund may differ from its net asset value per share; shares of the Index Fund may trade at, above, or below their net asset value per share.

For the foregoing reasons, the performance of the Index Fund may not match the performance of its Underlying Index over the same period. Because of this variance, the return on the securities may not be the same as an investment directly in the securities or other investments included in the Underlying Index or the same as a debt security with a payment at maturity linked to the performance of the Underlying Index.

Unless otherwise specified in any related fund supplement or relevant terms supplement, to our knowledge, we are not currently affiliated with any company the equity securities of which are held by the Index Fund or included in the Underlying Index.

To our knowledge, we are not currently affiliated with any issuers the equity securities of which are held by the Index Fund or included in the Underlying Index. As a result, we will have no ability to control the actions of the issuers of such equity securities, including actions that could affect the value of the equity securities held by the Index Fund or included in the Underlying Index or your securities. None of
the money you pay us will be paid to the Index Fund, any investment adviser for the Index Fund, the sponsor for the Underlying Index or any of the issuers of the equity securities held by the Index Fund or included in the Underlying Index and none of those issuers will be involved in the offering of the securities in any way. None of those issuers will have any obligation to consider your interests as a holder of the securities in taking any actions that might affect their value.

For securities linked to a foreign Index Fund, if the prices of the equity securities held by the Index Fund are not converted into U.S. dollars for purposes of calculating the net asset value of the Index Fund, the Index Fund Return for the securities will not be adjusted for changes in exchange rates that might affect the Index Fund.

Because the prices of the equity securities held by the Index Fund are not converted into U.S. dollars for purposes of calculating the net asset value of the Index Fund and although the equity securities held by the Index Fund are traded in currencies other than U.S. dollars, and the securities, which are linked to the Index Fund, are denominated in U.S. dollars, the amount payable on the securities at maturity will not be adjusted for changes in the exchange rate between the U.S. dollar and each of the currencies in which the equity securities held by the Index Fund are denominated. Changes in exchange rates, however, may reflect changes in various non-U.S. economies that in turn may affect the Index Fund Return for the securities. The amount we pay in respect of the securities on the maturity date, if any, will be determined solely in accordance with the procedures described in “General Terms of the Securities — Payment at Maturity.”

For securities linked to a foreign Index Fund, if the prices of the component securities held by the Index Fund are converted into U.S. dollars for purposes of calculating the net asset value of the Index Fund, the securities will be subject to currency exchange risk.

Because the prices of the equity securities held by the Index Fund are converted into U.S. dollars for the purposes of calculating the net asset value of the Index Fund, the holders of the securities will be exposed to currency exchange rate risk with respect to each of the currencies in which the equity securities held by the Index Fund are denominated. An investor’s net exposure will depend on the extent to which such currencies strengthen or weaken against the U.S. dollar and the relative weight of the equity securities held by the Index Fund denominated in each such currency. If, taking into account such weighting, the U.S. dollar strengthens against such currencies, the net asset value of the Index Fund will be adversely affected and the payment at maturity on the securities may be reduced.

Of particular importance to potential currency exchange risk are:

• existing and expected rates of inflation;
• existing and expected interest rate levels;
• the balance of payments; and
• the extent of governmental surpluses or deficits in the component countries and the United States.

All of these factors are in turn sensitive to the monetary, fiscal and trade policies pursued by the governments of various component countries and the United States and other countries important to international trade and finance.

For securities linked to a foreign Index Fund, if the prices of the equity securities held by the Index Fund are converted into U.S. dollars for purposes of calculating the net asset value of the Index Fund, changes in the volatility of exchange rates, and the correlation between those rates and the net asset value of the Index Fund are likely to affect the market value of those securities.

The exchange rate between the U.S. dollar and each of the currencies in which the equity securities held by the Index Fund are denominated refers to a foreign exchange spot rate that measures the relative values of two currencies — the particular currency in which an equity security held by the Index Fund and
the U.S. dollar. This exchange rate reflects the amount of the particular currency in which an equity security held by the Index Fund is denominated that can be purchased for one U.S. dollar and thus increases when the U.S. dollar appreciates relative to the particular currency upon which that equity security is denominated. The volatility of the exchange rate between the U.S. dollar and each of the currencies in which the equity securities held by the Index Fund refers to the size and frequency of changes in that exchange rate.

Because the net asset value of the Index Fund may be calculated, in part, by converting the closing prices of the equity securities held by the Index Fund into U.S. dollars, the volatility of the exchange rate between the U.S. dollar and each of the currencies in which those equity securities are denominated could affect the market value of the securities.

The correlation of the exchange rate between the U.S. dollar and each of the currencies in which the equity securities held by the Index Fund are denominated and the net asset value of the Index Fund refers to the relationship between the percentage changes in that exchange rate and the percentage changes in the net asset value of the Index Fund. The direction of the correlation (whether positive or negative) and the extent of the correlation between the percentage changes in the exchange rate between the U.S. dollar and each of the currencies in which the equity securities held by the Index Fund are denominated and the percentage changes in the net asset value of the Index Fund could affect the value of the securities.

For securities linked to a foreign Index Fund, an investment in the securities is subject to risks associated with non-U.S. securities markets.

All or a substantial portion of the equity securities held by a foreign Index Fund have been issued by non-U.S. companies. Investments in securities linked to the value of such non-U.S. equity securities involve risks associated with the securities markets in those countries, including risks of volatility in those markets, governmental intervention in those markets and cross shareholdings in companies in certain countries. Also, there is generally less publicly available information about companies in some of these jurisdictions than about U.S. companies that are subject to the reporting requirements of the Securities and Exchange Commission (the “SEC”), and generally, non-U.S. companies are subject to accounting, auditing and financial reporting standards and requirements and securities trading rules different from those applicable to U.S. reporting companies.

The prices of securities in non-U.S. jurisdictions may be affected by political, economic, financial and social factors in such markets, including changes in a country’s government, economic and fiscal policies, currency exchange laws and other foreign laws or restrictions. Moreover, the economies in such countries may differ favorably or unfavorably from the economy of the United States in such respects as growth of gross national product, rate of inflation, capital reinvestment, resources and self sufficiency. Such countries may be subjected to different and, in some cases, more adverse economic environments.

The economies of emerging market countries in particular face several concerns, including the relatively unstable governments which may present the risks of nationalization of businesses, restrictions on foreign ownership and prohibitions on the repatriation of assets, and which may have less protection of property rights than more developed countries. These economies may also be based on only a few industries, be highly vulnerable to changes in local and global trade conditions and may suffer from extreme and volatile debt burdens or inflation rates. In addition, local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times. The risks of the economies of emerging market countries are relevant for securities linked to a foreign Index Fund that holds securities traded in one or more emerging market countries.

Some or all of these factors may influence the closing price per share of the Index Fund. The impact of any of the factors set forth above may enhance or offset some or all of any change resulting from another factor or factors. You cannot predict the future performance of the shares of the Index Fund based on their historical performance. The closing price per share of the Index Fund may decrease such that you may not receive any return of your investment.
Time zone differences between cities where the Underlying Index and the Index Fund trade may create discrepancies in trading levels.

As a result of the time zone difference, if applicable, between the cities where the securities in the Underlying Index trade and where the shares of the Index Fund trade, there may be discrepancies between the values of the Underlying Index and the trading prices of the Index Fund and the securities. In addition, there may be periods when the foreign securities markets are closed for trading (for example, during holidays in a country outside of the U.S.) that may result in the levels of the Underlying Index remaining unchanged for multiple trading days in the city where the shares of the Index Fund trade. Conversely, there may be periods in which the foreign securities markets are open, but the securities market on which the Index Fund trades is closed.

Risks Relating to the iShares® MSCI EAFE Index Fund

There are risks associated with the iShares® MSCI EAFE Index Fund.

The iShares® MSCI EAFE Index Fund's shares are listed for trading on NYSE Arca, Inc. (“NYSE Arca”). However, there is no assurance that an active trading market will continue for the shares of the iShares® MSCI EAFE Index Fund or that there will be liquidity in the trading market.

In addition, BlackRock Fund Advisors (“BFA”), formerly known as Barclays Global Fund Advisors, is the iShares® MSCI EAFE Index Fund’s investment advisor. The iShares® MSCI EAFE Index Fund is subject to management risk, which is the risk that the BFA’s investment strategy, the implementation of which is subject to a number of constraints (as outlined under “The iShares® MSCI EAFE Index Fund—Investment Objective and Strategy”), may not produce the intended results. For example, BFA may invest up to 10% of the iShares® MSCI EAFE Index Fund’s assets in securities not included in the MSCI EAFE® Index but which BFA believes will help the iShares® MSCI EAFE Index Fund track the MSCI EAFE® Index, as well as in certain futures, options, swap contracts and other derivatives, cash and cash equivalents or money market instruments, such as repurchase agreements and money market funds (including affiliated money market funds).

The performance of the iShares® MSCI EAFE Index Fund may not correlate with the performance of the MSCI EAFE® Index.

The iShares® MSCI EAFE Index Fund uses a representative sampling strategy (as described under “The iShares® MSCI EAFE Index Fund — Representative Sampling”) to attempt to track the performance of the MSCI EAFE® Index. The iShares® MSCI EAFE Index Fund invests in a representative sample of equity securities included in the MSCI EAFE® Index; however, the iShares® MSCI EAFE Index Fund may not hold all or substantially all of the equity securities included in the MSCI EAFE® Index. Therefore, while the performance of the iShares® MSCI EAFE Index Fund is linked principally to the performance of the MSCI EAFE® Index, the performance of the iShares® MSCI EAFE Index Fund is also generally linked in part to shares of other exchange traded funds because BFA may invest up to 10% of the iShares® MSCI EAFE Index Fund’s assets in other iShares® funds that seek to track the performance of equity securities of constituent countries of the MSCI EAFE® Index. In addition, the performance of the iShares® MSCI EAFE Index Fund will reflect additional transaction costs and fees that are not included in the calculation of the MSCI EAFE® Index. Also, corporate actions with respect to the sample of equity securities (such as mergers and spin-offs) may impact the variance between the iShares® MSCI EAFE Index Fund and the MSCI EAFE® Index. Finally, because the shares of the iShares® MSCI EAFE Index Fund are traded on the NYSE Arca and are subject to market supply and investor demand, the market value of one share of the iShares® MSCI EAFE Index Fund may differ from the net asset value per share of the iShares® MSCI EAFE Index Fund.

For all of the foregoing reasons, the performance of the iShares® MSCI EAFE Index Fund may not correlate with the performance of the MSCI EAFE® Index. Consequently, the return on the securities will not be the same as investing directly in the iShares® MSCI EAFE Index Fund or in the MSCI EAFE® Index or in the equity securities held by the iShares® MSCI EAFE Index Fund or included in the MSCI EAFE® Index, and will not be the same as investing in a debt security with a payment at maturity linked to the performance of the MSCI EAFE® Index.
The MSCI EAFE® Index is subject to Currency Exchange Risk.

The net asset value of the iShares® MSCI EAFE Fund is calculated by converting the closing price of the equity securities that it holds into U.S. dollars. As a result, if the currency of the non-U.S. market in which a relevant security depreciates against the U.S. dollar, the net asset value, and the value of the shares in the Index Fund, will decrease.

The policies of MSCI and of BFA could affect the value and the amount payable on the securities.

The policies of BFA concerning the calculation of the iShares® MSCI EAFE Index Fund's net asset value, additions, deletions or substitutions of equity securities held by the iShares® MSCI EAFE Index Fund and manner in which changes affecting the MSCI EAFE® Index are reflected in the iShares® MSCI EAFE Index Fund could affect the market price of the shares of the iShares® MSCI EAFE Index Fund and, therefore, affect the probability of the securities being called on any Observation Date, the amount payable on the securities at maturity, and their value before maturity. The amount payable on the securities and their value could also be affected if BFA changes these policies, for example, by changing the manner in which it calculates the iShares® MSCI EAFE Index Fund's net asset value, or if BFA discontinues or suspends calculation or publication of the iShares® MSCI EAFE Index Fund's net asset value, in which case it may become difficult to determine the value of the securities.

In addition, MSCI Inc. (“MSCI”) owns the MSCI EAFE® Index and is responsible for the design and maintenance of the MSCI EAFE® Index. The policies of MSCI concerning the calculation of the MSCI EAFE® Index, including decisions regarding the addition, deletion or substitution of the equity securities included in the MSCI EAFE® Index, could affect the level of the MSCI EAFE® Index and consequently could affect the market price of the shares of the iShares® MSCI EAFE Index Fund.

Risks Relating to the Energy Select Sector SPDR Fund

There are risks associated with the Energy Select Sector SPDR Fund.

The Energy Select Sector SPDR Fund’s shares are listed for trading on NYSE Arca. However, there is no assurance that an active trading market will continue for the shares of the Energy Select Sector SPDR Fund or that there will be liquidity in the trading market.

In addition, SSgA Funds Management, Inc., which we refer to as SSFM, is the Energy Select Sector SPDR Fund’s investment advisor. The Energy Select Sector SPDR Fund is subject to management risk, which is the risk that SSFM’s investment strategy may not produce the intended results. Furthermore, the Energy Select Sector SPDR Fund is not managed according to traditional methods of “active” investment management, which involve the buying and selling of securities based on economic, financial and market analysis and investment judgment. Instead, the Energy Select Sector SPDR Fund, utilizing a “passive” or indexing investment approach, attempts to approximate the investment performance of the Energy Select Sector Index by investing in a portfolio of securities that generally replicates the Energy Select Sector Index. Therefore, unless a specific security is removed from the Energy Select Sector Index, the Energy Select Sector SPDR Fund generally would not sell a security because the security’s issuer was in financial trouble, or might otherwise be viewed as an undesirable investment.

The performance of the Energy Select Sector SPDR Fund may not correlate with the performance of the Energy Select Sector Index.

While the Energy Select Sector SPDR Fund is designed and intended to track the level of the Energy Select Sector Index, various factors, including fees and other transaction costs, will prevent the Energy Select Sector SPDR Fund from correlating exactly with changes in the level of the Energy Select Sector Index. Accordingly, the performance of the Energy Select Sector SPDR Fund will not be equal to the performance of the Energy Select Sector Index during the term of the securities. Additionally, corporate actions with respect to the sample of equity securities (such as mergers and spin-offs) may impact the variance between the Energy Select Sector SPDR Fund and the Energy Select Sector Index. Finally, because the shares of the Energy Select Sector SPDR Fund are traded on the NYSE Arca and are subject to market supply and investor demand, the market value of one share of the Energy Select Sector SPDR Fund may differ from the net asset value per share of the Energy Select Sector SPDR Fund.

PS-12
For all of the foregoing reasons, the performance of the Energy Select Sector SPDR Fund may not correlate with the performance of the Energy Select Sector Index. Consequently, the return on the securities will not be the same as investing directly in the Energy Select Sector SPDR Fund or in the Energy Select Sector Index or in the equity securities held by the Energy Select Sector SPDR Fund or included in the Energy Select Sector Index, and will not be the same as investing in a debt security with a payment at maturity linked to the performance of the Energy Select Sector Index.

The Energy Select Sector SPDR Fund are concentrated in the energy sector.

All of the securities included in the Energy Select Sector SPDR Fund are issued by companies whose primary line of business are directly associated with the energy sector. Consequently, the value of the securities may be subject to greater volatility and be more adversely affected by a single economic, environmental, political or regulatory occurrence affecting the energy sector than would an investment linked to a more broadly diversified group of issuers. Stock prices for energy sector companies are affected by supply and demand both for their specific product or service and for energy products in general. The price of oil and gas, exploration and production spending will likewise affect the performance of energy companies. In addition, securities of companies in the energy field are subject to swift price and supply fluctuations caused by events relating to energy conservation and the success of exploration projects. Weak demand for energy companies’ products or services or for energy products and services in general, as well as negative developments in other areas, would adversely impact the Energy Select Sector Index’s performance. For example, the short-term and long-term impact of regulatory, business and other developments arising from the April 2010 explosion of an oil well operated by BP, plc in the Gulf of Mexico may have an adverse impact on the stock prices of companies included in the Energy Select Sector SPDR Fund. Accordingly, by investing in the securities, you will not benefit from the diversification which could result from an investment linked to companies that operate in multiple sectors.

The policies of SSFM, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Standard & Poor's and NYSE Euronext could affect the value and the amount payable on the securities.

The policies of SSFM concerning the calculation of the Energy Select Sector SPDR Fund’s net asset value, additions, deletions or substitutions of equity securities held by the Energy Select Sector SPDR Fund and manner in which changes affecting the Energy Select Sector Index are reflected in the Energy Select Sector SPDR Fund could affect the market price of the shares of the Energy Select Sector SPDR Fund and, therefore, affect the probability of the securities being called on any Observation Date, the amount payable on the securities at maturity, and their value before maturity. The probability of the securities being called on any Observation Date, the amount payable on the securities and their value could also be affected if SSFM changes these policies, for example, by changing the manner in which it calculates the Energy Select Sector SPDR Fund’s net asset value, or if SSFM discontinues or suspends calculation or publication of the Energy Select Sector SPDR Fund’s net asset value, in which case it may become difficult to determine the value of the securities.

Furthermore, S&P may cause an adjustment to the S&P 500® Index in a way that affects its level, and has no obligation to consider your interests. S&P is responsible for calculating and maintaining the S&P 500® Index. The policies of S&P concerning the composition and weighting of the S&P 500® Index, including decisions regarding the addition, deletion or substitution of the equity securities included in the Energy Select Sector Index, could affect the level of the Energy Select Sector Index and consequently could affect the market price of the shares of the Energy Select Sector SPDR Fund.
S&P 500® Index, could affect the level of the Energy Select Sector Index and consequently could affect the market price of the shares of the Energy Select Sector SPDR Fund. Additionally S&P may alter, discontinue or suspend calculation or dissemination of the S&P 500® Index, any or which could affect the Energy Select Sector Index and consequently could affect the market price of the shares of the Energy Select Sector SPDR Fund.

Additionally, NYSE Euronext acts as the calculation agent for the Energy Select Sector Index in connection with the calculation and dissemination of the Energy Select Sector Index. NYSE Euronext may discontinue the calculation or dissemination of the Energy Select Sector Index or adjust the methodology for calculating the Energy Select Sector Index in a way that affects the Energy Select Sector Index and consequently could affect the market price of the shares of the Energy Select Sector SPDR Fund.

* * *

If the securities are linked to an Index Fund not described in the product supplement, the terms supplement or a separate fund supplement may provide additional risk factors relating to such Index Fund.
USE OF PROCEEDS AND HEDGING

Unless otherwise specified in the relevant terms supplement, the net proceeds we receive from the sale of the securities will be used for general corporate purposes and, in part, by us or by one or more of our affiliates in connection with hedging our obligations under the securities. The original issue price of the securities includes each agent’s commissions (as shown on the cover page of the relevant terms supplement) paid with respect to the securities and the estimated cost of hedging our obligations under the securities.

Unless otherwise specified in the relevant terms supplement, the original issue price of the securities will include the reimbursement of certain issuance costs and the estimated cost of hedging our obligations under the securities. The estimated cost of hedging includes the projected profit, which in no event will exceed $0.35 per $10 in principal amount of the securities, that our affiliates expect to realize in consideration for assuming the risks inherent in hedging our obligations under the securities. Because hedging our obligations entails risk and may be influenced by market forces beyond our or our affiliates’ control, the actual cost of such hedging may result in a profit that is more or less than expected, or could result in a loss. See also “Use of Proceeds” in the accompanying prospectus.

In anticipation of the sale of the securities, we expect to enter into hedging transactions with one or more of our affiliates, or with one or more of the Agents or their affiliates, involving purchases of shares of the Index Fund, the equity securities held by the Index Fund or included in the Underlying Index and/or listed and/or over the counter derivative instruments linked to any of those securities prior to or on the pricing date. From time to time, including around the time of each Observation Date and the maturity date, we, the Agents, and our respective affiliates may enter into additional hedging transactions or unwind those that we or they have entered into. In this regard, we, the Agents, and our respective affiliates may:

- acquire or dispose of investments relating to any of the above securities;
- acquire or dispose of long or short positions in listed or over-the-counter derivative instruments based on any of the above securities; or
- any combination of the above two.

We, the Agents, and our respective affiliates may acquire a long or short position in securities similar to the autocallable optimization securities from time to time and may, in our or their sole discretion, hold or resell those similar securities.

We, the Agents, and our respective affiliates may close out our or their hedges on or before any Observation Date. That step may involve sales or purchases of the components of the Index or over-the-counter derivative instruments linked to the Index Fund.
GENERAL TERMS OF THE SECURITIES

The following description of the terms of the securities supplements the description of the general terms of the debt securities set forth under the headings “Description of the Notes We May Offer” in the accompanying prospectus supplement and “Description of Debt Securities” in the accompanying prospectus. A separate terms supplement will describe the terms that apply specifically to the securities, including any changes to the terms specified below. Capitalized terms used but not defined in this product prospectus supplement no. UBS-AOS-2 have the meanings assigned in the accompanying prospectus supplement, prospectus, the relevant terms supplement and any related fund supplement. The term “security” refers to each $10 in principal amount of the securities.

General

The securities are senior unsecured obligations of Royal Bank of Canada that are linked to an index fund (the “Index Fund”) specified in the relevant terms supplement. We refer to the index, the performance of which the Index Fund seeks to track, as the “Underlying Index.” The securities will be issued by Royal Bank of Canada under an indenture dated October 23, 2003, as it may be amended or supplemented from time to time, between us and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee.

The securities do not pay interest.

The securities are unsecured and are not savings accounts or deposits of a bank. The securities are not insured or guaranteed by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation, or any other governmental agency of Canada or the United States.

The securities are our unsecured and unsubordinated obligations and will rank pari passu with all of our other unsecured and unsubordinated obligations.

The securities will be issued in denominations of $10 and integral multiples thereof, unless otherwise specified in the relevant terms supplement. The principal amount and issue price of each security is $10, unless otherwise specified in the relevant terms supplement. The securities will be represented by one or more permanent global notes registered in the name of The Depository Trust Company, or DTC, or its nominee, as described under “Description of Debt Securities — Ownership and Book-Entry Issuance” and “—Considerations Relating to DTC” in the prospectus.

The specific terms of the securities will be described in the relevant terms supplement accompanying this product prospectus supplement no. UBS-AOS-2 and any related fund supplement. The terms described in that document supplement those described herein and in any related fund supplement, the accompanying prospectus and prospectus supplement. If the terms described in the relevant terms supplement are inconsistent with those described herein or in any related fund supplement, the accompanying prospectus or prospectus supplement, the terms described in the relevant terms supplement will control.

Payment Upon Automatic Call

The securities will be called automatically if the closing price of one share of the Index Fund is at or above the Index Fund Starting Level on any Observation Date. If the securities are called, you will receive on the applicable Call Settlement Date the Call Price for the applicable Observation Date, as set forth in the relevant terms supplement. The Call Price applicable to each Observation Date will be calculated based on the Call Return and the amount of time the Securities have been outstanding between the settlement date and the applicable call settlement date. The Call Return and the Call Price for each Observation Date will be set forth in the relevant terms supplement.

Payment at Maturity

The maturity date for the securities will be set forth in the relevant terms supplement and is subject to adjustment if such day is not a business day or if the final Observation Date is postponed as described below.
Unless otherwise specified in the relevant terms supplement, if the securities are not called, at maturity you will receive a cash payment per $10.00 principal amount of the securities based on the Index Fund Ending Level, calculated as described below:

- If the Index Fund Ending Level is above or equal to the Trigger Price on the final Observation Date, you will receive a cash payment equal to the principal amount of your securities.
- If the Index Fund Ending Level is below the Trigger Price on the final Observation Date, you will receive, for each $10 in principal amount of the securities you own: $10.00 x (1 + Index Fund Return).

The securities are not principal protected. If the securities are not called, you may lose some or all of your investment. Specifically, if the securities are not called and the Index Fund Ending Level is below the Trigger Price on the final Observation Date, you will lose 1% (or a fraction thereof) of your principal for each 1% (or a fraction thereof) decrease in the price per share of the Index Fund below the Index Fund Starting Level. Accordingly, if the Index Fund Ending Level is below the Trigger Price on the final Observation Date, you may lose up to 100% of your principal amount.

**Additional Terms Applicable to the Securities**

The “Call Return” is the per annum percentage as specified in the relevant terms supplement.

The “Call Price” is the cash payment per $10.00 principal amount you will receive if the securities are called on the applicable Call Settlement Date. The Call Price applicable to each Observation Date will be specified in the relevant terms supplement and will be calculated based on the Call Return and the amount of time that the securities have been outstanding between the settlement date and the applicable call settlement date.

The “Trade Date” is the day on which we price the securities for initial sale to the public and will be specified in the relevant terms supplement.

The “Settlement Date” is the day on which we issue the securities for initial delivery to investors and will be specified in the relevant terms supplement.

Unless otherwise specified in the relevant terms supplement, the “closing price” of one share of the Index Fund (or any relevant successor index fund (as defined under “— Discontinuation of the Index Fund; Alteration of Method of Calculation”) or one unit of any other security for which a closing price must be determined) on any trading day (as defined below) means:

- if the Index Fund (or any such successor index fund or such other security) is listed or admitted to trading on a national securities exchange, the last reported sale price, regular way (or, in the case of The NASDAQ Stock Market, the official closing price) of the principal trading session on such day on the principal U.S. securities exchange registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), on which the Index Fund (or any such successor index fund or such other security) is listed or admitted to trading;
- if the Index Fund (or any such successor index fund or such other security) is not listed or admitted to trading on any national securities exchange, but is included in the OTC Bulletin Board Service (the “OTC Bulletin Board”) operated by the Financial Industry Regulatory Authority (“FINRA”), the last reported sale price of the principal trading session on the OTC Bulletin Board Service on that day;
- if the Index Fund (or any such successor index fund) is delisted, liquidated or otherwise terminated, the closing price calculated using the alternative methods of calculating the closing price described under “— Discontinuation of the Index Fund; Alteration of Method of Calculation”; or
• if, because of a market disruption event (as defined under “— Market Disruption Events”) or otherwise, the last reported official closing price for the Index Fund (or any such successor index fund or such other security) is not available under the preceding bullet points, the mean, as determined by the calculation agent, of the bid prices for the shares of the Index Fund (or the successor index fund or other security) obtained from as many recognized dealers in such security, but not exceeding three, as will make such bid prices available to the calculation agent. Bids of any of our affiliates may be included in the calculation of such mean, but only to the extent that any such bid is not the highest or the lowest of the bids obtained,

in each case subject to the provisions of “— Discontinuation of the Index Fund; Alteration of Method of Calculation.” The term OTC Bulletin Board Service will include any successor service.

A “trading day” is, unless otherwise specified in the relevant terms supplement, a day, as determined by the calculation agent, on which trading is generally conducted on the New York Stock Exchange (the “NYSE”), the NYSE Alternext US LLC (the “Alternext”), The NASDAQ Stock Market, the Chicago Mercantile Exchange Inc., the Chicago Board Options Exchange, Incorporated and in the over-the-counter market for equity securities in the United States.

Unless otherwise specified in the relevant terms supplement, the “Index Fund Return,” as calculated by the calculation agent, is the percentage change in the closing price of one share of the Index Fund calculated by comparing the Index Fund Ending Level to the Index Fund Starting Level. The relevant terms supplement will specify the manner in which the Index Fund Starting Level and the Index Fund Ending Level are determined. The Index Fund Return, unless otherwise specified in the relevant terms supplement, is calculated as follows:

\[
\text{Index Fund Return} = \frac{\text{Index Fund Ending Level} - \text{Index Fund Starting Level}}{\text{Index Fund Starting Level}}
\]

Unless otherwise specified in the relevant terms supplement, the “Index Fund Starting Level” means the closing price of one share of the Index Fund on the Trade Date or such other date as specified in the relevant terms supplement, divided by the Share Adjustment Factor. The Share Adjustment Factor will be subject to adjustment in connection with Adjustment Effective Dates as described under “—Anti-Dilution Adjustments.”

Unless otherwise specified in the relevant terms supplement, “Index Fund Ending Level” means the closing price of one share of the Index Fund on the final Observation Date.

The Trigger Price is a specified price of the Index Fund below the Index Fund Starting Level, that will be specified in the applicable terms supplement.

The Observation Date(s) will be specified in the relevant terms supplement, and each such date is subject to adjustment as described below. If an Observation Date is not a trading day or if there is a market disruption event on such day, the applicable Observation Date will be postponed to the immediately succeeding trading day during which no market disruption event shall have occurred or be continuing. In no event, however, will any Observation Date be postponed more than ten business days following the date originally scheduled to be that Observation Date. If the tenth business day following the date originally scheduled to be the applicable Observation Date is not a trading day, or if there is a market disruption event on that date, the calculation agent will determine the closing price for that Observation Date on such date in accordance with the formula for and method of calculating the closing price last in effect prior to commencement of the market disruption event (or prior to the non-trading day), using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent’s good faith estimate of the closing price that would have prevailed but for such suspension or limitation or non-trading day) on that tenth scheduled business day of each equity security most recently held by the Index Fund.

The maturity date will be specified in the relevant terms supplement and is subject to adjustment as described below. If not previously called, the securities will mature on the maturity date. If the scheduled
maturity date (as specified in the relevant terms supplement) is not a business day, then the maturity date will be the next succeeding business day following the scheduled maturity date. If, due to a market disruption event or otherwise, the final Observation Date is postponed so that it falls less than three business days prior to the scheduled maturity date, the maturity date will be the third business day following the final Observation Date, as postponed, unless otherwise specified in the relevant terms supplement. We describe market disruption events under “— Market Disruption Events” below.

Unless otherwise specified in the relevant terms supplement, if the securities are called on any Observation Date (other than the final Observation Date), the Call Settlement Date will be three business days following such Observation Date, unless that day is not a business day, in which case the call settlement date will be the next following business day. If the securities are called on the final Observation Date, the call settlement date will be the maturity date. As described above, the calculation agent may postpone any Observation Date, and therefore a Call Settlement Date (by the same number of business days), if a market disruption event occurs or is continuing on a day that would otherwise be an Observation Date. We describe market disruption events under “— Market Disruption Events” below.

We will irrevocably deposit with DTC no later than the opening of business on the applicable date funds sufficient to make payments of the amount payable, if any, with respect to the securities on such date. We will give DTC irrevocable instructions and authority to pay such amount to the holders of the securities entitled thereto.

A “business day” is, unless otherwise specified in the relevant terms supplement, any day other than a day on which banking institutions in The City of New York are authorized or required by law, regulation or executive order to close or a day on which transactions in dollars are not conducted.

Subject to the foregoing and to applicable law (including, without limitation, U.S. federal laws), we or our affiliates may, at any time and from time to time, purchase outstanding securities by tender, in the open market or by private agreement.

Calculation Agent

The Bank of New York Mellon will act as the calculation agent. The calculation agent will determine, among other things, the closing price of one share of the Index Fund on each Observation Date; the Share Adjustment Factor and anti-dilution adjustments, if any; whether the securities are called; the Index Fund Ending Level, the Index Fund Return, and the amount, if any, that we will pay you at maturity. In addition, the calculation agent will determine whether there has been a market disruption event, or which exchange-traded fund will be substituted for the Index Fund (or successor index fund, if applicable) if the Index Fund (or successor index fund, if applicable) is delisted, liquidated or otherwise terminated, whether the Underlying Index (or the underlying index related to a successor index fund, if applicable) has been changed in any material respect and whether the Index Fund (or successor index fund, if applicable) has been modified so that the Index Fund (or successor index fund, if applicable) does not, in the opinion of the calculation agent, fairly represent the price of the Index Fund (or successor index fund, if applicable) had those modifications not been made. All determinations made by the calculation agent will be at the sole discretion of the calculation agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different calculation agent from time to time after the date of the relevant terms supplement without your consent and without notifying you.

The calculation agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid on any Call Settlement Date and at maturity on or prior to 11:00 a.m., New York City time, on the business day preceding the applicable Call Settlement Date or maturity date.

All calculations with respect to the closing price of one share of the Index Fund, the Index Fund Ending Level, or the Index Fund Return will be rounded to the nearest one ten-thousandth, with five one-hundred-thousandth rounded upward (e.g., .87645 would be rounded to .8765); all dollar amounts related to determination of the payment per $10 in principal amount of the securities on any Observation Date or at maturity, if any, will be rounded to the nearest one ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid, if any, on the
aggregate principal amount of securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

**Market Disruption Events**

Certain events may prevent the calculation agent from calculating the closing price of one share of the Index Fund on any Observation Date, and consequently, whether the securities are subject to an automatic call or the Index Fund Return, or calculating the amount, if any, that we will pay to you at maturity. These events may include disruptions or suspensions of trading on the markets as a whole. We refer to each of these events individually as a "market disruption event."

With respect to the Index Fund (or any successor index fund or other security for which a closing price must be determined), a "market disruption event," unless otherwise specified in the relevant terms supplement, means:

- the occurrence or existence of a suspension, absence or material limitation of trading of the shares of the Index Fund (or the successor index fund or such other security) on the relevant exchange for such shares (or the successor index fund or such other security) for more than two hours of trading during, or during the one-half hour period preceding the close of, the principal trading session on such relevant exchange;
- a breakdown or failure in the price and trade reporting systems of the relevant exchange for the shares of the Index Fund (or the successor index fund or such other security) as a result of which the reported trading prices for the shares of the Index Fund (or the successor index fund or such other security) during the last one-half hour preceding the close of the principal trading session on such relevant exchange are materially inaccurate; or
- the occurrence or existence of a suspension, absence or material limitation of trading on the primary exchange or market for trading in futures or options contracts related to the shares of the Index Fund (or the successor index fund or such other security), if available, during the one-half hour period preceding the close of the principal trading session in the applicable exchange or market,

in each case as determined by the calculation agent in its sole discretion; or

- the occurrence or existence of a suspension, absence or material limitation of trading of equity securities then constituting 20% or more of the level of the Underlying Index (or the underlying index related to the successor index fund) on the relevant exchanges for such securities for more than two hours of trading during, or during the one-half hour period preceding the close of, the principal trading session on such relevant exchange, in each case as determined by the calculation agent in its sole discretion; or

- the occurrence or existence of a suspension, absence or material limitation of trading on the primary exchange or market for trading in futures or options contracts related to the Underlying Index (or the underlying index related to the successor index fund) or shares of the Index Fund (or the successor index fund or such other security) for more than two hours of trading during, or during the one-half hour period preceding the close of, the principal trading session on such applicable exchange or market, in each case as determined by the calculation agent in its sole discretion; and

in each case, a determination by the calculation agent in its sole discretion that any event described in the clauses above materially interfered with our ability or the ability of any of our affiliates to unwind or adjust all or a material portion of the hedge position with respect to the securities.

For purposes of determining whether a market disruption event with respect to the Index Fund (or the successor index fund) exists at any time, if trading in a security included in the Underlying Index (or the underlying index related to the successor index fund) is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Underlying Index (or the underlying index related to the successor index fund) will be based on a comparison of:
• the portion of the level of the Underlying Index (or the underlying index related to the successor index fund) attributable to that security relative to

• the overall level of the Underlying Index (or the underlying index related to the successor index fund), in each case immediately before that suspension or limitation.

For purposes of determining whether a market disruption event with respect to the Index Fund (or the successor index fund or such other security) has occurred:

• a limitation on the hours or number of days of trading will not constitute a market disruption event if it results from an announced change in the regular business hours of the relevant exchange or the primary exchange or market for trading in futures or options contracts related to the shares of the Index Fund (or the successor index fund or such other security);

• a decision to permanently discontinue trading in the relevant futures or options contract or exchange traded fund will not constitute a market disruption event;

• limitations pursuant to the rules of any relevant exchange similar to NYSE Rule 80B (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80B as determined by the calculation agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading;

• a suspension of trading in futures or options contracts on the Underlying Index (or the underlying index related to the successor index fund) or shares of the Index Fund (or the successor index fund or such other security) by the primary exchange or market trading in such contracts by reason of:
  • a price change exceeding limits set by such exchange or market,
  • an imbalance of orders relating to such contracts, or
  • a disparity in bid and ask quotes relating to such contracts

will constitute a suspension, absence or material limitation of trading in futures or options contracts related to the Underlying Index (or the underlying index related to the successor index fund) or the shares of the Index Fund (or the successor index fund or such other security); and

• a suspension, absence or material limitation of trading on any relevant exchange or on the primary exchange or market on which futures or options contracts related to the Underlying Index (or the underlying index related to the successor index fund) or the shares of the Index Fund (or the successor index fund or such other security) are traded will not include any time when such exchange or market is itself closed for trading under ordinary circumstances.

“Relevant exchange” means, with respect to the Index Fund or any successor index fund, the primary exchange or market of trading for the shares of the Index Fund, or such successor index fund, as applicable, or, with respect to the Underlying Index or any underlying index related to such successor index fund, as applicable, the primary exchange or market of trading for any security (or any combination thereof) then included in the Underlying Index or any underlying index related to such successor index fund, as applicable.

Anti-Dilution Adjustments

The Share Adjustment Factor is subject to adjustment by the calculation agent as a result of the anti-dilution adjustments described in this section.

No adjustments to the Share Adjustment Factor will be required unless the Share Adjustment Factor adjustment would require a change of at least 0.1% in the Share Adjustment Factor then in effect. The Share Adjustment Factor resulting from any of the adjustments specified in this section will be rounded to the nearest one ten-thousandth with five one hundred-thousandths being rounded upward. The
calculation agent will not be required to make any adjustments to the Share Adjustment Factor after the close of business on the final Observation Date.

No adjustments to the Share Adjustment Factor will be required other than those specified below. The required adjustments specified in this section do not cover all events that could affect the closing price of one share of the Index Fund (or the relevant successor index fund) on any trading day during the term of the securities.

With respect to the Index Fund (or the relevant successor index fund), anti-dilution adjustments will be calculated as follows:

Share Splits and Reverse Share Splits

If the shares of the Index Fund (or such successor index fund) are subject to a share split or reverse share split, then once such split has become effective, the Share Adjustment Factor will be adjusted so that the new Share Adjustment Factor will equal the product of:

- the prior Share Adjustment Factor, and
- the number of shares that a holder of one share of the Index Fund (or such successor index fund) before the effective date of the share split or reverse share split would have owned or been entitled to receive immediately following the applicable effective date.

Share Dividends or Distributions

If the Index Fund (or such successor index fund) is subject to (i) a share dividend, i.e., an issuance of additional shares of the Index Fund (or such successor index fund) that is given ratably to all or substantially all holders of shares of the Index Fund (or such successor index fund) or (ii) a distribution of shares of the Index Fund (or such successor index fund) as a result of the triggering of any provision of the corporate charter or other organizational documents of the Index Fund (or such successor index fund), then, once the dividend or distribution has become effective and the shares of the Index Fund (or such successor index fund) are trading ex-dividend, the Share Adjustment Factor will be adjusted so that the new Share Adjustment Factor shall equal the prior Share Adjustment Factor plus the product of:

- the prior Share Adjustment Factor, and
- the number of additional shares issued in the share dividend or distribution with respect to one share of the Index Fund (or such successor index fund).

Non-Cash Distributions

If the Index Fund (or such successor index fund) distributes shares of capital stock, evidences of indebtedness or other assets or property of the Index Fund (or such successor index fund) to all or substantially all holders of shares of the Index Fund (or such successor index fund) other than (i) share dividends or distributions referred to under "— Share Dividends or Distributions" above and (ii) cash dividends referred under "— Cash Dividends or Distributions" below, then, once the distribution has become effective and the shares of the Index Fund (or such successor index fund) are trading ex-dividend, the Share Adjustment Factor will be adjusted so that the new Share Adjustment Factor shall equal the product of:

- the prior Share Adjustment Factor, and
- a fraction, the numerator of which is the Current Market Price (as defined below) of one share of the Index Fund (or such successor index fund) and the denominator of which is the amount by which such Current Market Price exceeds the Fair Market Value (as defined below) of such distribution.

The "Current Market Price" of the Index Fund (or such successor index fund) means the closing price of one share of the Index Fund (or such successor index fund) on the trading day immediately preceding the ex-dividend date of the dividend or distribution requiring an adjustment to the Share Adjustment Factor.
“Ex-dividend date,” with respect to a dividend or other distribution for the Index Fund (or such successor index fund), will mean the first trading day on which transactions in the shares of the Index Fund (or such successor index fund) trade on the relevant exchange without the right to receive that dividend or other distribution.

The “Fair Market Value” of any such distribution means the value of such distribution on the ex-dividend date for such distribution, as determined by the calculation agent. If such distribution consists of property traded on the ex-dividend date on a U.S. national securities exchange, the Fair Market Value will equal the closing price of such distributed property on such ex-dividend date.

**Cash Dividends or Distributions**

If the issuer of any shares of the Index Fund (or such successor index fund) pays dividends or makes other distributions consisting exclusively of cash to all or substantially all holders of shares of the Index Fund (or such successor index fund) during any dividend period during the term of the securities, in an aggregate amount that, together with other such cash dividends or distributions made previously during such dividend period with respect to which an adjustment to the Share Adjustment Factor has not previously been made under this “—Cash Dividends or Distributions” section, exceeds the Dividend Threshold (as defined below), then, once the dividend or distribution has become effective and the shares of the Index Fund (or such successor index fund) are trading ex-dividend, the Share Adjustment Factor will be adjusted so that the new Share Adjustment Factor will equal the product of:

- the prior Share Adjustment Factor, and
- a fraction, the numerator of which is the Current Market Price of one share of the Index Fund (or such successor index fund) and the denominator of which is the amount by which such Current Market Price exceeds the aggregate amount in cash per share of the Index Fund (or such successor index fund) distributes in such cash dividend or distribution together with any cash dividends or distributions made previously during such dividend period with respect to which an adjustment to the Share Adjustment Factor has not previously been made under this “—Cash Dividends or Distributions” section to holders of shares of the Index Fund in excess of the Dividend Threshold.

For the avoidance of doubt, the Share Adjustment Factor may be adjusted more than once in any particular dividend period because of cash dividends or distributions that exceed the Dividend Threshold. If the Share Adjustment Factor has been previously adjusted in a particular dividend period because of cash dividends or distributions that exceed the Dividend Threshold, subsequent adjustments will be made if the Index Fund (or such successor index fund) pays cash dividends or makes other distributions during such dividend period in an aggregate amount that, together with other such cash dividends or distributions since the last adjustment to the Share Adjustment Factor (because of cash dividends or distributions that exceed the Dividend Threshold) exceeds the Dividend Threshold. Such subsequent adjustments to the Share Adjustment Factor will only take into account the cash dividends or distributions during such dividend period made since the last adjustment to the Share Adjustment Factor because of cash dividends or distributions that exceed the Dividend Threshold.

The “Dividend Threshold” is equal to the sum of (x) the immediately preceding cash dividend(s) or other cash distribution(s) paid in the preceding dividend period, if any, per share of the Index Fund (or such successor index fund) plus (y) 10% of the closing price of one share of the Index Fund (or such successor index fund) on the trading day immediately preceding the ex-dividend date, unless otherwise specified in the relevant terms supplement.

The “dividend period” means any period during the term of the securities for which dividends are paid on a regular and consistent basis to shareholders of the Index Fund (or such successor index fund).

The calculation agent will be solely responsible for the determination and calculation of any adjustments to the Share Adjustment Factor and of any related determinations and calculations, and its determinations and calculations with respect thereto will be conclusive in the absence of manifest error.
The calculation agent will provide information as to any adjustments to the Share Adjustment Factor upon written request by any investor in the securities.

**Discontinuation of the Index Fund; Alteration of Method of Calculation**

If the Index Fund (or a successor index fund (as defined below)) is delisted from the relevant exchange for the Index Fund (or such successor index fund), liquidated or otherwise terminated, the calculation agent will substitute an exchange-traded fund that the calculation agent determines, in its sole discretion, is comparable to the discontinued Index Fund (or such successor index fund) (such substitute fund being referred to herein as a “successor index fund”). If the Index Fund (or a successor index fund) is delisted, liquidated or otherwise terminated and the calculation agent determines that no successor index fund is available, then the calculation agent will, in its sole discretion, calculate the appropriate closing price of one share of the Index Fund by a computation methodology that the calculation agent determines will as closely as reasonably possible replicate the Index Fund. If a successor index fund is selected or the calculation agent calculates a closing price by a computation methodology that the calculation determines will as closely as reasonably possible replicate the Index Fund, that successor index fund or closing price will be substituted for the Index Fund (or such successor index fund) for all purposes of the securities.

Upon any selection by the calculation agent of a successor index fund, the calculation agent will cause written notice to be promptly furnished to the trustee, to us and to the holders of the securities.

If at any time, the Underlying Index related to the Index Fund (or the underlying index related to a successor index fund) is changed in a material respect, or the Index Fund or a successor index fund in any other way is modified so that it does not, in the opinion of the calculation agent, fairly represent the price of the shares of the Index Fund (or such successor index fund) had those changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the closing price of one share of the Index Fund or such successor Index Fund is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a closing price of one share of an exchange-traded fund comparable to the Index Fund (or such successor index fund) as if those changes or modifications had not been made, and calculate the closing price with reference to the Index Fund (or such successor index fund), as adjusted. The calculation agent may also determine that no adjustment is required by the modification of the method of calculation.

The calculation agent will be solely responsible for the method of calculating the closing price of one share of the Index Fund (or any successor index fund) and of any related determinations and calculations, and its determinations and calculations with respect thereto will be conclusive in the absence of manifest error.

The calculation agent will provide information as to the method of calculating the closing price of the shares of the Index Fund upon written request by any investor in the securities.

**Reorganization Events**

If prior to the maturity date of the securities, the Index Fund, or any successor index fund, has been subject to a merger, combination, consolidation or statutory exchange of securities with another exchange traded index fund, and the Index Fund is not the surviving entity, then, on or after the date of such event, the calculation agent shall, in its sole discretion, make an adjustment to the Share Adjustment Factor or to the method of determining the amount payable on the securities or any other terms of the securities as the calculation agent, in its sole discretion, determines appropriate to account for the economic effect on the securities of such event (including adjustments to account for changes in volatility, expected dividends, stock loan rate, or liquidity relevant to the Index Fund, the Underlying Index or to the securities), and determine the effective date of that adjustment. If the calculation agent determines that no adjustment that it could make will produce a commercially reasonable result, then the calculation agent may deem the Index Fund to be delisted, liquidated, discontinued, or otherwise terminated, the treatment of which is described above under “—Discontinuance of the Index Fund; Alteration of Method and Calculation.”
Payment of Additional Amounts

We will pay any amounts to be paid by us on the securities without deduction or withholding for, or on account of, any and all present or future income, stamp and other taxes, levies, imposts, duties, charges, fees, deductions, or withholdings ("taxes") now or hereafter imposed, levied, collected, withheld, or assessed by or on behalf of Canada or any Canadian political subdivision or authority that has the power to tax, unless the deduction or withholding is required by law or by the interpretation or administration thereof by the relevant governmental authority. At any time a Canadian taxing jurisdiction requires us to deduct or withhold for or on account of taxes from any payment made under or in respect of the securities, we will pay such additional amounts ("Additional Amounts") as may be necessary so that the net amounts received by each holder (including Additional Amounts), after such deduction or withholding, shall not be less than the amount the holder would have received had no such deduction or withholding been required.

However, no Additional Amounts will be payable with respect to a payment made to a holder of a security, which we refer to as an "Excluded Holder," in respect of a beneficial owner:

(i) with whom we do not deal at arm’s length (within the meaning of the Income Tax Act (Canada)) at the time of making such payment;

(ii) who is subject to such taxes by reason of the holder being connected presently or formerly with Canada or any province or territory thereof otherwise than by reason of the holder’s activity in connection with purchasing the securities, the holding of the securities or the receipt of payments thereunder;

(iii) who presents such security for payment (where presentation is required, such as if a security is issued in definitive form) more than 30 days after the relevant date; for this purpose, the "relevant date" in relation to any payments on any security means:

(a) the due date for payment thereof (whether at maturity or upon an earlier acceleration), or

(b) if the full amount of the monies payable on such date has not been received by the trustee on or prior to such due date, the date on which the full amount of such monies has been received and notice to that effect is given to holders of the securities in accordance with the senior indenture; or

(iv) who could lawfully avoid (but has not so avoided) such withholding or deduction by complying, or procuring that any third party comply with, any statutory requirements or by making, or procuring that any third party make, a declaration of non-residence or other similar claim for exemption to any relevant tax authority.

For purposes of clause (iii) above, if a security is presented for payment more than 30 days after the relevant date, we shall only be required to pay such Additional Amounts as shall have accrued as of such 30th day, and no further Additional Amounts shall accrue or become payable after such date.

For the avoidance of doubt, we will not have any obligation to pay any holders Additional Amounts on any tax which is payable otherwise than by deduction or withholding from payments made under or in respect of the securities.

We will also make such withholding or deduction and remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. We will furnish to the trustee, within 30 days after the date the payment of any taxes is due pursuant to applicable law, certified copies of tax receipts evidencing that such payment has been made or other evidence of such payment satisfactory to the trustee. We will indemnify and hold harmless each holder of the securities (other than an Excluded Holder) and upon written request reimburse each such holder for the amount of (x) any taxes so levied or imposed and paid by such holder as a result of payments made under or with respect to the securities.
and (y) any taxes levied or imposed and paid by such holder with respect to any reimbursement under (x) above, but excluding any such taxes on such holder’s net income or capital.

For additional information, see the section entitled “Canadian Federal Income Tax Summary.”

Events of Default

Under the heading “Description of Debt Securities — Events of Default” in the accompanying prospectus is a description of events of default relating to debt securities including the securities.

Payment upon an Event of Default

Unless otherwise specified in the relevant terms supplement, in case an event of default with respect to the securities shall have occurred and be continuing, the amount declared due and payable per $10 in principal amount of the securities upon any acceleration of the securities will be determined by the calculation agent and will be an amount in cash equal to the amount payable at maturity per $10 in principal amount of the securities as described under the caption “— Payment at Maturity,” calculated as if the date of acceleration were the final Observation Date.

If the maturity of the securities is accelerated because of an event of default as described above, we will, or will cause the calculation agent to, provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, and to DTC of the cash amount due with respect to the securities as promptly as possible and in no event later than two business days after the date of acceleration.

Modification

Under the heading “Description of Debt Securities — Modification and Waiver of the Debt Securities” in the accompanying prospectus is a description of when the consent of each affected holder of debt securities is required to modify the senior indenture.

Defeasance

The provisions described in the accompanying prospectus under the heading “Description of Debt Securities — Defeasance” are not applicable to the securities, unless otherwise specified in the relevant terms supplement.

Listing

The securities will not be listed on any securities exchange, unless otherwise specified in the relevant terms supplement.

Book-Entry Only Issuance — The Depository Trust Company

DTC will act as securities depositary for the securities. The securities will be issued only as fully-registered securities registered in the name of Cede & Co. (DTC’s nominee). One or more fully-registered global note certificates, representing the total aggregate principal amount of the securities, will be issued and will be deposited with DTC. See the descriptions contained in the accompanying prospectus under the headings “Description of Debt Securities — Ownership and Book-Entry Issuance” and “—Considerations Relating to DTC.”

Registrar, Transfer Agent and Paying Agent

Payment of amounts due at maturity or upon automatic call on the securities will be payable and the transfer of the securities will be registrable at the principal corporate trust office of The Bank of New York Mellon in The City of New York.

The Bank of New York Mellon or one of its affiliates will act as registrar and transfer agent for the securities. The Bank of New York Mellon will also act as paying agent and may designate additional paying agents.
Registration of transfers of the securities will be effected without charge by or on behalf of The Bank of New York Mellon, but upon payment (with the giving of such indemnity as The Bank of New York Mellon may require) in respect of any tax or other governmental charges that may be imposed in relation to it.

**Governing Law**

The securities will be governed by and interpreted in accordance with the laws of the State of New York.
THE iSHARES® MSCI EAFE INDEX FUND

We have derived all information contained in this product supplement regarding the iShares® MSCI EAFE Index Fund, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, iShares®, Inc. (“iShares”) and BFA. We make no representation or warranty as to the accuracy or completeness of the information derived from these public sources. The iShares® MSCI EAFE Index Fund is an investment portfolio maintained and managed by iShares®. BFA is the investment adviser to the iShares® MSCI EAFE Index Fund. The iShares® MSCI EAFE Index Fund is an exchange traded fund (“ETF”) that trades on the New York Stock Exchange Arca, Inc. (the “NYSE Arca”) under the ticker symbol “EFA.”

iShares® is a registered investment company that consists of numerous separate investment portfolios, including the iShares® MSCI EAFE Index Fund. Information provided to or filed with the SEC by iShares® pursuant to the Securities Act of 1933 and the Investment Company Act of 1940 can be located by reference to SEC file numbers 033-97598 and 811-09102, respectively, through the SEC’s website at http://www.sec.gov. For additional information regarding iShares®, BFA, the iShares® MSCI EAFE Index Fund, please see the prospectus, dated January 11, 2010 and the prospectus supplement dated January 11, 2010. In addition, information about iShares and the iShares® MSCI EAFE Index Fund may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents and the iShares® website at www.ishares.com. We make no representation or warranty as to the accuracy or completeness of such information. Information contained in the iShares® website is not incorporated by reference in, and should not be considered a part of, this product supplement or any terms supplement.

Investment Objective and Strategy

The iShares® MSCI EAFE Index Fund seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of publicly traded securities in developed European, Australian and Far Eastern markets, as measured by the MSCI EAFE® Index (the “MSCI Underlying Index”). The iShares® MSCI EAFE Index Fund holds equity securities traded primarily in certain developed markets. The MSCI Underlying Index was developed by MSCI Inc. (“MSCI”) as an equity benchmark for international stock performance, and is designed to measure equity market performance in certain developed markets.

As of May 28, 2010, the iShares® MSCI EAFE Index Fund top ten countries by percentage of total holdings were Japan, the United Kingdom, France, Australia, Germany, Switzerland, Spain, The Netherlands, Sweden, and Italy. As of May 28, 2010, its three largest equity securities were HSBC Holdings, PLC., Nestle SA -REG and BP PLC and its three largest sectors were financials, industrials and consumer staples.

The iShares® MSCI EAFE Index Fund uses a representative sampling strategy (as described below under “— Representative Sampling”) to try to track the MSCI Underlying Index. In addition, in order to improve its portfolio liquidity and its ability to track the MSCI Underlying Index, iShares® MSCI EAFE Index Fund may invest up to 10% of its assets in shares of other iShares® funds that seek to track the performance of equity securities of constituent countries of the MSCI Underlying Index. BFA will not charge portfolio management fees on that portion of the iShares® MSCI EAFE Index Fund’s assets invested in shares of other iShares® funds.

Representative Sampling

The iShares® MSCI EAFE Index Fund pursues a “representative sampling” strategy in attempting to track the performance of the MSCI Underlying Index, and generally does not hold all of the equity securities included in the MSCI Underlying Index. The iShares® MSCI EAFE Index Fund invests in a representative sample of securities in the MSCI Underlying Index, which have a similar investment profile as the MSCI Underlying Index. Securities selected have aggregate investment characteristics (based on
market capitalization and industry weightings), fundamental characteristics (such as return variability, earnings valuation and yield) and liquidity measures similar to those of the MSCI Underlying Index.

Correlation

The MSCI Underlying Index is a theoretical financial calculation, while the iShares® MSCI EAFE Index Fund is an actual investment portfolio. The performance of the iShares® MSCI EAFE Index Fund and the MSCI Underlying Index will vary somewhat due to transaction costs, market impact, corporate actions (such as mergers and spin-offs) and timing variances. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called “tracking error.” The iShares® MSCI EAFE Index Fund, using a representative sampling strategy, can be expected to have a greater tracking error than a fund using replication strategy. Replication is a strategy in which a fund invests in substantially all of the securities in its underlying index in approximately the same proportions as in the MSCI Underlying Index.

Industry Concentration Policy

The iShares® MSCI EAFE Index Fund will not concentrate its investments (i.e., hold 25% or more of its total assets in the stocks of a particular industry or group of industries), except that, to the extent practicable, the iShares® MSCI EAFE Index Fund will concentrate to approximately the same extent that the MSCI Underlying Index concentrates in the stocks of such particular industry or group of industries.

Holdings Information

As of May 28, 2010, 99.00% of the iShares® MSCI EAFE Index Fund’s holdings consisted of equity securities, 0.03% consisted of cash, and 0.97% was in other assets, including dividends booked but not yet received. The following tables summarize the iShares® MSCI EAFE Index Fund’s top holdings in individual companies, sectors and countries as of such date.

Top holdings in individual securities as of May 28, 2010

<table>
<thead>
<tr>
<th>Company</th>
<th>Percentage of Total Holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSBC Holdings PLC</td>
<td>1.75%</td>
</tr>
<tr>
<td>Nestle SA-REG</td>
<td>1.74%</td>
</tr>
<tr>
<td>BP PLC</td>
<td>1.48%</td>
</tr>
<tr>
<td>BHP Billiton LTD</td>
<td>1.23%</td>
</tr>
<tr>
<td>Vodafone Group PLC</td>
<td>1.16%</td>
</tr>
<tr>
<td>Toyota Motor Corp.</td>
<td>1.12%</td>
</tr>
<tr>
<td>Total SA</td>
<td>1.10%</td>
</tr>
<tr>
<td>Roche Holding AG-Genusschein</td>
<td>1.07%</td>
</tr>
<tr>
<td>Novartis AG-REG</td>
<td>1.07%</td>
</tr>
<tr>
<td>Royal Dutch Shell PLC-A SHS</td>
<td>1.03%</td>
</tr>
</tbody>
</table>
Top holdings by sector as of May 28, 2010

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage of Total Holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financials</td>
<td>24.37%</td>
</tr>
<tr>
<td>Industrials</td>
<td>12.19%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>10.08%</td>
</tr>
<tr>
<td>Materials</td>
<td>10.08%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>10.06%</td>
</tr>
</tbody>
</table>

Top holdings by country as of May 28, 2010

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage of Total Holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>23.44%</td>
</tr>
<tr>
<td>The United Kingdom</td>
<td>18.64%</td>
</tr>
<tr>
<td>France</td>
<td>9.36%</td>
</tr>
<tr>
<td>Australia</td>
<td>8.29%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>7.90%</td>
</tr>
</tbody>
</table>

The information above was compiled from the iShares® website and from Bloomberg L.P. We make no representation or warranty as to the accuracy of the information above. Information contained in the iShares® website is not incorporated by reference in, and should not be considered a part of, this product supplement or any terms supplement.

Historical Performance of the iShares® MSCI EAFE Index Fund

We will provide historical price information with respect to the shares of the iShares® MSCI EAFE Index Fund in the relevant terms supplement. You should not view any such historical prices as an indication of future performance.

Disclaimer

The securities are not sponsored, endorsed, sold or promoted by BFA. BFA makes no representations or warranties to the owners of the securities or any member of the public regarding the advisability of investing in the securities. BFA has no obligation or liability in connection with the operation, marketing, trading or sale of the securities.

The MSCI EAFE® Index

We have derived all information contained in this product supplement regarding the MSCI EAFE® Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. The MSCI EAFE® Index is a stock index calculated, published and disseminated daily by MSCI, a majority-owned subsidiary of Morgan Stanley, through numerous data vendors, on the MSCI website and in real time on Bloomberg Financial Markets and Reuters Limited. Neither MSCI nor Morgan Stanley has any obligation to continue to calculate and publish, and may discontinue calculation and publication of the MSCI Underlying Index.

The Index is intended to measure equity market performance in developed market countries, excluding the U.S. and Canada. The Index is a free float-adjusted market capitalization equity index with a base date of December 31, 1969 and an initial value of 100. The Index is calculated daily in U.S. dollars and published in real time every 60 seconds during market trading hours. The Index currently consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, The Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.
Transition

On March 28, 2007, MSCI announced changes to the methodology used by MSCI to calculate its Standard and Small Cap Indices. The transition of the Standard and Small Cap Indices to the MSCI Indices occurred in two phases, the first completed as of November 30, 2007 and the second completed as of May 30, 2008. The current index calculation methodology used to formulate the MSCI EAFE® Index (and which is also used to formulate the indices included in the MSCI Global Index Series) (the “MSCI Global Investable Market Indices Methodology”) was implemented as of June 1, 2008.

Constructing the MSCI Global Investable Market Indices

MSCI undertakes an index construction process, which involves: (i) defining the Equity Universe; (ii) determining the Market Investable Equity Universe for each market; (iii) determining market capitalization size segments for each market; (iv) applying Index Continuity Rules for the MSCI Standard Index; (v) creating style segments within each size segment within each market; and (vi) classifying securities under the Global Industry Classification Standard (the “GICS”).

The “relevant market” with respect to a single country index is equivalent to the single country, except in DM-classified countries in Europe (as described below), where all such countries are first aggregated into a single market for index construction purposes. Subsequently, individual DM Europe country indices within the MSCI Europe Index are derived from the constituents of the MSCI Europe Index under the MSCI Global Investable Market Indices Methodology.

The “relevant market” with respect to a composite index includes each of the single countries which comprise the composite index.

The “Equity Universe” is the aggregation of all Market Investable Equity Universes. The “DM Investable Equity Universe” is the aggregation of all the Market Investable Equity Universes for Developed Markets.

Defining the Equity Universe

(i) Identifying Eligible Equity Securities: The Equity Universe initially looks at securities listed in any of the countries in the MSCI Global Index Series, which will be classified as either Developed Markets (“DM”) or Emerging Markets (“EM”). All listed equity securities, or listed securities that exhibit characteristics of equity securities, except mutual funds, exchange traded funds, equity derivatives, limited partnerships, and most investment trusts, are eligible for inclusion in the Equity Universe. Real Estate Investment Trusts (“REITs”) in some countries and certain income trusts in Canada are also eligible for inclusion.

(ii) Country Classification of Eligible Securities: Each company and its securities (i.e., share classes) are classified in one and only one country, which allows for a distinctive sorting of each company by its respective country.

Determining the Market Investable Equity Universes

A Market Investable Equity Universe for a market is derived by applying investability screens to individual companies and securities in the Equity Universe that are classified in that market. A market is equivalent to a single country, except in DM Europe, where all DM countries in Europe are aggregated into a single market for index construction purposes. Subsequently, individual DM Europe country indices within the MSCI Europe Index are derived from the constituents of the MSCI Europe Index under the Global Investable Market Indices methodology.

The investability screens used to determine the Investable Equity Universe in each market are as follows:
(i) Equity Universe Minimum Size Requirement: This investability screen is applied at the company level. In order to be included in a Market Investable Equity Universe, a company must have the required minimum full market capitalization. A company will meet this requirement if its cumulative free float-adjusted market capitalization is within the top 99% of the sorted Equity Universe.

(ii) Equity Universe Minimum Float-Adjusted Market Capitalization Requirement: This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security must have a free float-adjusted market capitalization equal to or higher than 50% of the Equity Universe Minimum Size Requirement.

(iii) DM and EM Minimum Liquidity Requirement: This investability screen is applied at the individual security level. To be eligible for inclusion in a market investable equity universe, a security must have adequate liquidity. The twelve-month and three-month Annual Traded Value Ratio ("ATVR"), a measure that screens out extreme daily trading volumes and takes into account the free float-adjusted market capitalization size of securities, together with the three-month frequency of trading are used to measure liquidity. In the calculation of the ATVR, the trading volumes in depository receipts associated with that security, such as ADRs or GDRs, are also considered. A minimum liquidity level of 20% of three- and twelve-month ATVR and 90% of three-month frequency of trading over the last four consecutive quarters are required for inclusion of a security in a market investable equity universe of a DM, and a minimum liquidity level of 15% of three- and twelve-month ATVR and 80% of three-month frequency of trading over the last four consecutive quarters are required for inclusion of a security in a market investable equity universe of an EM.

(iv) Global Minimum Foreign Inclusion Factor Requirement: This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security’s Foreign Inclusion Factor ("FIF") must reach a certain threshold. The FIF of a security is defined as the proportion of shares outstanding that is available for purchase in the public equity markets by international investors. This proportion accounts for the available free float of and/or the foreign ownership limits applicable to a specific security (or company). In general, a security must have an FIF equal to or larger than 0.15 to be eligible for inclusion in a Market Investable Equity Universe.

(v) Minimum Length of Trading Requirement: This investability screen is applied at the individual security level. For an initial public offering ("IPO") to be eligible for inclusion in a Market Investable Equity Universe, the new issue must have started trading at least four months before the implementation of the initial construction of the index or at least three months before the implementation of a Semi-Annual Index Review. This requirement is applicable to small new issues in all markets. Large IPOs are not subject to the Minimum Length of Trading Requirement and may be included in a Market Investable Equity Universe and the Standard Index outside of a Quarterly or Semi-Annual Index Review.

*Defining Market Capitalization Size Segments for Each Market*
Once a Market Investable Equity Universe is defined, it is segmented into the following size-based indices:

- Investable Market Index (Large + Mid + Small)
- Standard Index (Large + Mid)
- Large Cap Index
- Mid Cap Index
- Small Cap Index

Creating the Size Segment Indices in each market involves the following steps: (i) defining the Market Coverage Target Range for each size segment; (ii) determining the Global Minimum Size Range for each size segment; (iii) determining the Market Size-Segment Cutoffs and associated Segment Number of Companies; (iv) assigning companies to the size segments; and (v) applying final size-segment investability requirements and index continuity rules.

**Index Continuity Rules for the Standard Indices**

In order to achieve index continuity, as well as provide some basic level of diversification within a market index, notwithstanding the effect of other index construction rules, a minimum number of five constituents will be maintained for a DM Standard Index and a minimum number of three constituents will be maintained for an EM Standard Index.

If after the application of the index construction methodology, a Standard Index contains fewer than five securities in a Developed Market or three securities in an Emerging Market, then the largest securities by free float-adjusted market capitalization are added to the Standard Index in order to reach five constituents in that Developed Market or three in that Emerging Market. At subsequent Index Reviews, if the free float-adjusted market capitalization of a non-index constituent is at least 1.50 times the free float-adjusted market capitalization of the smallest existing constituent after rebalancing, the larger free float-adjusted market capitalization security replaces the smaller one.

**Creating Style Indices within Each Size Segment**

All securities in the investable equity universe are classified into Value or Growth segments using the MSCI Global Value and Growth methodology.

**Classifying Securities under the Global Industry Classification Standard**

All securities in the Global Investable Equity Universe are assigned to the industry that best describes their business activities. To this end, MSCI has designed, in conjunction with Standard & Poor’s, the Global Industry Classification Standard. The GICS entails four levels of classification: (1) sector; (2) industry groups; (3) industries; (4) sub-industries. Under the GICS, each company is assigned uniquely to one sub-industry according to its principal business activity. Therefore, a company can belong to only one industry grouping at each of the four levels of the GICS.

**Maintenance of the MSCI EAFE® Index**

The MSCI Global Investable Market Indices are maintained with the objective of reflecting the evolution of the underlying equity markets and segments on a timely basis, while seeking to achieve index continuity, continuous investability of constituents and replicability of the indices, and index stability and low index turnover.

In particular, index maintenance involves:
(i) Semi-Annual Index Reviews (“SAIRs”) in May and November of the Size Segment and Global Value and Growth Indices which include:

- Updating the indices on the basis of a fully refreshed Equity Universe.
- Taking buffer rules into consideration for migration of securities across size and style segments.
- Updating FIFs and Number of Shares (“NOS”).

The objective of the SAIRs is to systematically reassess the various dimensions of the Equity Universe for all markets on a fixed semi-annual timetable. A SAIR involves a comprehensive review of the Size Segment and Global Value and Growth Indices.

(ii) Quarterly Index Reviews (“QIRs”) in February and August of the Size Segment Indices aimed at:

- Including significant new eligible securities (such as IPOs that were not eligible for earlier inclusion) in the index.
- Allowing for significant moves of companies within the Size Segment Indices, using wider buffers than in the SAIR.
- Reflecting the impact of significant market events on FIFs and updating NOS.

QIRs are designed to ensure that the indices continue to be an accurate reflection of the evolving equity marketplace. This is achieved by a timely reflection of significant market driven changes that were not captured in the index at the time of their actual occurrence but are significant enough to be reflected before the next SAIR. QIRs may result in additions or deletions due to migration to another Size Segment Index, and changes in FIFs and in NOS. Only additions of significant new investable companies are considered, and only for the Standard Index. The buffer zones used to manage the migration of companies from one segment to another are wider than those used in the SAIR. The style classification is reviewed only for companies that are reassigned to a different size segment.

(iii) Ongoing event-related changes. Ongoing event-related changes to the indices are the result of mergers, acquisitions, spin-offs, bankruptcies, reorganizations and other similar corporate events. They can also result from capital reorganizations in the form of rights issues, bonus issues, public placements and other similar corporate actions that take place on a continuing basis. These changes generally are reflected in the indices at the time of the event. Significantly large IPOs are included in the indices after the close of the company’s tenth day of trading.

**Announcement Policy**

The results of the SAIRs are announced at least two weeks in advance of their effective implementation dates as of the close of the last business day of May and November. The results of the QIRs are announced at least two weeks in advance of their effective implementation dates as of the close of the last business day of February and August. All changes resulting from corporate events are announced prior to their implementation.

PS-34
The changes are typically announced at least ten business days prior to the changes becoming effective in the indices as an “expected” announcement, or as an “undetermined” announcement, when the effective dates are not known yet or when aspects of the event are uncertain. MSCI sends “confirmed” announcements at least two business days prior to events becoming effective in the indices, provided that all necessary public information concerning the event is available. The full list of all new and pending changes is delivered to clients on a daily basis, at 5:30 p.m., U.S. Eastern Time.

In exceptional cases, events are announced during market hours for same or next day implementation. Announcements made by MSCI during market hours are usually linked to late company disclosure of corporate events or unexpected changes to previously announced corporate events.

In the case of secondary offerings representing more than 5% of a security’s number of shares for existing constituents, these changes will be announced prior to the end of the subscription period when possible and a subsequent announcement confirming the details of the event (including the date of implementation) will be made as soon as the results are available.

Both primary equity offerings and secondary offerings for U.S. securities, representing at least 5% of the security’s number of shares, will be confirmed through an announcement during market hours for next day or shortly after implementation, as the completion of the events cannot be confirmed prior to the notification of the pricing.

Early deletions of constituents due to bankruptcy or other significant cases are announced as soon as practicable prior to their implementation.

**Index Calculation**

**Price Index Level**

The MSCI Index is calculated using the Laspeyres’ concept of a weighted arithmetic average together with the concept of chain-linking. As a general principle, the level of the MSCI Index level is obtained by applying the change in the market performance to the previous period level for the MSCI Index.

\[
\text{PriceIndexLevelUSD}_t = \frac{\text{IndexAdjustedMarketCapUSD}_{t}}{\text{IndexInitialMarketCapUSD}_t} \times \text{PriceIndexLevelUSD}_{t-1}
\]

\[
\text{PriceIndexLevelLocal}_t = \frac{\text{IndexAdjustedMarketCapForLocal}_{t}}{\text{IndexInitialMarketCapUSD}_t} \times \text{PriceIndexLevelLocal}_{t-1}
\]

Where:

- \( \text{PriceIndexLevelUSD}_{t-1} \) is the Price Index level in USD at time \( t-1 \).
- \( \text{IndexAdjustedMarketCapUSD}_t \) is the Adjusted Market Capitalization of the index in USD at time \( t \).
- \( \text{IndexInitialMarketCapUSD}_t \) is the Initial Market Capitalization of the index in USD at time \( t \).
- \( \text{PriceIndexLevelLocal}_{t-1} \) is the Price Index level in local currency at time \( t-1 \).
- \( \text{IndexAdjustedMarketCapForLocal}_t \) is the Adjusted Market Capitalization of the index in USD converted using FX rate as of \( t-1 \) and used for local currency index at time \( t \).

Note: \( \text{IndexInitialMarketCapUSD} \) was previously called \( \text{IndexUnadjustedMarketCapPreviousUSD} \).

Security Price Index Level

\[
\text{SecurityPriceIndexLevel}_t = \text{SecurityPriceIndexLevel}_{t-1} \times \frac{\text{SecurityAdjustedMarketCapForLocal}_t}{\text{SecurityInitialMarketCapUSD}_t}
\]

\[
\text{SecurityAdjustedMarketCapForLocal}_t = \frac{\text{IndexNumberOfShares}_{t-1} \times \text{PricePerShare}_{t-1} \times \text{InclusionFactor}_t \times \text{PAF}_t}{\text{IC}_{t-1}} \times \frac{\text{FXrate}_{t-1}}{\text{IC}_{t-1}}
\]

\[
\text{SecurityInitialMarketCapUSD}_t = \frac{\text{IndexNumberOfShares}_{t-1} \times \text{PricePerShare}_{t-1} \times \text{InclusionFactor}_t \times \text{PAF}_t}{\text{IC}_{t-1}} \times \frac{\text{FXrate}_{t-1}}{\text{IC}_{t-1}}
\]

Where:
- \( \text{SecurityPriceIndexLevel}_{t-1} \) is Security Price Index level at time \( t-1 \).
- \( \text{SecurityAdjustedMarketCapForLocal}_t \) is the Adjusted Market Capitalization of security \( s \) in USD converted using FX rate as of \( t-1 \).
- \( \text{SecurityInitialMarketCapUSD}_t \) is the Initial Market Capitalization of security \( s \) in USD at time \( t \).
• \textit{IndexNumberOfShares}_{s,t-1} is the number of shares of security \( s \) at time \( t-1 \).

• \textit{PricePerShare}, is the price per share of security \( s \) at time \( t \).

• \textit{PricePerShare}_{s,t-1} is the price per share of security \( s \) at time \( t-1 \).

• \textit{InclusionFactor}, is the inclusion factor of security \( s \) at time \( t \). The inclusion factor can be one or the combination of the following factors: Foreign Inclusion Factor, Domestic Inclusion Factor, Growth Inclusion Factor, Value Inclusion Factor, Index Inclusion Factor.

• \textit{PAF}_{t} is the Price Adjustment Factor of security \( s \) at time \( t \).

• \textit{FXrate}_{t-1} is the FX rate of the price currency of security \( s \) vs USD at time \( t-1 \). It is the value of 1 USD in foreign currency.

• \textit{ICI}_{t} is the Internal Currency Index of price currency at time \( t \). The ICI is different than 1 when a country changes the internal value of its currency (e.g. from Turkish Lira to New Turkish Lira – ICI = 1,000,000).

• \textit{ICI}_{t-1} is the Internal Currency Index of price currency at time \( t-1 \).

• Index Market Capitalization.

\[
\text{IndexAdjustedMarketCapUSD}_{t} = \sum_{s} \frac{\text{Index Number of Shares}_{s,t} \times \text{Price Per Share}_{s,t} \times \text{Inclusion Factor}_{s,t} \times \text{PAF}_{t}}{\text{FXrate}_{t-1}} 
\]

\[
\text{IndexAdjustedMarketCapForLocal}_{t} = \sum_{s} \frac{\text{Index Number of Shares}_{s,t} \times \text{Price Per Share}_{s,t} \times \text{Inclusion Factor}_{s,t} \times \text{PAF}_{t}}{\text{ICI}_{t} \times \text{ICCI}_{t-1}} 
\]

\[
\text{IndexInitialMarketCapUSD}_{t} = \sum_{s} \frac{\text{Index Number of Shares}_{s,t} \times \text{Price Per Share}_{s,t} \times \text{Inclusion Factor}_{s,t}}{\text{FXrate}_{t-1}} 
\]

Where:

• \textit{IndexNumberOfShares}_{s,t-1} is the number of shares of security \( s \) at time \( t-1 \).

• \textit{PricePerShare}, is the price per share of security \( s \) at time \( t \).

• \textit{PricePerShare}_{s,t-1} is the price per share of security \( s \) at time \( t-1 \).

• \textit{InclusionFactor}, is the inclusion factor of security \( s \) at time \( t \). The inclusion factor can be one or the combination of the following factors: Foreign Inclusion Factor, Domestic Inclusion Factor, Growth Inclusion Factor, Value Inclusion Factor, Index Inclusion Factor.

• \textit{PAF}_{t} is the Price Adjustment Factor of security \( s \) at time \( t \).
• $FXrate_t$ is the FX rate of the price currency of security s vs USD at time t. It is the value of 1 USD in foreign currency.

• $FXrate_{t-1}$ is the FX rate of the price currency of security s vs USD at time t-1. It is the value of 1 USD in foreign currency.

• $ICI_t$ is the Internal Currency Index of price currency at time t. The ICI is different than 1 when a country changes the internal value of its currency (e.g. from Turkish Lira to New Turkish Lira – $ICI = 1,000,000$).

• $ICI_{t-1}$ is the Internal Currency Index of price currency at time t-1.

**Corporate Events**

*Mergers and Acquisitions*

As a general principle, MSCI implements mergers and acquisitions as of the close of the last trading day of the acquired entity or merging entities (last offer day for tender offers), regardless of the status of the securities (index constituents or non-index constituents) involved in the event. MSCI uses market prices for implementation. This principle applies if all necessary information is available prior to the completion of the event and if the liquidity of the relevant constituent(s) is not expected to be significantly diminished on the day of implementation. Otherwise, MSCI will determine the most appropriate implementation method and announce it prior to the changes becoming effective in the indices.

*Tender Offers*

In tender offers, the acquired or merging security is generally deleted from the applicable MSCI Indices at the end of the initial offer period, when the offer is likely to be successful and/or if the free float of the security is likely to be substantially reduced (this rule is applicable even if the offer is extended), or once the results of the offer have been officially communicated and the offer has been successful and the security’s free float has been substantially reduced, if all required information is not available in advance or if the offer’s outcome is uncertain. The main factors considered by MSCI when assessing the outcome of a tender offer (not in order of importance) are: the announcement of the offer as friendly or hostile, a comparison of the offer price to the acquired security’s market price, the recommendation by the acquired company’s board of directors, the major shareholders’ stated intention whether to tender their shares, the required level of acceptance, the existence of pending regulatory approvals, market perception of the transaction, official preliminary results if any, and other additional conditions for the offer.

If a security is deleted from an index, the security will not be reinstated immediately after its deletion even when the tender offer is subsequently declared unsuccessful and/or the free float of the security is not substantially reduced. It may be reconsidered for index inclusion in the context of a quarterly index review or annual full country index review. MSCI uses market prices for implementation.

*Late Announcements of Completion of Mergers and Acquisitions*

When the completion of an event is announced too late to be reflected as of the close of the last trading day of the acquired or merging entities, implementation occurs as of the close of the following day or as soon as practicable thereafter. In these cases, MSCI uses a calculated price for the acquired or merging entities. The calculated price is determined using the terms of the transaction and the price of the acquiring or merged entity, or, if not appropriate, using the last trading day’s market price of the acquired or merging entities.

*Conversions of Share Classes*
Conversions of a share class into another share class resulting in the deletion and/or addition of one or more classes of shares are implemented as of the close of the last trading day of the share class to be converted.

**Spin-Offs**

On the ex-date of a spin-off, a PAF is applied to the price of the security of the parent company. The PAF is calculated based on the terms of the transaction and the market price of the spun-off security. If the spun-off entity qualifies for inclusion, it is included as of the close of its first trading day. If appropriate, MSCI may link the price history of the spun-off security to a security of the parent company.

In cases of spin-offs of partially-owned companies, the post-event free float of the spun-off entity is calculated using a weighted average of the existing shares and the spun-off shares, each at their corresponding free float. Any resulting changes to FIFs and/or DIFs are implemented as of the close of the ex-date.

When the spun-off security does not trade on the ex-date, a “detached” security is created to avoid a drop in the free float-adjusted market capitalization of the parent entity, regardless of whether the spun-off security is added or not. The detached security is included until the spun-off security begins trading, and is deleted thereafter. Generally, the value of the detached security is equal to the difference between the cum price and the ex price of the parent security.

**Corporate Actions**

Corporate actions such as splits, bonus issues and rights issues, which affect the price of a security, require a price adjustment. In general, the PAF is applied on the ex-date of the event to ensure that security prices are comparable between the ex-date and the cum date. To do so, MSCI adjusts for the value of the right and/or the value of the special assets that are distributed. In general, corporate actions do not impact the free float of the securities because the distribution of new shares is carried out on a pro rata basis to all existing shareholders. Therefore, MSCI will generally not implement any pending number of shares and/or free float updates simultaneously with the event.

If a security does not trade for any reason on the ex-date of the corporate action, the event will be generally implemented on the day the security resumes trading.

**Share Placements and Offerings**

Changes in number of shares and FIF resulting from primary equity offerings representing more than 5% of the security’s number of shares are generally implemented as of the close of the first trading day of the new shares, if all necessary information is available at that time. Otherwise, the event is implemented as soon as practicable after the relevant information is made available. A primary equity offering involves the issuance of new shares by a company. Changes in number of shares and FIF resulting from primary equity offerings representing less than 5% of the security’s number of shares are deferred to the next regularly scheduled Quarterly Index Review following the completion of the event. For public secondary offerings of existing constituents representing more than 5% of the security’s number of shares, where possible, MSCI will announce these changes and reflect them shortly after the results of the subscription are known. Secondary public offerings that, given lack of sufficient notice, were not reflected immediately will be reflected at the next Quarterly Index Review. Secondary offerings involve the distribution of existing shares of current shareholders in a listed company and are usually pre-announced by a company or by a company’s shareholders and open for public subscription during a pre-determined period.

**Debt-to-Equity Swaps**
In general, large debt-to-equity swaps involve the conversion of debt into equity originally not convertible at the time of issue. In this case, changes in numbers of shares and subsequent FIF and/or DIF changes are implemented as of the close of the first trading day of the newly issued shares, or shortly thereafter if all necessary information is available at the time of the swap. In general, shares issued in debt-to-equity swaps are assumed to be issued to strategic investors. As such, the post event free float is calculated on a pro forma basis assuming that all these shares are non-free float. Changes in numbers of shares and subsequent FIF and/or DIF changes due to conversions of convertible bonds or other convertible instruments, including periodical conversions of preferred stocks and small debt-to-equity swaps are implemented as part of the quarterly index review.

**Suspensions and Bankruptcies**

MSCI will remove from the MSCI Equity Index Series as soon as practicable companies that file for bankruptcy, companies that file for protection from their creditors and/or are suspended and for which a return to normal business activity and trading is unlikely in the near future. When the primary exchange price is not available, MSCI will delete securities at an over the counter or equivalent market price when such a price is available and deemed relevant. If no over the counter or equivalent price is available, the security will be deleted at the smallest price (unit or fraction of the currency) at which a security can trade on a given exchange. For securities that are suspended, MSCI will carry forward the market price prior to the suspension during the suspension period.
THE ENERGY SELECT SECTOR SPDR FUND

We have derived all information contained in this product supplement regarding the Energy Select Sector SPDR Fund, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by SSFM. We make no representation or warranty as to the accuracy or completeness of the information derived from these public sources. The Energy Select Sector SPDR Fund is an investment portfolio maintained and managed by SSFM. SSFM is the investment advisor to each of nine separate investment portfolios, including the Energy Select Sector SPDR Fund, all of which are offered by the Select Sector SPDR Trust, a registered investment company. The Energy Select Sector SPDR Fund trades on the NYSE Arca under the ticker symbol "XLE."

Information provided to or filed with the SEC by the Energy Select Sector SPDR Fund under the Securities Act of 1933 and the Investment Company Act of 1940 can be located by reference to SEC file numbers 333-57791 and 811-08837, respectively, through the SEC’s website at http://www.sec.gov. Additional information about SSFM and the Energy Select Sector SPDR Fund may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents and the Select Sector SPDR website at http://www.sectorspdr.com. We make no representation or warranty as to the accuracy or completeness of such information. Information contained in the Select Sector SPDR’s website is not incorporated by reference in, and should not be considered a part of, this product supplement or any terms supplement.

The Energy Select Sector SPDR Fund seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the Energy Select Sector Index (the “SPDR Energy Underlying Index”). The SPDR Energy Underlying Index measures the performance of the energy sector of the U.S. equity market that primarily develop and produce crude oil and natural gas, and provide drilling and other energy-related services. As of June 15, 2010, there were 39 energy companies included in the Energy Select Sector SPDR Fund.

The Energy Select Sector SPDR Fund utilizes a “passive” or “indexing” investment approach in attempting to track the performance of the SPDR Energy Underlying Index. The Energy Select Sector SPDR Fund will invest in all of the securities which comprise the SPDR Energy Underlying Index. The Energy Select Sector SPDR Fund will normally invest at least 95% of its total assets in common stocks that comprise the SPDR Energy Underlying Index.
Holdings Information

The following tables summarize the Energy Select Sector SPDR Fund’s top holdings in individual companies and by industry as of March 31, 2010.

Top holdings in individual securities as of March 31, 2010

<table>
<thead>
<tr>
<th>Company</th>
<th>Percentage of Total Holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exxon Mobil</td>
<td>17.72%</td>
</tr>
<tr>
<td>Chevron</td>
<td>12.92%</td>
</tr>
<tr>
<td>Schlumberger</td>
<td>6.58%</td>
</tr>
<tr>
<td>Occidental Petroleum</td>
<td>4.98%</td>
</tr>
<tr>
<td>ConocoPhillips</td>
<td>4.67%</td>
</tr>
<tr>
<td>Anadarko Petroleum</td>
<td>3.47%</td>
</tr>
<tr>
<td>Apache</td>
<td>3.27%</td>
</tr>
<tr>
<td>Devon Energy</td>
<td>2.76%</td>
</tr>
<tr>
<td>Halliburton</td>
<td>2.71%</td>
</tr>
<tr>
<td>XTO Energy</td>
<td>2.67%</td>
</tr>
</tbody>
</table>

Top holdings by industry as of March 31, 2010

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage of Total Holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil, Gas and Consumable Fuels</td>
<td>81.2%</td>
</tr>
<tr>
<td>Energy Equipment and Services</td>
<td>18.8%</td>
</tr>
</tbody>
</table>

The information above was compiled from the Select Sector SPDR website. We make no representation or warranty as to the accuracy of the information above. Information contained in the Select Sector SPDR website is not incorporated by reference in, and should not be considered a part of, this product supplement or any terms supplement.

Historical Performance of the Energy Select Sector SPDR Fund

We will provide historical price information with respect to the shares of the Energy Select Sector SPDR Fund in the relevant terms supplement. You should not view any such historical prices as an indication of future performance.

Disclaimer

The securities are not sponsored, endorsed, sold or promoted by SSFM. SSFM makes no representations or warranties to the owners of the securities or any member of the public regarding the advisability of investing in the securities. SSFM has no obligation or liability in connection with the operation, marketing, trading or sale of the securities.

The Energy Select Sector Index

We have derived all information contained in this product prospectus supplement regarding the SPDR Energy Underlying Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, Merrill Lynch or NYSE Euronext.

The SPDR Energy Underlying Index is a modified market capitalization-based index intended to track the movements of companies that are components of the S&P 500® Index and are involved in development or production of energy products. Companies in the SPDR Energy Underlying Index
The SPDR Energy Underlying Index is one of the Select Sector Indices. The Select Sector Indices are sub-indices of the S&P 500® Index. Each stock in the S&P 500® Index is allocated to only one Select Sector Index, and the combined companies of the nine Select Sector Indices represent all of the companies in the S&P 500® Index. The industry indices are sub-categories within each Select Sector Index and represent a specific industry segment of the overall Select Sector Index. The nine Select Sector Indices seek to represent the S&P 500® Index sectors. As of March 31, 2010, the SPDR Energy Underlying Index represented approximately 10.88% of the S&P 500® Index based on market capitalization of the relevant stocks.

The stocks included in each Select Sector Index are selected by Merrill Lynch acting as Index Compilation Agent, in consultation with S&P, from the universe of companies represented by the S&P 500® Index. The NYSE Euronext acts as index calculation agent in connection with the calculation and dissemination of each Select Sector Index. Each stock in the S&P 500® Index is allocated to only one Select Sector Index, and the nine Select Sector Indices together comprise all of the companies in the S&P 500 Index.

Each Select Sector Index was developed and is maintained in accordance with the following criteria:

- Each of the component stocks in a Select Sector Index (the “SPDR Component Stocks”) is a constituent company of the S&P 500® Index.
- The nine Select Sector Indices together will include all of the companies represented in the S&P 500® Index and each of the stocks in the S&P 500® Index will be allocated to one and only one of the Select Sector Indices.
- Merrill Lynch, acting as the Index Compilation Agent, assigns each constituent stock of the S&P 500® Index to a Select Sector Index. Merrill Lynch, after consultation with S&P, assigns a company’s stock to a particular Select Sector Index on the basis of that company’s sales and earnings composition and the sensitivity of the company’s stock price and business results to the common factors that affect other companies in each Select Sector Index.
- S&P has sole control over the removal of stocks from the S&P 500® Index and the selection of replacement stocks to be added to the S&P 500® Index. However, S&P plays only a consulting role in the Select Sector Indices.
- Each Select Sector Index is calculated by NYSE Euronext using a modified “market capitalization” methodology. This design ensures that each of the component stocks within a Select Sector Index is represented in a proportion consistent with its percentage with respect to the total market capitalization of that Select Sector Index. However, under certain conditions, the number of shares of a component stock within the Select Sector Index may be adjusted to conform to certain Internal Revenue Code requirements.

Each Select Sector Index is calculated using the same methodology utilized by S&P in calculating the S&P 500® Index, using a base-weighted aggregate methodology. The daily calculation of each Select Sector Index is computed by dividing the total market value of the companies in the Select Sector Index by a number called the index divisor.

Merrill Lynch may at any time determine that a SPDR Component Stock which has been assigned to one Select Sector Index has undergone a transformation in the composition of its business, and that it should be removed from that Select Sector Index and assigned to a different Select Sector Index. In the event that Merrill Lynch notifies NYSE Euronext that a SPDR Component Stock’s Select Sector Index assignment should be changed, NYSE Euronext will disseminate notice of the change following its standard procedure for announcing index changes, and will implement the change in the affected Select Sector Indexes on a date no less than one week after the initial dissemination of information on the sector change to the maximum extent practicable.
SPDR Component Stocks removed from and added to the S&P 500® Index will be deleted from and added to the appropriate Select Sector Index on the same schedule used by S&P for additions and deletions from the S&P 500® Index insofar as practicable.
OTHER INDEX FUNDS

If the securities are linked to an Index Fund not described in this product prospectus supplement, the terms supplement or a separate fund supplement will provide additional information relating to such Index Fund.
SUPPLEMENTAL DISCUSSION OF CANADIAN TAX CONSEQUENCES

The following discussion supersedes in its entirety the description of the material Canadian federal income tax considerations relevant to owning debt securities under “Tax Consequences—Canadian Taxation” in the accompanying prospectus.

In the opinion of Ogilvy Renault LLP, Canadian tax counsel to the Royal Bank of Canada, the following summary describes the principal Canadian federal income tax considerations under the Income Tax Act (Canada) (the “Act”) and Income Tax Regulations (the “Regulations”) generally applicable to a holder of securities who acquires, as beneficial owner, securities pursuant to this product prospectus supplement, and who, at all relevant times, is not resident and is not deemed to be resident in Canada, who deals at arm’s length with Royal Bank of Canada and any Canadian resident (or deemed Canadian resident) to whom the holder disposes of the securities, and who does not use or hold and is not deemed to use or hold securities in or in the course of carrying on a business in Canada and is not an insurer carrying on an insurance business in Canada and elsewhere (a “Non-resident Holder”).

This summary is based upon the provisions of the Act and the Regulations in force on the date hereof, proposed amendments to the Act and the Regulations in a form publicly announced prior to the date hereof by or on behalf of the Minister of Finance (Canada) (included for this purpose in the reference to the Act and Regulations) and the current administrative practices and policies published in writing by the Canada Revenue Agency. This summary does not take into account or anticipate any other changes in law, whether by legislative, governmental or judicial action or interpretation, nor does it take into account provincial, territorial or foreign income tax legislation. Subsequent developments could have a material effect on the following description.

Canadian federal income tax considerations applicable to securities may be described particularly, when such securities are offered, in the terms supplement related thereto. In the event the Canadian federal income tax considerations are described in such terms supplement, the following description will be superseded by the description in the terms supplement to the extent indicated therein.

Interest paid or credited or deemed to be paid or credited by Royal Bank of Canada on a security (including any amount paid at maturity in excess of the principal amount and interest deemed to be paid on the security in certain cases involving the assignment or other transfer of a security to a resident or deemed resident of Canada) to a Non-resident Holder will not be subject to Canadian non-resident withholding tax unless any portion of such interest (other than on a “prescribed obligation” described below) is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders of any class of shares of the capital stock of a corporation (a “Participating Debt Interest”). A “prescribed obligation” is a debt obligation the terms or conditions of which provide for an adjustment to an amount payable in respect of the obligation for a period during which the obligation was outstanding which adjustment is determined by reference to a change in the purchasing power of money and no amount payable in respect thereof, other than an amount determined by reference to a change in the purchasing power of money, is contingent or dependent upon any of the criteria described in the definition of Participating Debt Interest. If any interest paid or credited or deemed to be paid or credited on a security is to be calculated by reference to an Index Fund which could be viewed as a proxy for the profit of Royal Bank of Canada, such interest may be subject to Canadian non-resident withholding tax. The Canadian withholding tax implications of such an issuance will be described particularly in the relevant terms supplement if such securities are offered.

In the event that a security which is not exempt from Canadian withholding tax according to its terms is redeemed, cancelled, or repurchased, as applicable, or purchased by Royal Bank of Canada or any other person resident or deemed to be resident in Canada from a Non-resident Holder or is otherwise assigned or transferred by a Non-resident Holder to a person resident or deemed to be resident in Canada for an amount which exceeds, generally, the issue price thereof, the excess may, in certain circumstances, be deemed to be interest and may be subject to non-resident withholding tax if the security is not considered to be an “excluded obligation” for purposes of the Act. A security that was issued for an amount not less than 97% of the principal amount (as defined for the purposes of the Act) of
the security, and the yield from which, expressed in terms of an annual rate (determined in accordance with the Act) on the amount for which the security was issued does not exceed 4/3 of the interest stipulated to be payable on the security, expressed in terms of an annual rate on the outstanding principal amount from time to time will be an excluded obligation for this purpose.

Generally, there are no other taxes on income (including taxable capital gains) payable in respect of a security or interest, discount, or premium thereon by a Non-resident Holder.
SUPPLEMENTAL DISCUSSION OF U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a general description of certain U.S. tax considerations relating to the securities. It does not purport to be a complete analysis of all tax considerations relating to the securities. Prospective purchasers of the securities should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Canada and the U.S. of acquiring, holding and disposing of the securities and receiving payments of interest, principal and/or other amounts under the securities. This summary is based upon the law as in effect on the date of this product prospectus supplement and is subject to any change in law that may take effect after such date.

Supplemental U.S. Tax Considerations

The following disclosure — including the opinion of Morrison & Foerster LLP — has been prepared without regard to any particular security that you may purchase in the future and, therefore, is provided solely as a matter of general information. You should not rely upon the following disclosure (including the opinion of Morrison & Foerster LLP), or the disclosure under "Tax Consequences—United States Taxation" in the prospectus or "Certain Income Tax Consequences—United States Taxation" in the prospectus supplement, with regard to an investment in any particular security because this disclosure (including the opinion of Morrison & Foerster LLP) does not take into account the terms of any particular security or the tax consequences of investing in or holding any particular security unless the terms supplement applicable to your securities expressly indicates that you may rely on the following disclosure and expressly states that you may rely on the opinion of Morrison & Foerster LLP. Any security that you purchase may have terms that would result in a tax treatment that is significantly different from the treatment described below. For example, the discussion below assumes that the Index Fund will be one of the index funds listed in this product prospectus supplement in the sections that begin on pages PS-28 and PS-41, and that an investor in the securities will be subject to a significant risk that it will lose a significant amount of its investment in the securities. If the Index Fund for any particular security is not so listed in this product prospectus supplement, or if an investor in the securities is not subject to a significant risk that it will lose a significant amount of its investment in the securities, the tax treatment of that security may differ substantially from that described in the discussion below. There may be other features or terms of your securities that will cause this tax section to be inapplicable to your securities.

Consequently, any tax disclosure relevant to any security you may purchase will be set forth only in the terms supplement relating to your security, and, unless the terms supplement indicates otherwise, you should not rely on the tax disclosure below or in the prospectus supplement or prospectus in deciding whether to invest in any security. Moreover, in all cases, you should consult with your own tax advisor concerning the consequences of investing in and holding any particular security you propose to purchase.

The following section supplements the discussion of U.S. federal income taxation in the accompanying prospectus and prospectus supplement with respect to U.S. holders (as defined in the accompanying prospectus). Except as otherwise noted under "Non-U.S. Holders" below, it applies only to those U.S. holders who are not excluded from the discussion of U.S. federal income taxation in the accompanying prospectus.


We will not attempt to ascertain whether the issuer of any of the component stocks underlying the Index Fund would be treated as a “passive foreign investment company” within the meaning of Section 1297 of the Internal Revenue Code or a “U.S. real property holding corporation” within the meaning of
Section 897 of the Internal Revenue Code. If the issuer of one or more such stocks were so treated, certain adverse U.S. federal income tax consequences could possibly apply. You should refer to any available information filed with the SEC by the issuers of the component stocks included in the Index Fund and consult your tax advisor regarding the possible consequences to you in this regard.

In the opinion of our counsel, Morrison & Foerster LLP, it would generally be reasonable to treat a security with terms described in this product prospectus supplement as a callable pre-paid cash-settled derivative contract linked to the Index Fund for U.S. federal income tax purposes, and the terms of the securities require a holder and us (in the absence of a change in law or an administrative or judicial ruling to the contrary) to treat the securities for all tax purposes in accordance with such characterization. If the securities are so treated, subject to the discussion below concerning the potential application of the “constructive ownership” rules under Section 1260 of the Internal Revenue Code, a holder should generally recognize capital gain or loss upon the call, sale or maturity of the securities in an amount equal to the difference between the amount a holder receives at such time and the holder's tax basis in the securities. In general, a holder's tax basis in the securities will be equal to the price the holder paid for the securities. Capital gain recognized by an individual U.S. holder is generally taxed at preferential rates where the property is held for more than one year and is generally taxed at ordinary income rates where the property is held for one year or less. The deductibility of capital losses is subject to limitations. The holding period for securities of a holder who acquires the securities upon issuance will generally begin on the date after the issue date (i.e., the settlement date) of the securities. If the securities are held by the same holder until maturity, that holder's holding period will generally include the maturity date. It is possible that the Internal Revenue Service could assert that your holding period in respect of your securities should end on the date on which the amount you are entitled to receive upon the maturity of your securities is determined, even though you will not receive any amounts from the issuer in respect of your securities prior to the maturity of your securities. In such case, you may be treated as having a holding period in respect of your securities that is less than one year even if you receive cash upon maturity of your securities at a time that is more than one year after the beginning of your holding period.

**Possible Application of Section 1260 of the Internal Revenue Code.** Because the Index Fund is a type of financial asset described under Section 1260 of the Internal Revenue Code, while the matter is not entirely clear, there may exist a risk that an investment in the securities is, in whole or in part, a “constructive ownership transaction” to which Section 1260 of the Internal Revenue Code applies.

The application of Section 1260 of the Internal Revenue Code to instruments such as the securities is not clear. In general, if Section 1260 of the Internal Revenue Code applies, long-term capital gain recognized by a U.S. Holder in respect of the securities would be recharacterized as ordinary income to the extent of any Excess Gain (as defined below). “Excess Gain” generally would equal the excess of (A) any long-term capital gain recognized by the U.S. Holder in respect of the securities, over (B) the “net underlying long-term capital gain.” While not clear in the case of the securities, “net underlying long-term capital gain” may be computed as the aggregate net capital gain a U.S. Holder would have had if (A) the U.S. Holder had acquired in exchange for the securities’ original issue price an amount of the Index Fund for fair market value on the original issue date and sold such amount of the Index Fund upon the date of call, sale or maturity of the securities at fair market value, and (B) only gains and losses that would have resulted from the deemed ownership under clause (A) of this sentence were taken into account. In addition, an interest charge will also apply to any deemed underpayment of tax in respect of any Excess Gain to the extent such gain would have resulted in gross income inclusion for the U.S. Holder in taxable years prior to the taxable year of call, sale or maturity (assuming such income accrued at a constant rate equal to the applicable federal rate as of the date of call, sale or maturity).

If an investment in the securities is treated as a constructive ownership transaction, it is not clear to what extent any long-term capital gain of a U.S. Holder in respect of the securities will be recharacterized as ordinary income. You should note, however, that the Internal Revenue Code provides a presumption that the net underlying long-term capital gain will be treated as zero (thus maximizing the amount of capital gain subject to recharacterization) unless the amount thereof is established by clear and convincing evidence. Accordingly, no assurances can be given that the Internal Revenue Service will not seek to apply Section 1260 of the Internal Revenue Code to an investment in the securities in a
manner that results in a significant amount of Excess Gain. U.S. Holders should consult their tax advisors regarding the potential application of Section 1260 of the Internal Revenue Code to an investment in the securities.

*Alternative Treatments.* Alternative tax treatments would also be possible and the Internal Revenue Service might assert that a treatment other than that described above is more appropriate. For example, it would also be possible to treat the securities, and the Internal Revenue Service might assert that the securities should be treated, as a single debt instrument. If the securities have a term that exceeds one year, such a debt instrument would be subject to the special tax rules governing contingent payment debt instruments. If the securities are so treated, a holder would generally be required to accrue interest currently over the term of the securities even though that holder will not receive any payments from us prior to maturity. In addition, any gain a holder might recognize upon the call, sale or maturity of the securities would be ordinary income and any loss recognized by a holder at such time would be ordinary loss to the extent of interest that same holder included in income in the current or previous taxable years in respect of the securities, and thereafter, would be capital loss. If the securities are treated as a single debt instrument that has a term of no more than one year, the securities would be treated as a single contingent short-term debt instrument, which would also result in tax consequences that are different from those described above.

If the Index Fund periodically rebalances, it is possible that the securities could be treated as a series of derivative contracts, each of which matures on the next rebalancing date. If the securities were properly characterized in such a manner, a holder would be treated as disposing of the securities on each rebalancing date in return for new derivative contracts that mature on the next rebalancing date, and a holder would accordingly likely recognize capital gain or loss on each rebalancing date equal to the difference between the holder’s basis in the securities (which would be adjusted to take into account any prior recognition of gain or loss) and the fair market value of the securities on such date.

Because of the absence of authority regarding the appropriate tax characterization of the securities, it is also possible that the Internal Revenue Service could seek to characterize the securities in a manner that results in other tax consequences that are different from those described above. For example, the Internal Revenue Service could possibly assert that any gain or loss that a holder may recognize upon the call, sale or maturity of the securities should be treated as ordinary gain or loss.

The Internal Revenue Service has released a notice that may affect the taxation of holders of the securities. According to the notice, the Internal Revenue Service and the Treasury Department are actively considering whether the holder of an instrument such as the securities should be required to accrue ordinary income on a current basis, and they are seeking taxpayer comments on the subject. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, holders of the securities will ultimately be required to accrue income currently and this could be applied on a retroactive basis. The Internal Revenue Service and the Treasury Department are also considering other relevant issues, including whether additional gain or loss from such instruments should be treated as ordinary or capital and whether the special “constructive ownership rules” of Section 1260 of the Internal Revenue Code might be applied to such instruments. Holders are urged to consult their tax advisors concerning the significance, and the potential impact, of the above considerations. Unless stated otherwise in the applicable terms supplement, we intend to treat the securities for U.S. federal income tax purposes in accordance with the treatment described in this product prospectus supplement unless and until such time as the Treasury and Internal Revenue Service determine that some other treatment is more appropriate.

*Additional Medicare Tax.* With respect to taxable years beginning after December 31, 2012, certain U.S. holders, including individuals, estates and trusts, will be subject to an additional 3.8% Medicare tax on unearned income. For individual U.S. holders, the additional Medicare tax applies to the lesser of (i) “net investment income,” or (ii) the excess of “modified adjusted gross income” over $200,000 ($250,000 if married and filing jointly or $125,000 if married and filing separately). “Net investment income” generally equals the taxpayer’s gross investment income reduced by the deductions that are allocable to such income. Investment income generally includes passive income such as interest,
dividends, annuities, royalties, rents, and capital gains. You are urged to consult your own tax advisor regarding the implications of the additional Medicare tax resulting from an investment in the securities.

*Backup Withholding and Information Reporting.* Please see the discussion under “Tax Consequences—United States Taxation—Information Reporting and Backup Withholding” in the accompanying prospectus for a description of the applicability of the backup withholding and information reporting rules to payments made on the securities.

Individual holders that own “specified foreign financial assets” may be required to include certain information with respect to such assets with their U.S. federal income tax return. You are urged to consult your own tax advisor regarding such requirements with respect to the securities.

*Non-U.S. Holders.* The following discussion applies to non-U.S. holders. A non-U.S. holder is a beneficial owner of a security that, for U.S. federal income tax purposes, is a non-resident alien individual or a foreign corporation.

A non-U.S. holder will generally not be subject to U.S. federal income or withholding tax for amounts paid in respect of the securities, provided that (i) the holder complies with any applicable certification requirements, (ii) the payment is not effectively connected with the conduct by the holder of a U.S. trade or business, and (iii) if the holder is a non-resident alien individual, such holder is not present in the U.S. for 183 days or more during the taxable year of the sale or maturity of the securities. In the case of (ii) above, the holder generally would be subject to U.S. federal income tax with respect to any income or gain in the same manner as if the holder were a U.S. holder and, in the case of a holder that is a corporation, the holder may also be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable U.S. income tax treaty) of a portion of its earnings and profits for the taxable year that are effectively connected with its conduct of a trade or business in the U.S., subject to certain adjustments. Payments made to a non-U.S. holder may be subject to information reporting and to backup withholding unless the holder complies with applicable certification and identification requirements as to its foreign status.

As discussed above, alternative characterizations of the securities for U.S. federal income tax purposes are possible. Should an alternative characterization, by reason of change or clarification of the law, by regulation or otherwise, cause payments as to the securities to become subject to withholding tax, we will withhold tax at the applicable statutory rate. The Internal Revenue Service has also indicated that it is considering whether income in respect of instruments such as the securities should be subject to withholding tax. Prospective investors should consult their own tax advisors in this regard.
UNDERWRITING

Under the terms and subject to the conditions contained in the Distribution Agreement entered into between Royal Bank of Canada and RBC Capital Markets Corporation, as agent (an “Agent” or “RBCCM”), UBS Financial Services Inc. (an “Agent” or “UBS”) and certain other agents that may be party to the Distribution Agreement, as amended or supplemented, from time to time (each an “Agent” and collectively with RBCCM and UBS, the “Agents”), each Agent participating in an offering of securities, acting as principal for its own account, has agreed to purchase, and we have agreed to sell, the principal amount of securities set forth on the cover page of the relevant terms supplement. Each such Agent proposes initially to offer the securities directly to the public at the public offering price set forth on the cover page of the relevant terms supplement. RBCCM will allow a concession to other dealers, or we may pay other fees, in the amount set forth on the cover page of the relevant terms supplement. After the initial offering of the securities, the Agents may vary the offering price and other selling terms from time to time.

We own, directly or indirectly, all of the outstanding equity securities of RBCCM. The underwriting arrangements for this offering comply with the requirements of NASD Rule 2720 regarding a FINRA member firm’s underwriting of securities of an affiliate. In accordance with NASD Rule 2720, no underwriter may make sales in this offering to any discretionary account without the prior written approval of the customer.

RBCCM or another Agent may act as principal or agent in connection with offers and sales of the securities in the secondary market. Secondary market offers and sales will be made at prices related to market prices at the time of such offer or sale; accordingly, the Agents or a dealer may change the public offering price, concession and discount after the offering has been completed.

In order to facilitate the offering of the securities, RBCCM may engage in transactions that stabilize, maintain or otherwise affect the price of the securities. Specifically, RBCCM may sell more securities than it is obligated to purchase in connection with the offering, creating a naked short position in the securities for its own account. RBCCM must close out any naked short position by purchasing the securities in the open market. A naked short position is more likely to be created if RBCCM is concerned that there may be downward pressure on the price of the securities in the open market after pricing that could adversely affect investors who purchase in the offering. As an additional means of facilitating the offering, RBCCM may bid for, and purchase, securities in the open market to stabilize the price of the securities. Any of these activities may raise or maintain the market price of the securities above independent market levels or prevent or retard a decline in the market price of the securities. RBCCM is not required to engage in these activities, and may end any of these activities at any time.

No action has been or will be taken by us, RBCCM or any dealer that would permit a public offering of the securities or possession or distribution of this product prospectus supplement no. UBS-AOS-2, any related fund supplement or the accompanying prospectus supplement, prospectus or terms supplement, other than in the United States, where action for that purpose is required. No offers, sales or deliveries of the securities, or distribution of this product prospectus supplement no. UBS-AOS-2, any related fund supplement or the accompanying prospectus supplement, prospectus or terms supplement or any other offering material relating to the securities, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on us, the Agents or any dealer.

Each Agent has represented and agreed, and each dealer through which we may offer the securities has represented and agreed, that it (i) will comply with all applicable laws and regulations in force in each non-U.S. jurisdiction in which it purchases, offers, sells or delivers the securities or possesses or distributes this product prospectus supplement no. UBS-AOS-2, any related fund supplement and the accompanying prospectus supplement, prospectus and terms supplement and (ii) will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the securities under the laws and regulations in force in each non-U.S. jurisdiction to which it is subject or in which it makes purchases, offers or sales of the securities. We shall not have responsibility for any Agent’s or any dealer’s
compliance with the applicable laws and regulations or obtaining any required consent, approval or permission.

Unless otherwise specified in the relevant terms supplement, the Settlement Date for the securities will be the third business day following the Trade Date (which is referred to as a “T+3” settlement cycle).
The Employee Retirement Income Security Act of 1974, as amended, which we call “ERISA” and the Internal Revenue Code of 1986, as amended, prohibit certain transactions involving the assets of an employee benefit plan and certain persons who are “parties in interest” (within the meaning of ERISA) or “disqualified persons” (within the meaning of the Internal Revenue Code) with respect to the plan; governmental plans may be subject to similar prohibitions. Therefore, a plan fiduciary considering purchasing securities should consider whether the purchase or holding of such instruments might constitute a “prohibited transaction”.

Royal Bank of Canada and certain of its affiliates each may be considered a “party in interest” or a “disqualified person” with respect to many employee benefit plans by reason of, for example, Royal Bank of Canada (or its affiliate) providing services to such plans. Prohibited transactions within the meaning of ERISA or the Internal Revenue Code may arise, for example, if securities are acquired by or with the assets of a pension or other employee benefit plan that is subject to the fiduciary responsibility provisions of ERISA or Section 4975 of the Internal Revenue Code (including individual retirement accounts and other plans described in Section 4975(e)(1) of the Internal Revenue Code), which we call collectively “Plans”, and with respect to which Royal Bank of Canada or any of its affiliates is a “party in interest” or a “disqualified person”, unless those securities are acquired under an exemption for transactions effected on behalf of that Plan by a “qualified professional asset manager” or an “in-house asset manager”, for transactions involving insurance company general accounts, for transactions involving insurance company pooled separate accounts, for transactions involving bank collective investment funds, or under another available exemption. Section 408(b)(17) provides an additional exemption for the purchase and sale of securities and related lending transactions where neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and the Plan pays no more than “adequate consideration” in connection with the transaction. The assets of a Plan may include assets held in the general account of an insurance company that are deemed to be “plan assets” under ERISA. The person making the decision on behalf of a Plan or a governmental plan shall be deemed, on behalf of itself and the Plan, by purchasing and holding the securities, or exercising any rights related thereto, to represent that (a) such purchase, holding and exercise of the securities will not result in a non-exempt prohibited transaction under ERISA or the Internal Revenue Code (or, with respect to a governmental plan, under any similar applicable law or regulation) and (b) neither Royal Bank of Canada nor any of its affiliates is a “fiduciary” (within the meaning of Section 3(21) of ERISA) with respect to the purchaser or holder in connection with the securities and related lending transactions where neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and the Plan pays no more than “adequate consideration” in connection with the transaction.

If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to invest in the securities, you should consult your legal counsel.
Royal Bank of Canada
US$ 8,000,000,000
Senior Global Medium-Term Notes, Series D

Terms of Sale

Royal Bank of Canada may from time to time offer and sell notes with various terms, including the following:

- stated maturity of 9 months or longer, except that indexed notes may have maturities of less than nine months
- fixed or floating interest rate, zero-coupon or issued with original issue discount; a floating interest rate may be based on:
  - commercial paper rate
  - U.S. prime rate
  - LIBOR
  - EURIBOR
  - Treasury rate
  - CMT rate
  - CD rate
  - CMS rate
  - federal funds rate
- ranked as senior indebtedness of Royal Bank of Canada
- amount of principal and/or interest may be determined by reference to an index or formula
- book-entry form only through The Depository Trust Company
- redemption at the option of Royal Bank of Canada or the option of the holder
- interest on notes paid monthly, quarterly, semi-annually or annually
- unless otherwise set forth in the applicable pricing supplement, minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof (except that non-U.S. investors may be subject to higher minimums)
- denominated in a currency other than U.S. dollars or in a composite currency
- settlement in immediately available funds

The final terms of each note will be included in a pricing supplement. If we sell all of the notes through agents and in the form of fixed or floating rate notes, we expect to receive between $8,000,000,000 and $7,920,000,000 of the proceeds from the sale of the notes, after paying the agents’ commissions of between $0 and $80,000,000. If we sell all of the notes through agents and in the form of indexed or other structured notes, we expect to receive between $7,920,000,000 and $7,600,000,000 of the proceeds from the sale of such notes, after paying the agents’ commission of between $80,000,000 and $400,000,000. See “Supplemental Plan of Distribution” for additional information about the agents’ commissions. The aggregate initial offering price of the notes is subject to reduction as a result of the sale by Royal Bank of Canada of other debt securities pursuant to another prospectus supplement to the accompanying prospectus.

See “Risk Factors” beginning on page S-1 to read about factors you should consider before investing in any notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the adequacy or accuracy of this prospectus supplement and the accompanying prospectus. Any representation to the contrary is a criminal offense.

The notes will not constitute deposits insured under the Canada Deposit Insurance Corporation Act or by the United States Federal Deposit Insurance Corporation or any other Canadian or United States governmental agency or instrumentality.

Royal Bank of Canada may sell the notes directly or through one or more agents or dealers, including the agents referred to in “Supplemental Plan of Distribution.” The agents are not required to sell any particular amount of the notes.

Royal Bank of Canada may use this prospectus supplement in the initial sale of any notes. In addition, RBC Capital Markets Corporation or any other affiliate of Royal Bank of Canada may use this prospectus supplement and accompanying prospectus in a market-making or other transaction in any note after its initial sale. Unless Royal Bank of Canada or its agent informs the purchaser otherwise in the confirmation of sale or pricing supplement, this prospectus supplement and accompanying prospectus are being used in a market-making transaction.

The date of this prospectus supplement is January 11, 2010.
# TABLE OF CONTENTS

## Prospectus Supplement

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>About This Prospectus Supplement</td>
<td>S-1</td>
</tr>
<tr>
<td>Risk Factors</td>
<td>S-1</td>
</tr>
<tr>
<td>Use of Proceeds</td>
<td>S-5</td>
</tr>
<tr>
<td>Description of the Notes We May Offer</td>
<td>S-5</td>
</tr>
<tr>
<td>Certain Income Tax Consequences</td>
<td>S-26</td>
</tr>
<tr>
<td>Supplemental Plan of Distribution</td>
<td>S-27</td>
</tr>
<tr>
<td>Documents Filed as Part of the Registration Statement</td>
<td>S-29</td>
</tr>
</tbody>
</table>

## Prospectus

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Documents Incorporated by Reference</td>
<td>2</td>
</tr>
<tr>
<td>Where You Can Find More Information</td>
<td>3</td>
</tr>
<tr>
<td>Further Information</td>
<td>3</td>
</tr>
<tr>
<td>About This Prospectus</td>
<td>4</td>
</tr>
<tr>
<td>Presentation of Financial Information</td>
<td>5</td>
</tr>
<tr>
<td>Caution Regarding Forward-Looking Information</td>
<td>5</td>
</tr>
<tr>
<td>Royal Bank of Canada</td>
<td>6</td>
</tr>
<tr>
<td>Risk Factors</td>
<td>6</td>
</tr>
<tr>
<td>Use of Proceeds</td>
<td>6</td>
</tr>
<tr>
<td>Consolidated Ratios of Earnings to Fixed Charges</td>
<td>7</td>
</tr>
<tr>
<td>Consolidated Capitalization and Indebtedness</td>
<td>8</td>
</tr>
<tr>
<td>Description of Debt Securities</td>
<td>9</td>
</tr>
<tr>
<td>Tax Consequences</td>
<td>26</td>
</tr>
<tr>
<td>Plan of Distribution</td>
<td>38</td>
</tr>
<tr>
<td>Benefit Plan Investor Considerations</td>
<td>40</td>
</tr>
<tr>
<td>Limitations on Enforcement of U.S. Laws Against the Bank, Our Management and Others</td>
<td>41</td>
</tr>
<tr>
<td>Validity of Securities</td>
<td>41</td>
</tr>
<tr>
<td>Experts</td>
<td>41</td>
</tr>
<tr>
<td>Supplemental Financial Statement Schedule</td>
<td>42</td>
</tr>
<tr>
<td>Other Expenses of Issuance and Distribution</td>
<td>45</td>
</tr>
</tbody>
</table>
ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus and, if applicable, a product prospectus supplement, provide you with a general description of the notes we may offer. Each time we sell notes we will provide a pricing supplement containing specific information about the terms of the notes being offered. Each pricing supplement may include a discussion of any risk factors or other special considerations that apply to those notes. The pricing supplement may also add, update or change the information in this prospectus supplement and any applicable product prospectus supplement. If there is any inconsistency between the information in this prospectus supplement or any applicable product prospectus supplement and any pricing supplement, you should rely on the information in that pricing supplement. In this prospectus supplement when we refer to this prospectus supplement we are also referring to any applicable product prospectus supplement unless the context otherwise requires.

RISK FACTORS

Our Credit Ratings May Not Reflect All Risks of an Investment in the Notes

The credit ratings of our medium-term note program may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or trading value of, your notes. In addition, real or anticipated changes in our credit ratings will generally affect any trading market for, or trading value of, your notes.

Risks Relating to Indexed Notes

We use the term “indexed notes” to mean notes whose value is linked to an underlying property or index. Indexed notes may present a high level of risk, and those who invest in indexed notes may lose their entire investment. In addition, the treatment of indexed notes for U.S. federal income tax purposes is often unclear due to the absence of any authority specifically addressing the issues presented by any particular indexed note. Thus, if you propose to invest in indexed notes, you should independently evaluate the federal income tax consequences of purchasing an indexed note that apply in your particular circumstances. You should also read “Certain Income Tax Consequences—United States Taxation” in this prospectus supplement, as well as “Tax Consequences—United States Taxation” in the accompanying prospectus, for a discussion of U.S. tax matters.

Investors in Indexed Notes Could Lose Their Investment

The amount of principal and/or interest payable on an indexed note and the cash value or physical settlement value of a physically settled note will be determined by reference to the price, value or level of one or more securities, currencies, commodities or other properties, any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance, and/or one or more indices or baskets of any of these items. We refer to each of these as an “index”. The direction and magnitude of the change in the price, value or level of the relevant index will determine the amount of principal and/or interest payable on the indexed note, and the cash value or physical settlement value of a physically settled note. The terms of a particular indexed note may or may not include a guaranteed return of a percentage of the face amount at maturity or a minimum interest rate. Thus, if you purchase an indexed note, you may lose all or a portion of the principal or other amount you invest and may receive no interest on your investment.
The Issuer of a Security or Currency That Serves as an Index Could Take Actions That May Adversely Affect an Indexed Note

The issuer of a security that serves as an index or part of an index for an indexed note will have no involvement in the offer and sale of the indexed note and no obligations to the holder of the indexed note. The issuer may take actions, such as a merger or sale of assets, without regard to the interests of the holder. Any of these actions could adversely affect the value of a note indexed to that security or to an index of which that security is a component.

If the index for an indexed note includes a non-U.S. dollar currency or other asset denominated in a non-U.S. dollar currency, the government that issues that currency will also have no involvement in the offer and sale of the indexed note and no obligations to the holder of the indexed note. That government may take actions that could adversely affect the value of the note. See “—Risks Relating to Notes Denominated or Payable in or Linked to a Non-U.S. Dollar Currency” below for more information about these kinds of government actions.

An Indexed Note May Be Linked to a Volatile Index, Which Could Hurt Your Investment

Some indices are highly volatile, which means that their value may change significantly, up or down, over a short period of time. The amount of principal and/or interest that can be expected to become payable on an indexed note may vary substantially from time to time. Because the amounts payable with respect to an indexed note are generally calculated based on the value or level of the relevant index on a specified date or over a limited period of time, volatility in the index increases the risk that the return on the indexed note may be adversely affected by a fluctuation in the level of the relevant index. The volatility of an index may be affected by political or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these events or activities could adversely affect the value of an indexed note.

An Index to Which a Note Is Linked Could Be Changed or Become Unavailable

Some indices compiled by us or our affiliates or third parties may consist of or refer to several or many different securities, commodities or currencies or other instruments or measures. The compiler of such an index typically reserves the right to alter the composition of the index and the manner in which the value or level of the index is calculated. An alteration may result in a decrease in the value of or return on an indexed note that is linked to the index. The indices for our indexed notes may include published indices of this kind or customized indices developed by us or our affiliates in connection with particular issues of indexed notes.

A published index may become unavailable, or a customized index may become impossible to calculate in the normal manner, due to events such as war, natural disasters, cessation of publication of the index or a suspension or disruption of trading in one or more securities, commodities or currencies or other instruments or measures on which the index is based. If an index becomes unavailable or impossible to calculate in the normal manner, the terms of a particular indexed note may allow us to delay determining the amount payable as principal or interest on an indexed note, or we may use an alternative method to determine the value of the unavailable index. Alternative methods of valuation are generally intended to produce a value similar to the value resulting from reference to the relevant index. However, it is unlikely that any alternative method of valuation we use will produce a value identical to the value that the actual index would have produced. If we use an alternative method of valuation for a note linked to an index of this kind, the value of the note, or the rate of return on it, may be lower than it otherwise would be.

Some indexed notes are linked to indices that are not commonly used or that have been developed only recently. The lack of a trading history may make it difficult to anticipate the volatility or other risks associated with an indexed note of this kind. In addition, trading in these indices or their underlying
stocks, commodities or currencies or other instruments or measures, or options or futures contracts on these stocks, commodities or currencies or other instruments or measures, may be limited, which could increase their volatility and decrease the value of the related indexed notes or the rates of return on them.

**Pricing Information About the Property Underlying a Relevant Index May Not Be Available**

Special risks may also be presented because of differences in time zones between the United States and the market for the property underlying the relevant index, such that the underlying property is traded on a foreign exchange that is not open when the trading market for the notes in the United States, if any, is open or where trading occurs in the underlying property during times when the trading market for the notes in the United States, if any, is closed. In such cases, holders of the notes may have to make investment decisions at a time when current pricing information regarding the property underlying the relevant index is not available.

**We May Engage in Hedging Activities that Could Adversely Affect an Indexed Note**

In order to hedge an exposure on a particular indexed note, we may, directly or through our affiliates or other agents, enter into transactions involving the securities, commodities or currencies or other instruments or measures that underlie the index for the note, or involving derivative instruments, such as swaps, options or futures, on the index or any of its component items. To the extent that we enter into hedging arrangements with a non-affiliate, including a non-affiliated agent, such non-affiliate may enter into similar transactions. Engaging in transactions of this kind could adversely affect the value of an indexed note. It is possible that we or the hedging counterparty could achieve substantial returns from our hedging transactions while the value of the indexed note may decline.

**Information About Indices May Not Be Indicative of Future Performance**

If we issue an indexed note, we may include historical information about the relevant index in the relevant pricing supplement. Any information about indices that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in the relevant index that may occur in the future.

**We May Have Conflicts of Interest Regarding an Indexed Note**

RBC Capital Markets Corporation and our other affiliates and unaffiliated agents may have conflicts of interest with respect to some indexed notes. RBC Capital Markets Corporation and our other affiliates and unaffiliated agents may engage in trading, including trading for hedging purposes, for their proprietary accounts or for other accounts under their management, in indexed notes and in the securities, commodities or currencies or other instruments or measures on which the index is based or in other derivative instruments related to the index or its component items. These trading activities could adversely affect the value of indexed notes. We and our affiliates and unaffiliated agents may also issue or underwrite securities or derivative instruments that are linked to the same index as one or more indexed notes. Introducing competing products into the marketplace in this manner could adversely affect the value of a particular indexed note.

RBC Capital Markets Corporation or another of our affiliates or an unaffiliated entity that provides us a hedge in respect of indexed notes may serve as calculation agent and/or exchange rate agent for the indexed notes and may have considerable discretion in calculating the amounts payable in respect of the notes. To the extent that RBC Capital Markets Corporation or another of our affiliates or such an unaffiliated entity calculates or compiles a particular index, it may also have considerable discretion in performing the calculation or compilation of the index. Exercising discretion in this manner could adversely affect the value of an indexed note based on the index or the rate of return on the security.
Risk Relating to Notes Denominated or Payable in or Linked to a Non-U.S. Dollar Currency

If you intend to invest in a non-U.S. dollar note—e.g., a note whose principal and/or interest is payable in a currency other than U.S. dollars or that may be settled by delivery of or reference to a non-U.S. dollar currency or property denominated in or otherwise linked to a non-U.S. dollar currency—you should consult your own financial and legal advisors as to the currency risks entailed by your investment. Notes of this kind may not be an appropriate investment for investors who are unsophisticated with respect to non-U.S. dollar currency transactions.

An Investment in a Non-U.S. Dollar Note Involves Currency-Related Risks

An investment in a non-U.S. dollar note entails significant risks that are not associated with a similar investment in a note that is payable solely in U.S. dollars and where settlement value is not otherwise based on a non-U.S. dollar currency. These risks include the possibility of significant changes in rates of exchange between the U.S. dollar and the various non-U.S. dollar currencies or composite currencies and the possibility of the imposition or modification of foreign exchange controls or other conditions by either the United States or non-U.S. governments. These risks generally depend on factors over which we have no control, such as economic and political events and the supply of and demand for the relevant currencies in the global markets.

Changes in Currency Exchange Rates Can Be Volatile and Unpredictable

Rates of exchange between the U.S. dollar and many other currencies have been highly volatile, and this volatility may continue and perhaps spread to other currencies in the future. Fluctuations in currency exchange rates could adversely affect an investment in a note denominated in, or where value is otherwise linked to, a specified currency other than U.S. dollars. Depreciation of the specified currency against the U.S. dollar could result in a decrease in the U.S. dollar-equivalent value of payments on the note, including the principal payable at maturity. That in turn could cause the market value of the note to fall. Depreciation of the specified currency against the U.S. dollar could result in a loss to the investor on a U.S. dollar basis.

In courts outside of New York, investors may not be able to obtain judgment in a specified currency other than U.S. dollars. For example, a judgment for money in an action based on a non-U.S. dollar note in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of the currency in which any particular note is denominated into U.S. dollars will depend upon various factors, including which court renders the judgment.

Information About Exchange Rates May Not Be Indicative of Future Performance

If we issue a non-U.S. dollar note, we may include in the relevant pricing supplement a currency supplement that provides information about historical exchange rates for the relevant non-U.S. dollar currency or currencies. Any information about exchange rates that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future. That rate will likely differ from the exchange rate used under the terms that apply to a particular note.

Non-U.S. Investors May Be Subject to Certain Additional Risks

If we issue a U.S. dollar note and you are a non-U.S. investor who purchased such notes with a currency other than U.S. dollars, changes in rates of exchange may have an adverse effect on the value, price or income of your investment.

This prospectus supplement contains a general description of certain U.S. and Canadian tax consequences relating to the notes. If you are a non-U.S. investor, you should consult your tax advisors.
as to the consequences, under the tax laws of the country where you are resident for tax purposes, of acquiring, holding and disposing of notes and receiving payments of principal or other amounts under the notes.

**USE OF PROCEEDS**

Except as otherwise set forth in a pricing supplement, the net proceeds from the sale of any notes will be added to our general funds and will be used for general banking purposes.

**DESCRIPTION OF THE NOTES WE MAY OFFER**

You should carefully read the description of the terms and provisions of our debt securities and our senior indenture under “Description of Debt Securities” in the accompanying prospectus. That section, together with this prospectus supplement and the applicable pricing supplement, summarizes all the material terms of our senior indenture and your note. They do not, however, describe every aspect of our senior indenture and your note. For example, in this section entitled “Description of the Notes We May Offer”, the accompanying prospectus and the applicable pricing supplement, we use terms that have been given special meanings in our senior indenture, but we describe the meanings of only the more important of those terms. The specific terms of any series of notes will be described in the relevant pricing supplement. As you read this section, please remember that the specific terms of your note as described in your pricing supplement will supplement and, if applicable, may modify or replace the general terms described in this section. If your pricing supplement is inconsistent with this prospectus supplement or the accompanying prospectus, your pricing supplement will control with regard to your note. Thus, the statements we make in this section may not apply to your note.

**General**

The notes will be issued under our senior indenture, dated as of October 23, 2003, between Royal Bank of Canada and The Bank of New York Mellon, as successor to the corporate trust business of JPMorgan Chase Bank, N.A., as trustee, as supplemented by a first supplemental indenture, dated as of July 21, 2006, and by the second supplemental indenture, dated as of February 28, 2007, and as further amended from time to time, which we may refer to as the Indenture. The notes constitute a single series of debt securities of Royal Bank of Canada issued under the indenture. The term “debt securities”, as used in this prospectus supplement, refers to all debt securities, including the notes, issued and issuable from time to time under the indenture. The indenture is subject to, and governed by, the Trust Indenture Act of 1939, as amended. The indenture is more fully described below in this section. Whenever we refer to specific provisions or defined terms in the indenture, those provisions or defined terms are incorporated in this prospectus supplement by reference. Section references used in this discussion are references to the indenture. Capitalized terms which are not otherwise defined shall have the meanings given to them in the indenture.

The notes will be limited to an aggregate initial offering price of US$ 8,000,000,000 or at our option if so specified in the relevant pricing supplement, the equivalent of this amount in any other currency or currency unit, and will be our direct, unsecured obligations. This aggregate initial offering price is subject to reduction as a result of the sale by us of other debt securities pursuant to another prospectus supplement to the accompanying prospectus. The notes will not constitute deposits insured under the Canada Deposit Insurance Corporation Act or by the United States Federal Deposit Insurance Corporation or any other Canadian or United States governmental agency or instrumentality.

We will offer the notes on a continuous basis through one or more agents listed in the section entitled “Supplemental Plan of Distribution” in this prospectus supplement. The indenture does not limit the aggregate principal amount of senior notes that we may issue. We may, from time to time, without the consent of the holders of the notes, provide for the issuance of notes or other debt securities under the indenture in addition to the US$ 8,000,000,000 aggregate initial offering price of notes noted on the cover.
of this prospectus supplement. Each note issued under this prospectus supplement will have a stated maturity that will be specified in the applicable pricing supplement and may be subject to redemption or repayment before its stated maturity. As a general matter, each note will mature nine months or more from its date of issue, except that indexed notes may have a maturity of less than nine months. Notes may be issued at significant discounts from their principal amount due on the stated maturity (or on any prior date on which the principal or an installment of principal of a note becomes due and payable, whether by the declaration of acceleration, call for redemption at our option, repayment at the option of the holder or otherwise), and some notes may not bear interest. We may from time to time, without the consent of the existing holders of the relevant notes, create and issue further notes having the same terms and conditions as such notes in all respects, except for the issue date, issue price and, if applicable, the first payment of interest thereon.

Unless we specify otherwise in the relevant pricing supplement, currency amounts in this prospectus supplement are expressed in U.S. dollars. Unless we specify otherwise in any note and pricing supplement, the notes will be denominated in U.S. dollars and payments of principal, premium, if any, and any interest on the notes will be made in U.S. dollars. If any note is to be denominated other than exclusively in U.S. dollars, or if the principal of, premium, if any, or any interest on the note is to be paid in one or more currencies (or currency units or in amounts determined by reference to an index or indices) other than that in which that note is denominated, additional information (including authorized denominations and related exchange rate information) will be provided in the relevant pricing supplement. Unless we specify otherwise in any pricing supplement, notes denominated in U.S. dollars will be issued in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof (except that non-U.S. investors may be subject to higher minimums).

Interest rates that we offer on the notes may differ depending upon, among other factors, the aggregate principal amount of notes purchased in any single transaction. Notes with different variable terms other than interest rates may also be offered concurrently to different investors. We may change interest rates or formulas and other terms of notes from time to time, but no change of terms will affect any note we have previously issued or as to which we have accepted an offer to purchase.

Each note will be issued as a book-entry note in fully registered form without coupons. Each note issued in book-entry form may be represented by a global note that we deposit with and register in the name of a financial institution or its nominee, that we select. The financial institution that we select for this purpose is called the depositary. Unless we specify otherwise in the applicable pricing supplement, The Depository Trust Company, New York, New York, will be the depositary for all notes in global form. Except as discussed in the accompanying prospectus under “Description of Debt Securities—Ownership and Book-Entry Issuance”, owners of beneficial interests in book-entry notes will not be entitled to physical delivery of notes in certificated form. We will make payments of principal of, and premium, if any and interest, if any, on the notes through the applicable trustee to the depositary for the notes.

Legal Ownership

Street Name and Other Indirect Holders

Investors who hold their notes in accounts at banks or brokers will generally not be recognized by us as legal holders of notes. This is called holding in street name. Instead, we would recognize only the bank or broker, or the financial institution the bank or broker uses to hold its notes. These intermediary banks, brokers and other financial institutions pass along principal, interest and other payments on the notes, either because they agree to do so in their customer agreements or because they are legally required to do so. If you hold your notes in street name, you should check with your own institution to find out:

- how it handles note payments and notices;
whether it imposes fees or charges;

how it would handle voting if it were ever required;

whether and how you can instruct it to send you notes registered in your own name so you can be a direct holder as described below; and

how it would pursue rights under the notes if there were a default or other event triggering the need for holders to act to protect their interests.

Direct Holders

Our obligations, as well as the obligations of the trustee and those of any third parties employed by us or the trustee, under the notes run only to persons who are registered as holders of notes. As noted above, we do not have obligations to you if you hold in street name or other indirect means, either because you choose to hold your notes in that manner or because the notes are issued in the form of global securities as described below. For example, once we make payment to the registered holder we have no further responsibility for the payment even if that holder is legally required to pass the payment along to you as a street name customer but does not do so.

Global Notes

A global note is a special type of indirectly held security, as described above under “—Street Name and Other Indirect Holders”. If we choose to issue notes in the form of global notes, the ultimate beneficial owners of global notes can only be indirect holders. We require that the global note be registered in the name of a financial institution we select.

We also require that the notes included in the global note not be transferred to the name of any other direct holder except in the special circumstances described in the accompanying prospectus in the section “Description of Debt Securities—Ownership and Book-Entry Issuance”. The financial institution that acts as the sole direct holder of the global note is called the depositary. Any person wishing to own a global note must do so indirectly by virtue of an account with a broker, bank or other financial institution, known as a “participant”, that in turn has an account with the depositary. The pricing supplement indicates whether your series of notes will be issued only in the form of global notes.

Further details of legal ownership are discussed in the accompanying prospectus in the section “Ownership and Book-Entry Issuance”.

In the remainder of this description, “you” or “holder” means direct holders and not street name or other indirect holders of notes. Indirect holders should read the previous subsection titled “—Street Name and Other Indirect Holders”.

Types of Notes

We may issue the following three types of notes:

- **Fixed Rate Notes.** A note of this type will bear interest at a fixed rate described in the applicable pricing supplement. This type includes zero-coupon notes, which bear no interest and are instead issued at a price lower than the principal amount.

- **Rate Notes.** A note of this type will bear interest at rates that are determined by reference to an interest rate formula. In some cases, the rates may also be adjusted by adding or subtracting a spread or multiplying by a spread multiplier and may be subject to a minimum rate or a maximum rate. The various interest rate formulas and these other features are described below.
in “—Interest Rates—Floating Rate Notes”. If your note is a floating rate note, the formula and any adjustments that apply to the interest rate will be specified in your pricing supplement.

- **Indexed Notes.** A note of this type provides that the principal amount payable at its maturity, and/or the amount of interest payable on an interest payment date, will be determined by reference to:
  - one or more securities;
  - one or more currencies;
  - one or more commodities;
  - any other financial, economic or other measures or instruments, including the occurrence or non-occurrence of any event or circumstance; and/or
  - indices or baskets of any of these items.

If you are a holder of an indexed note, you may receive a principal amount at maturity that is greater than or less than the face amount of your note depending upon the value of the applicable index at maturity. That value may fluctuate over time. If you purchase an indexed note your pricing supplement will include information about the relevant index and how amounts that are to become payable will be determined by reference to that index. In addition, your pricing supplement will specify whether your note will be exchangeable for, or payable in cash, securities of an issuer other than Royal Bank of Canada or other property. Before you purchase any indexed note, you should read carefully the section entitled “Risk Factors—Risks Relating to Indexed Notes” above.

**Original Issue Discount Notes**

A fixed rate note, a floating rate note or an indexed note may be an original issue discount note. A note of this type is issued at a price lower than its principal amount and provides that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable. An original issue discount note may be a zero-coupon note. A note issued at a discount to its principal may, for U.S. federal income tax purposes, be considered an original issue discount note, regardless of the amount payable upon redemption or acceleration of maturity. See “Tax Consequences—Taxation of Debt Securities” in the accompanying prospectus for a brief description of the U.S. federal income tax consequences of owning an original issue discount note.

**Information in the Pricing Supplement**

Your pricing supplement will describe one or more of the following terms of your note:

- the stated maturity;
- the specified currency or currencies for principal and interest, if not U.S. dollars;
- the price at which we originally issue your note, expressed as a percentage of the principal amount, and the original issue date;
- whether your note is a fixed rate note, a floating rate note or an indexed note;
- if your note is a fixed rate note, the yearly rate at which your note will bear interest, if any, and the interest payment dates;
• if your note is a floating rate note, the interest rate basis, which may be one of the eight interest rate bases described in “—Interest Rates—Floating Rate Notes” below; any applicable index currency or maturity, spread or spread multiplier or initial, maximum or minimum rate; and the interest reset, determination, calculation and payment dates, all of which we describe under “—Interest Rates—Floating Rate Notes” below;

• if your note is an indexed note, the principal amount, if any, we will pay you at maturity, the amount of interest, if any, we will pay you on an interest payment date or the formula we will use to calculate these amounts, if any, and whether your note will be exchangeable in cash, securities of an issuer other than Royal Bank of Canada or other property;

• if your note is an original issue discount note, the yield to maturity;

• if applicable, the circumstances under which your note may be redeemed at our option before the stated maturity, including any redemption commencement date, redemption price(s) and redemption period(s);

• any special Canadian or United States federal income tax consequences of the purchase, ownership or disposition of a particular issuance of notes;

• the use of proceeds, if materially different than those discussed in this prospectus supplement; and

• any other terms of your note, which could be different from those described in this prospectus supplement.

Market-Making Transactions

If you purchase your note in a market-making transaction, you will receive information about the price you pay and your trade and settlement dates in a separate confirmation of sale. A market-making transaction is one in which an agent or other person resells a note that it has previously acquired from another holder. A market-making transaction in a particular note occurs after the original sale of the note.

Redemption at the Option of Royal Bank of Canada; No Sinking Fund

If an initial redemption date is specified in the applicable pricing supplement, we may redeem the particular notes prior to their stated maturity date at our option on any date on or after that initial redemption date in whole or from time to time in part in increments of $1,000 or any other integral multiple of an authorized denomination specified in the applicable pricing supplement (provided that any remaining principal amount thereof shall be at least $1,000 or other minimum authorized denomination applicable thereto), at the redemption price or prices specified in that pricing supplement, together with unpaid interest accrued thereon to the date of redemption. Unless otherwise specified in the applicable pricing supplement, we must give written notice to registered holders of the particular notes to be redeemed at our option not more than 60 nor less than 30 calendar days prior to the date of redemption.

The notes will not be subject to, or entitled to the benefit of, any sinking fund.
Repayment at the Option of the Holder

If one or more optional repayment dates are specified in the applicable pricing supplement, registered holders of the particular notes may require us to repay those notes prior to their stated maturity date on any optional repayment date in whole or from time to time in increments of $1,000 or any other integral multiple of an authorized denomination specified in the applicable pricing supplement (provided that any remaining principal amount thereof shall be at least $1,000 or other minimum authorized denomination applicable thereto), at the repayment price or prices specified in that pricing supplement, together with unpaid interest accrued thereon to the date of repayment. A registered holder’s exercise of the repayment option will be irrevocable.

For any note to be repaid, the applicable trustee must receive, at its corporate trust office in the Borough of Manhattan, The City of New York, not more than 60 nor less than 30 calendar days prior to the date of repayment, the particular notes to be repaid and, in the case of a book-entry note, repayment instructions from the applicable beneficial owner to the depositary and forwarded by the depositary. Only the depositary may exercise the repayment option in respect of global notes representing book-entry notes. Accordingly, beneficial owners of global notes that desire to have all or any portion of the book-entry notes represented thereby repaid must instruct the participant through which they own their interest to direct the depositary to exercise the repayment option on their behalf by forwarding the repayment instructions to the applicable trustee as aforesaid. In order to ensure that these instructions are received by the applicable trustee on a particular day, the applicable beneficial owner must so instruct the participant through which it owns its interest before that participant’s deadline for accepting instructions for that day. Different firms may have different deadlines for accepting instructions from their customers. Accordingly, beneficial owners should consult their participants for the respective deadlines. In addition, at the time repayment instructions are given, each beneficial owner shall cause the participant through which it owns its interest to transfer the beneficial owner’s interest in the global note representing the related book-entry notes, on the depositary’s records, to the applicable trustee.

If applicable, we will comply with the requirements of Section 14(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the rules promulgated thereunder, and any other securities laws or regulations in connection with any repayment of notes at the option of the registered holders thereof.

We may at any time purchase notes at any price or prices in the open market or otherwise. Notes so purchased by us may, at our discretion, be held, resold or surrendered to the applicable trustee for cancellation.

Interest

Each interest-bearing note will bear interest from its date of issue at the rate per annum, in the case of a fixed rate note, or pursuant to the interest rate formula, in the case of a floating rate note, in each case as specified in the applicable pricing supplement, until the principal thereof is paid. We will make interest payments in respect of fixed rate notes and floating rate notes in an amount equal to the interest accrued from and including the immediately preceding interest payment date in respect of which interest has been paid or from and including the date of issue, if no interest has been paid, to but excluding the applicable interest payment date or the maturity date, as the case may be (each, an “interest period”).

Interest on fixed rate notes and floating rate notes will be payable in arrears on each interest payment date and on the maturity date. The first payment of interest on any note originally issued between a regular record date and the related interest payment date will be made on the interest payment date immediately following the next succeeding record date to the registered holder on the next succeeding record date. The “regular record date” shall be the fifteenth calendar day, whether or not a “business day”, immediately preceding the related interest payment date. “Business day” is defined below under “—Interest Rates—Special Rate Calculation Terms”. For the purpose of determining the holder at the
close of business on a regular record date when business is not being conducted, the close of business will mean 5:00 P.M., New York City time, on that day.

**Interest Rates**

This subsection describes the different kinds of interest rates that may apply to your note, if it bears interest.

**Fixed Rate Notes**

The relevant pricing supplement will specify the interest payment dates for a fixed rate note as well as the maturity date. Interest on fixed rate notes will be computed on the basis of a 360-day year consisting of twelve 30-day months or such other day count fraction set forth in the pricing supplement.

If any interest payment date or the maturity date of a fixed rate note falls on a day that is not a business day, we will make the required payment of principal, premium, if any, and/or interest on the next succeeding business day, and no additional interest will accrue in respect of the payment made on that next succeeding business day.

**Floating Rate Notes**

In this subsection, we use several specialized terms relating to the manner in which floating interest rates are calculated. These terms appear in bold, italicized type the first time they appear, and we define these terms in “—Special Rate Calculation Terms” at the end of this subsection.

The following will apply to floating rate notes.

**Interest Rate Basis.** We currently expect to issue floating rate notes that bear interest at rates based on one or more of the following interest rate bases:

- commercial paper rate;
- U.S. prime rate;
- LIBOR;
- EURIBOR;
- treasury rate;
- CMT rate;
- CD rate;
- CMS rate; and/or
- federal funds rate.

We describe each of the interest rate bases in further detail below in this subsection. If you purchase a floating rate note, your pricing supplement will specify the interest rate basis that applies to your note.

**Calculation of Interest.** Calculations relating to floating rate notes will be made by the calculation agent, an institution that we appoint as our agent for this purpose. That institution may include any affiliate of ours, such as RBC Capital Markets Corporation. The pricing supplement for a particular floating rate note will name the institution that we have appointed to act as the calculation agent for that
note as of its original issue date. We may appoint a different institution to serve as calculation agent from
time to time after the original issue date of the note without your consent and without notifying you of the
change.

For each floating rate note, the calculation agent will determine, on the corresponding interest
calculation date or on the interest determination date, as described below, the interest rate that takes effect
on each interest reset date. In addition, the calculation agent will calculate the amount of interest that has
accrued during each interest period—that is, the period from and including the original issue date, or the
last date to which interest has been paid or made available for payment, to but excluding the payment
date. For each interest period, the calculation agent will calculate the amount of accrued interest by
multiplying the face or other specified amount of the floating rate note by an accrued interest factor for
the interest period. This factor will equal the sum of the interest factors calculated for each day during the
interest period. The interest factor for each day will be expressed as a decimal and will be calculated by
dividing the interest rate, also expressed as a decimal, applicable to that day by 360 or by the actual
number of days in the year, as specified in the relevant pricing supplement.

Upon the request of the holder of any floating rate note, the calculation agent will provide for that
note the interest rate then in effect—and, if determined, the interest rate that will become effective on the
next interest reset date. The calculation agent’s determination of any interest rate, and its calculation of
the amount of interest for any interest period, will be final and binding in the absence of manifest error.

All percentages resulting from any calculation relating to a note will be rounded upward or
downward, as appropriate, to the next higher or lower one hundred-thousandth of a percentage point, e.g.,
9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or
.09876545) being rounded up to 9.87655% (or .0987655). All amounts used in or resulting from any
calculation relating to a floating rate note will be rounded upward or downward, as appropriate, to the
nearest cent, in the case of U.S. dollars, or to the nearest corresponding hundredth of a unit, in the case of
a currency other than U.S. dollars, with one-half cent or one-half of a corresponding hundredth of a unit
or more being rounded upward.

In determining the interest rate basis that applies to a floating rate note during a particular interest
period, the calculation agent may obtain rate quotes from various banks or dealers active in the relevant
market, as discussed below. Those reference banks and dealers may include the calculation agent itself
and its affiliates, as well as any agent participating in the distribution of the relevant floating rate notes
and its affiliates, and they may include our affiliates.

Initial Interest Rate. For any floating rate note, the interest rate in effect from the original issue date
to the first interest reset date will be the initial interest rate. We will specify the initial interest rate or the
manner in which it is determined in the relevant pricing supplement.

Spread or Spread Multiplier. In some cases, the interest rate basis for a floating rate note may be
adjusted:

- by adding or subtracting a specified number of basis points, called the spread, with one basis
  point being 0.01%; or

- by multiplying the interest rate basis by a specified percentage, called the spread multiplier.

If you purchase a floating rate note, your pricing supplement will indicate whether a spread or spread
multiplier will apply to your note and, if so, the amount of the spread or spread multiplier.

Maximum and Minimum Rates. The actual interest rate, after being adjusted by the spread or spread
multiplier, may also be subject to either or both of the following limits:
• a maximum rate—*i.e.*, a specified upper limit that the actual interest rate in effect at any time may not exceed; and/or

• a minimum rate—*i.e.*, a specified lower limit that the actual interest rate in effect at any time may not fall below.

If you purchase a floating rate note, your pricing supplement will indicate whether a maximum rate and/or minimum rate will apply to your note and, if so, what those rates are.

Whether or not a maximum rate applies, the interest rate on a floating rate note will in no event be higher than the maximum rate permitted by New York law, as it may be modified by U.S. law of general application and the Criminal Code (Canada). Under current New York law, the maximum rate of interest, with some exceptions, for any loan in an amount less than $250,000 is 16% and for any loan in the amount of $250,000 or more but less than $2,500,000 is 25% per year on a simple interest basis. These limits do not apply to loans of $2,500,000 or more, except for the Criminal Code (Canada), which limits the rate to 60%.

The rest of this subsection describes how the interest rate and the interest payment dates will be determined, and how interest will be calculated, on a floating rate note.

*Interest Reset Dates.* The rate of interest on a floating rate note will be reset, by the calculation agent described below, daily, weekly, monthly, quarterly, semi-annually or annually. The date on which the interest rate resets and the reset rate becomes effective is called the interest reset date. Except as otherwise specified in the applicable pricing supplement, the interest reset date will be as follows:

• for floating rate notes that reset daily, each business day;

• for floating rate notes that reset weekly and are not treasury rate notes, the Wednesday of each week;

• for treasury rate notes that reset weekly, the Tuesday of each week;

• for floating rate notes that reset monthly, the third Wednesday of each month;

• for floating rate notes that reset quarterly, the third Wednesday of each of four months of each year as indicated in the relevant pricing supplement;

• for floating rate notes that reset semi-annually, the third Wednesday of each of two months of each year as indicated in the relevant pricing supplement; and

• for floating rate notes that reset annually, the third Wednesday of one month of each year as indicated in the relevant pricing supplement.

For a floating rate note, the interest rate in effect on any particular day will be the interest rate determined with respect to the latest interest reset date that occurs on or before that day. There are several exceptions, however, to the reset provisions described above.

If any interest reset date for a floating rate note would otherwise be a day that is not a business day, the interest reset date will be postponed to the next day that is a business day. For a LIBOR or EURIBOR note, however, if that business day is in the next succeeding calendar month, the interest reset date will be the immediately preceding business day.
**Interest Determination Dates.** The interest rate that takes effect on an interest reset date will be determined by the calculation agent by reference to a particular date called an interest determination date. Except as otherwise indicated in the relevant pricing supplement:

- for commercial paper rate, federal funds rate and U.S. prime rate notes, the interest determination date relating to a particular interest reset date will be the business day preceding the interest reset date;

- for LIBOR notes, the interest determination date relating to a particular interest reset date will be the second *London business day* preceding the interest reset date, unless the *index currency* is pounds sterling, in which case the interest determination date will be the interest reset date. We refer to an interest determination date for a LIBOR note as a LIBOR interest determination date;

- for EURIBOR notes, the interest determination date relating to a particular interest reset date will be the second *euro business day* preceding the interest reset date. We refer to an interest determination date for a EURIBOR note as a EURIBOR interest determination date;

- for treasury rate notes, the interest determination date relating to a particular interest reset date, which we refer to as a treasury interest determination date, will be the day of the week in which the interest reset date falls on which treasury bills—i.e., direct obligations of the U.S. government—would normally be auctioned. Treasury bills are usually sold at auction on the Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that the auction may be held on the preceding Friday. If as the result of a legal holiday an auction is held on the preceding Friday, that Friday will be the treasury interest determination date relating to the interest reset date occurring in the next succeeding week; and

- for CD rate, CMT rate and CMS rate notes, the interest determination date relating to a particular interest reset date will be the second business day preceding the interest reset date.

The interest determination date pertaining to a floating rate note the interest rate of which is determined with reference to two or more interest rate bases will be the latest business day which is at least two business days before the related interest reset date for the applicable floating rate note on which each interest rate basis is determinable.

**Interest Calculation Dates.** As described above, the interest rate that takes effect on a particular interest reset date will be determined by reference to the corresponding interest determination date. Except for LIBOR notes and EURIBOR notes, however, the determination of the rate will actually be made on a day no later than the corresponding interest calculation date. The interest calculation date will be the earlier of the following:

- the tenth calendar day after the interest determination date or, if that tenth calendar day is not a business day, the next succeeding business day; and

- the business day immediately preceding the interest payment date or the maturity, whichever is the day on which the next payment of interest will be due.

The calculation agent need not wait until the relevant interest calculation date to determine the interest rate if the rate information it needs to make the determination is available from the relevant sources sooner.
*Interest Payment Dates.* The interest payment dates for a floating rate note will depend on when the interest rate is reset and, unless we specify otherwise in the relevant pricing supplement, will be as follows:

- for floating rate notes that reset daily, weekly or monthly, the third Wednesday of each month;
- for floating rate notes that reset quarterly, the third Wednesday of the four months of each year specified in the relevant pricing supplement;
- for floating rate notes that reset semi-annually, the third Wednesday of the two months of each year specified in the relevant pricing supplement; or
- for floating rate notes that reset annually, the third Wednesday of the month specified in the relevant pricing supplement.

Regardless of these rules, if a note is originally issued after the regular record date and before the date that would otherwise be the first interest payment date, the first interest payment date will be the date that would otherwise be the second interest payment date.

In addition, the following special provision will apply to a floating rate note with regard to any interest payment date other than one that falls on the maturity. If the interest payment date would otherwise fall on a day that is not a business day, then the interest payment date will be the next day that is a business day. However, if the floating rate note is a LIBOR note or a EURIBOR note and the next business day falls in the next calendar month, then the interest payment date will be advanced to the next preceding day that is a business day. If the maturity date of a floating rate note falls on a day that is not a business day, we will make the required payment of principal, premium, if any, and interest on the next succeeding business day, and no additional interest will accrue in respect of the payment made on that next succeeding business day.

*Calculation Agent.* We have initially appointed The Bank of New York Mellon as our calculation agent for the notes. See “—Calculation of Interest” above for details regarding the role of the calculation agent.

*Commercial Paper Rate Notes*

If you purchase a commercial paper rate note, your note will bear interest at an interest rate equal to the commercial paper rate and adjusted by the spread or spread multiplier, if any, indicated in your pricing supplement.

The commercial paper rate will be the *money market yield* of the rate, for the relevant interest determination date, for commercial paper having the *index maturity* indicated in your pricing supplement, as published in *H.15(519)* under the heading “Commercial Paper—Nonfinancial”. If the commercial paper rate cannot be determined as described above, the following procedures will apply.

- If the rate described above does not appear in H.15(519) at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the commercial paper rate will be the rate, for the relevant interest determination date, for commercial paper having the index maturity specified in your pricing supplement, as published in *H.15 daily update* or any other recognized electronic source used for displaying that rate, under the heading “Commercial Paper—Nonfinancial”.
- If the rate described above does not appear in H.15(519), H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest
calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the commercial paper rate will be the money market yield of the arithmetic mean of the following offered rates for U.S. dollar commercial paper that has the relevant index maturity and is placed for an industrial issuer whose bond rating is “AA”, or the equivalent, from a nationally recognized rating agency: the rates offered as of 11:00 A.M., New York City time, on the relevant interest determination date, by three leading U.S. dollar commercial paper dealers in New York City selected by the calculation agent.

- If fewer than three dealers selected by the calculation agent are quoting as described above, the commercial paper rate for the new interest period will be the commercial paper rate in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

**U.S. Prime Rate Notes**

If you purchase a U.S. prime rate note, your note will bear interest at an interest rate equal to the U.S. prime rate and adjusted by the spread or spread multiplier, if any, indicated in your pricing supplement.

The U.S. prime rate will be the rate, for the relevant interest determination date, published in H.15(519) under the heading “Bank Prime Loan”. If the U.S. prime rate cannot be determined as described above, the following procedures will apply.

- If the rate described above does not appear in H.15(519) at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the U.S. prime rate will be the rate, for the relevant interest determination date, as published in H.15 daily update or another recognized electronic source used for the purpose of displaying that rate, under the heading “Bank Prime Loan”.

- If the rate described above does not appear in H.15(519), H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the U.S. prime rate will be the arithmetic mean of the following rates as they appear on the Reuters screen US PRIME 1 page: the rate of interest publicly announced by each bank appearing on that page as that bank’s prime rate or base lending rate, as of 11:00 A.M., New York City time, on the relevant interest determination date.

- If fewer than four of these rates appear on the Reuters screen US PRIME 1 page, the U.S. prime rate will be the arithmetic mean of the prime rates or base lending rates, as of the close of business on the relevant interest determination date, of three major banks in New York City selected by the calculation agent. For this purpose, the calculation agent will use rates quoted on the basis of the actual number of days in the year divided by a 360-day year.

- If fewer than three banks selected by the calculation agent are quoting as described above, the U.S. prime rate for the new interest period will be the U.S. prime rate in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

**LIBOR Notes**

If you purchase a LIBOR note, your note will bear interest at an interest rate equal to LIBOR, which will be the London interbank offered rate for deposits in U.S. dollars or any other index currency, as noted in your pricing supplement. In addition, when LIBOR is the interest rate basis the applicable
LIBOR rate will be adjusted by the spread or spread multiplier, if any, indicated in your pricing supplement. LIBOR will be determined in the following manner:

- LIBOR will be either:
  - the offered rate appearing on the Reuters Page LIBOR01; or
  - the arithmetic mean of the offered rates appearing on the Reuters screen LIBO page unless that page by its terms cites only one rate, in which case that rate;

- in either case, as of 11:00 A.M., London time, on the relevant LIBOR interest determination date, for deposits of the relevant index currency having the relevant index maturity beginning on the relevant interest reset date. Your pricing supplement will indicate the index currency, the index maturity and the reference page that apply to your LIBOR note. If no reference page is mentioned in your pricing supplement, Reuters Page LIBOR01 will apply to your LIBOR note.

- If Reuters Page LIBOR01 applies and the rate described above does not appear on that page, or if Reuters screen LIBO page applies and fewer than two of the rates described above appears on that page or no rate appears on any page on which only one rate normally appears, then LIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the relevant LIBOR interest determination date, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the calculation agent: deposits of the index currency having the relevant index maturity, beginning on the relevant interest reset date, and in a representative amount. The calculation agent will request the principal London office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, LIBOR for the relevant LIBOR interest determination date will be the arithmetic mean of the quotations.

- If fewer than two quotations are provided as described above, LIBOR for the relevant LIBOR interest determination date will be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M., in the applicable principal financial center, on that LIBOR interest determination date, by three major banks in that financial center selected by the calculation agent: loans of the index currency having the relevant index maturity, beginning on the relevant interest reset date and in a representative amount.

- If fewer than three banks selected by the calculation agent are quoting as described above, LIBOR for the new interest period will be LIBOR in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

**EURIBOR Notes**

If you purchase a EURIBOR note, your note will bear interest at an interest rate equal to the interest rate for deposits in euro, designated as “EURIBOR” and sponsored jointly by the European Banking Federation and ACI—the Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing that rate. In addition, when EURIBOR is the interest rate basis the EURIBOR base rate will be adjusted by the spread or spread multiplier, if any, specified in your pricing supplement. EURIBOR will be determined in the following manner:

- EURIBOR will be the offered rate for deposits in euros having the index maturity specified in your pricing supplement, beginning on the second euro business day after the relevant
EURIBOR interest determination date, as that rate appears on Reuters page EURIBOR01 as of 11:00 A.M., Brussels time, on the relevant EURIBOR interest determination date.

- If the rate described above does not appear on Reuters page EURIBOR01, EURIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., Brussels time, on the relevant EURIBOR interest determination date, at which deposits of the following kind are offered to prime banks in the euro-zone interbank market by the principal euro-zone office of each of four major banks in that market selected by the calculation agent: euro deposits having the relevant index maturity, beginning on the relevant interest reset date, and in a representative amount. The calculation agent will request the principal euro-zone office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, EURIBOR for the relevant EURIBOR interest determination date will be the arithmetic mean of the quotations.

- If fewer than two quotations are provided as described above, EURIBOR for the relevant EURIBOR interest determination date will be the arithmetic mean of the rates for loans of the following kind to leading euro-zone banks quoted, at approximately 11:00 A.M., Brussels time on that EURIBOR interest determination date, by three major banks in the euro-zone selected by the calculation agent: loans of euros having the relevant index maturity, beginning on the relevant interest reset date, and in a representative amount.

- If fewer than three banks selected by the calculation agent are quoting as described above, EURIBOR for the new interest period will be EURIBOR in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

*Treasury Rate Notes*

If you purchase a treasury rate note, your note will bear interest at an interest rate equal to the treasury rate and adjusted by the spread or spread multiplier, if any, indicated in your pricing supplement.

The treasury rate will be the rate for the auction, on the relevant treasury interest determination date, of treasury bills having the index maturity specified in your pricing supplement, as that rate appears on Reuters page USAUCTION 10/11. If the treasury rate cannot be determined in this manner, the following procedures will apply.

- If the rate described above does not appear on either page at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, the treasury rate will be the bond equivalent yield of the rate, for the relevant interest determination date, for the type of treasury bill described above, as published in H.15 daily update, or another recognized electronic source used for displaying that rate, under the heading “U.S. Government Securities/Treasury Bills/Auction High”.

- If the rate described in the prior paragraph does not appear in H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the treasury rate will be the bond equivalent yield of the auction rate, for the relevant treasury interest determination date and for treasury bills of the kind described above, as announced by the U.S. Department of the Treasury.

- If the auction rate described in the prior paragraph is not so announced by 3:00 P.M., New York City time, on the relevant interest calculation date, or if no such auction is held for the relevant week, then the treasury rate will be the bond equivalent yield of the rate, for the relevant week.
treasury interest determination date and for treasury bills having a remaining maturity closest to the specified index maturity, as published in H.15(519) under the heading “U.S. Government Securities/Treasury Bills/Secondary Market”.

- If the rate described in the prior paragraph does not appear in H.15(519) at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the treasury rate will be the rate, for the relevant treasury interest determination date and for treasury bills having a remaining maturity closest to the specified index maturity, as published in H.15 daily update, or another recognized electronic source used for displaying that rate, under the heading “U.S. Government Securities/Treasury Bills/Secondary Market”.

- If the rate described in the prior paragraph does not appear in H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the treasury rate will be the bond equivalent yield of the arithmetic mean of the following secondary market bid rates for the issue of treasury bills with a remaining maturity closest to the specified index maturity: the rates bid as of approximately 3:30 P.M., New York City time, on the relevant treasury interest determination date, by three primary U.S. government securities dealers in New York City selected by the calculation agent.

- If fewer than three dealers selected by the calculation agent are quoting as described in the prior paragraph, the treasury rate in effect for the new interest period will be the treasury rate in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

CD Rate Notes

If you purchase a CD rate note, your note will bear interest at an interest rate equal to the CD rate and adjusted by the spread or spread multiplier, if any, indicated in your pricing supplement.

The CD rate will be the rate, on the relevant interest determination date, for negotiable U.S. dollar certificates of deposit having the index maturity specified in your pricing supplement, as published in H.15(519) under the heading “CDs (Secondary Market)”.

- If the rate described above does not appear in H.15(519) at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the CD rate will be the rate, for the relevant interest determination date, described above as published in H.15 daily update, or another recognized electronic source used for displaying that rate, under the heading “CDs (Secondary Market)”.

- If the rate described above does not appear in H.15(519), H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the CD rate will be the arithmetic mean of the following secondary market offered rates for negotiable U.S. dollar certificates of deposit of major U.S. money market banks with a remaining maturity closest to the specified index maturity, and in a representative amount: the rates offered as of 10:00 A.M., New York City time, on the relevant interest determination date, by three leading non-bank dealers in negotiable U.S. dollar certificates of deposit in New York City, as selected by the calculation agent.
- If fewer than three dealers selected by the calculation agent are quoting as described above, the CD rate in effect for the new interest period will be the CD rate in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

**CMT Rate Notes**

If you purchase a CMT rate note, your note will bear interest at an interest rate equal to the CMT rate and adjusted by the spread or spread multiplier, if any, indicated in your pricing supplement.

The CMT rate will be the following rate displayed on the designated CMT Reuters page under the heading “... Treasury Constant Maturities... Federal Reserve Board Release H.15 Mondays Approximately 3:45 P.M.”, under the column for the designated CMT index maturity:

- if the designated CMT Reuters page is Reuters page FRBCMT, the rate for the relevant interest determination date; or

- if the designated CMT Reuters page is Reuters page FEDCMT, the weekly or monthly average, as specified in your pricing supplement, for the week that ends immediately before the week in which the relevant interest determination date falls, or for the month that ends immediately before the month in which the relevant interest determination date falls, as applicable.

If the CMT rate cannot be determined in this manner, the following procedures will apply.

- If the applicable rate described above is not displayed on the relevant designated CMT Reuters page at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the CMT rate will be the applicable treasury constant maturity rate described above—i.e., for the designated CMT index maturity and for either the relevant interest determination date or the weekly or monthly average, as applicable—as published in H.15(519).

- If the applicable rate described above does not appear in H.15(519) at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the CMT rate will be the treasury constant maturity rate, or other U.S. treasury rate, for the designated CMT index maturity and with reference to the relevant interest determination date, that:
  
  - is published by the Board of Governors of the Federal Reserve System, or the U.S. Department of the Treasury; and

  - is determined by the calculation agent to be comparable to the applicable rate formerly displayed on the designated CMT Reuters page and published in H.15(519).

- If the rate described in the prior paragraph does not appear at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the CMT rate will be the yield to maturity of the arithmetic mean of the following secondary market bid rates for the most recently issued treasury notes having an original maturity of approximately the designated CMT index maturity and a remaining term to maturity of not less than the designated CMT index maturity minus one year, and in a representative amount: the bid rates, as of approximately 3:30 P.M., New York City time, on the relevant interest determination date, of three primary U.S. government securities dealers in New York City selected by the calculation agent. In selecting these bid
rates, the calculation agent will request quotations from five of these primary dealers and will
disregard the highest quotation—or, if there is equality, one of the highest—and the lowest
quotation—or, if there is equality, one of the lowest. Treasury notes are direct, non-callable,
fixed rate obligations of the U.S. government.

- If the calculation agent is unable to obtain three quotations of the kind described in the prior
paragraph, the CMT rate will be the yield to maturity of the arithmetic mean of the following
secondary market bid rates for treasury notes with an original maturity longer than the
designated CMT index maturity, with a remaining term to maturity closest to the designated
CMT index maturity and in a representative amount: the bid rates, as of approximately 3:30
P.M., New York City time, on the relevant interest determination date, of three primary U.S.
government securities dealers in New York City selected by the calculation agent. In selecting
these bid rates, the calculation agent will request quotations from five of these primary dealers
and will disregard the highest quotation (or, if there is equality, one of the highest) and the
lowest quotation (or, if there is equality, one of the lowest). If two treasury notes with an
original maturity longer than the designated CMT index maturity have remaining terms to
maturity that are equally close to the designated CMT index maturity, the calculation agent will
obtain quotations for the treasury note with the shorter remaining term to maturity.

- If fewer than five but more than two of these primary dealers are quoting as described in the
prior paragraph, then the CMT rate for the relevant interest determination date will be based on
the arithmetic mean of the bid rates so obtained, and neither the highest nor the lowest of those
quotations will be disregarded.

- If two or fewer primary dealers selected by the calculation agent are quoting as described above,
the CMT rate in effect for the new interest period will be the CMT rate in effect for the prior
interest period. If the initial interest rate has been in effect for the prior interest period,
however, it will remain in effect for the new interest period.

**CMS Rate Notes**

If you purchase a CMS rate note, your note will bear interest at an interest rate equal to the CMS rate
and adjusted by the spread or spread multiplier, if any, indicated in your pricing supplement.

The CMS rate will be the rate for U.S. dollar swaps with a maturity for a specified number of years,
expressed as a percentage in the relevant pricing supplement, which appears on the Reuters page
**ISDAFIX1** as of 11:00 a.m., New York City time, on the interest rate determination date.

If the CMS rate cannot be determined as described above, the following procedures will be used:

- If the applicable rate described above is not displayed on the relevant designated CMS
  Reuters page at 11:00 a.m., New York City time, on the interest rate determination date, then
  the CMS rate will be a percentage determined on the basis of the mid-market, semi-annual
  swap rate quotations provided by five leading swap dealers in the New York City interbank
  market at approximately 11:00 a.m., New York City time, on the interest rate determination
date. For this purpose, the semi-annual swap rate means the mean of the bid and offered rates
for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating
U.S. dollar interest rate swap transaction with a term equal to the maturity designated in the
relevant pricing supplement commencing on that interest rate determination date with an
acknowledged dealer of good credit in the swap market, where the floating leg, calculated on
an Actual/360 day count basis, is equivalent to “LIBOR Reuters” with a maturity of three
months. The calculation agent will select the five swap dealers after consultation with us and will request the principal New York City office of each of those dealers to provide a quotation of its rate. If at least three quotations are provided, the CMS rate for that interest rate determination date will be the arithmetic mean of the quotations, eliminating the highest and lowest quotations or, in the event of equality, one of the highest and one of the lowest quotations.

- If fewer than three leading swap dealers selected by the calculation agent are quoting as described above, the CMS rate will remain the CMS rate in effect on that interest rate determination date or, if that interest rate determination date is the first reference rate determination date, the initial interest rate.

**Federal Funds Rate Notes**

If you purchase a federal funds rate note, your note will bear interest at an interest rate equal to the federal funds rate and adjusted by the spread or spread multiplier, if any, indicated in your pricing supplement.

The federal funds rate will be the rate for U.S. dollar federal funds on the relevant interest determination date, as published in H.15(519) under the heading “Federal Funds (Effective)”, as that rate is displayed on **Reuters page FEDFUNDS1**. If the federal funds rate cannot be determined in this manner, the following procedures will apply.

- If the rate described above is not displayed on Reuters page FEDFUNDS1 at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the federal funds rate, for the relevant interest determination date, will be the rate described above as published in H.15 daily update,

- or another recognized electronic source used for displaying that rate, under the heading “Federal Funds (Effective)”.

- If the rate described above is not displayed on Reuters page FEDFUNDS1 and does not appear in H.15(519), H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the federal funds rate will be the arithmetic mean of the rates for the last transaction in overnight, U.S. dollar federal funds arranged, before 9:00 A.M., New York City time, on the relevant interest determination date, by three leading brokers of U.S. dollar federal funds transactions in New York City selected by the calculation agent.

- If fewer than three brokers selected by the calculation agent are quoting as described above, the federal funds rate in effect for the new interest period will be the federal funds rate in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

**Special Rate Calculation Terms**

In this subsection entitled “—Interest Rates”, we use several terms that have special meanings relevant to calculating floating interest rates. We define these terms as follows:

- The term “bond equivalent yield” means a yield expressed as a percentage and calculated in accordance with the following formula:
bond equivalent yield = \frac{D \times N}{360 - (D \times M)} \times 100

where

“D” means the annual rate for treasury bills quoted on a bank discount basis and expressed as a decimal;

“N” means 365 or 366, as the case may be; and

“M” means the actual number of days in the applicable interest reset period.

The term “business day” means, for any note, a day that meets all the following applicable requirements:

- for all notes, is a Monday, Tuesday, Wednesday, Thursday or Friday that is neither a legal holiday nor a day on which banking institutions are authorized or required by law to close in New York City, Toronto or London;

- if the note has a specified currency other than U.S. dollars or euros, is also a day on which banking institutions are not authorized or obligated by law, regulation or executive order to close in the applicable principal financial center; and

- if the note is a EURIBOR note or has a specified currency of euros, or is a LIBOR note for which the index currency is euros, is also a euro business day.

The term “designated CMT index maturity” means the index maturity for a CMT rate note and will be the original period to maturity of a U.S. treasury security—either 1, 2, 3, 5, 7, 10, 20 or 30 years—specified in the applicable pricing supplement.

The term “designated CMT Reuters page” means the Reuters page mentioned in the relevant pricing supplement that displays treasury constant maturities as reported in H.15(519). If no Reuters page is so specified, then the applicable page will be Reuters page FEDCMT. If Reuters page FEDCMT applies but the relevant pricing supplement does not specify whether the weekly or monthly average applies, the weekly average will apply.

The term “euro business day” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System, or any successor system, is open for business.

The term “euro-zone” means, at any time, the region comprised of the member states of the European Economic and Monetary Union that, as of that time, have adopted a single currency in accordance with the Treaty on European Union of February 1992.


The term “index currency” means, with respect to a LIBOR note, the currency specified as such in the relevant pricing supplement. The index currency may be U.S. dollars or any other currency, and will be U.S. dollars unless another currency is specified in the relevant pricing supplement.
The term “index maturity” means, with respect to a floating rate note, the period to maturity of the instrument or obligation on which the interest rate formula is based, as specified in the applicable pricing supplement.

“London business day” means any day on which dealings in the relevant index currency are transacted in the London interbank market.

- The term “money market yield” means a yield expressed as a percentage and calculated in accordance with the following formula:

\[
\text{money market yield} = \frac{D \times 360}{360 - (D \times M)} \times 100
\]

where

“D” means the annual rate for commercial paper quoted on a bank discount basis and expressed as a decimal; and

“M” means the actual number of days in the relevant interest reset period.

The term “principal financial center” means the capital city of the country to which an index currency relates (or the capital city of the country issuing the specified currency, as applicable), except that with respect to U.S. dollars, Australian dollars, Canadian dollars, South African rands and Swiss francs, the “principal financial center” means The City of New York, Sydney, Toronto, Johannesburg and Zurich, respectively, and with respect to euros the principal financial center means London.

The term “representative amount” means an amount that, in the calculation agent’s judgment, is representative of a single transaction in the relevant market at the relevant time.

“Reuters Page LIBOR01” means the display designated as “LIBOR01” on Reuters 3000 Xtra (or any successor service) (or such other page as may replace Page LIBOR01 on Reuters 3000 Xtra or any successor service).

“Reuters screen LIBO page” means the display on the Reuters Monitor Money Rates Service, or any successor service, on the page designated as “LIBO” or any replacement page or pages on which London interbank rates of major banks for the relevant index currency are displayed.

“Reuters screen US PRIME 1 page” means the display on the “US PRIME 1” page on the Reuters Monitor Money Rates Service, or any successor service, or any replacement page or pages on that service, for the purpose of displaying prime rates or base lending rates of major U.S. banks.

“Reuters page” means the display on Reuters 3000 Xtra, or any successor service, on the page or pages specified in this prospectus supplement or the relevant pricing supplement, or any replacement page or pages on that service.

If, when we use the terms designated CMT Reuters page, H.15(519), H.15 daily update, Reuters screen LIBO page, Reuters screen US PRIME 1 page, Reuters Page LIBOR01 or Reuters page, we refer to a particular heading or headings on any of those pages, those references include any successor or replacement heading or headings as determined by the calculation agent.

**Other Provisions; Addenda**

Any provisions relating to the notes, including the determination of the interest rate basis, calculation of the interest rate applicable to a floating rate note, its interest payment dates, any redemption or repayment provisions, or any other term relating thereto, may be modified and/or supplemented by the terms as specified under “Other Provisions” on the face of the applicable notes or in an Addendum.
relating to the applicable notes, if so specified on the face of the applicable notes, and, in each case, in the relevant pricing supplement.
CERTAIN INCOME TAX CONSEQUENCES

Certain Canadian Income Tax Considerations

It is the opinion of Ogilvy Renault LLP, Canadian tax counsel to Royal Bank of Canada, that interest (including amounts deemed for purposes of the Income Tax Act (Canada) (the "ITA") to be interest) on the notes issued hereunder that is paid or credited or deemed for purposes of the ITA to be paid or credited to a Non-Resident Holder will not be subject to Canadian non-resident withholding tax, except in the circumstances described under “Tax Consequences – Canadian Taxation” in the accompanying prospectus.

United States Taxation

It is the opinion of Sullivan & Cromwell LLP, United States tax counsel to Royal Bank of Canada, that commercial paper rate notes, prime rate notes, LIBOR notes, EURIBOR notes, treasury rate notes, CMT rate notes, CMS rate notes, CD rate notes and federal funds rate notes generally will be treated as variable rate debt securities under the rules described under “Tax Consequences – United States Taxation – Taxation of Debt Securities – Original Issue Discount – Variable Rate Debt Securities” in the accompanying prospectus.
SUPPLEMENTAL PLAN OF DISTRIBUTION

We and RBC Capital Markets Corporation, Banc of America Securities LLC, Barclays Capital Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated and UBS Financial Services Inc., as agents, have entered into a distribution agreement with respect to the notes. The agent or agents through whom the notes will be offered will be identified in the applicable pricing supplement. Subject to certain conditions, the agents have agreed to use their reasonable efforts to solicit purchases of the notes. We have the right to accept offers to purchase notes and may reject any proposed purchase of the notes. The agents may also reject any offer to purchase notes. We will pay the agents a commission on any notes sold through the agents. The commission is expected to range from 0% to 1% of the principal amount of the notes, depending on the stated maturity of the notes, for fixed rate and floating rate notes. The commission is expected to range from 1% to 5% of the principal amount of the notes for indexed and other structured notes, or in such other amount as may be agreed between the agents and Royal Bank of Canada.

We may also sell notes to the agents, who will purchase the notes as principal for their own accounts. In that case, the agents will purchase the notes at a price equal to the issue price specified in the applicable pricing supplement, less a discount to be agreed with us at the time of the offering.

The agents may resell any notes they purchase as principal to other brokers or dealers at a discount, which may include all or part of the discount the agents received from us. If all the notes are not sold at the initial offering price, the agents may change the offering price and the other selling terms.

We may also sell notes directly to investors. We will not pay commissions on notes we sell directly.

We have reserved the right to withdraw, cancel or modify the offer made by this prospectus supplement without notice and may reject orders in whole or in part whether placed directly with us or with an agent. No termination date has been established for the offering of the notes.

The agents, whether acting as agent or principal, may be deemed to be “underwriters” within the meaning of the Securities Act of 1933. We have agreed to indemnify the agents against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments made in respect of those liabilities.

If the agents sell notes to dealers who resell to investors and the agents pay the dealers all or part of the discount or commission they receive from us, those dealers may also be deemed to be “underwriters” within the meaning of the Securities Act of 1933.

Unless otherwise indicated in any pricing supplement, payment of the purchase price of notes, other than notes denominated in a non-U.S. dollar currency, will be required to be made in funds immediately available in The City of New York. The notes will be in the Same Day Funds Settlement System at DTC and, to the extent the secondary market trading in the notes is effected through the facilities of such depositary, such trades will be settled in immediately available funds.

We may appoint additional agents with respect to the notes. Any other agents will be named in the applicable pricing supplements and those agents will enter into the distribution agreement referred to above. The agents referred to above and any additional agents may engage in commercial banking and investment banking and other transactions with and perform services for Royal Bank of Canada and our affiliates in the ordinary course of business. RBC Capital Markets Corporation is an affiliate of the Royal Bank of Canada and may resell notes to or through another of our affiliates, as selling agent.

The notes are a new issue of securities, and there will be no established trading market for any note before its original issue date. We do not plan to list the notes on a securities exchange or quotation system. We have been advised by each of the agents named above that they may make a market in the notes offered through them. However, neither RBC Capital Markets Corporation nor any of our other affiliates nor any other agent named in your pricing supplement that makes a market is obligated to do so,
and any of them may stop doing so at any time without notice. No assurance can be given as to the liquidity or trading market for the notes.

This prospectus supplement may be used by RBC Capital Markets Corporation and any other agent in connection with offers and sales of the notes in market-making transactions. In a market-making transaction, an agent or other person resells a note it acquires from other holders after the original offering and sale of the note. Resales of this kind may occur in the open market or may be privately negotiated, at prevailing market prices at the time of resale or at related or negotiated prices. In these transactions, such agent may act as principal or agent, including as agent for the counterparty in a transaction in which RBC Capital Markets Corporation or another agent acts as principal, or as agent for both counterparties in a transaction in which RBC Capital Markets Corporation does not act as principal. The agents may receive compensation in the form of discounts and commissions, including from both counterparties in some cases. Other affiliates of Royal Bank of Canada (in addition to RBC Capital Markets Corporation) may also engage in transactions of this kind and may use this prospectus supplement for this purpose.

The aggregate initial offering price specified on the cover of this prospectus supplement relates to the initial offering of new notes we may issue on and after the date of this prospectus supplement. This amount does not include notes that may be resold in market-making transactions. The latter includes notes that we may issue going forward as well as notes we have previously issued.

Royal Bank of Canada does not expect to receive any proceeds from market-making transactions. Royal Bank of Canada does not expect that any agent that engages in these transactions will pay any proceeds from its market-making resales to Royal Bank of Canada.

Information about the trade and settlement dates, as well as the purchase price, for a market-making transaction will be provided to the purchaser in a separate confirmation of sale.

Unless Royal Bank of Canada or an agent informs you in your confirmation of sale that your note is being purchased in its original offering and sale, you may assume that you are purchasing your note in a market-making transaction.

In this prospectus supplement, the term “this offering” means the initial offering of the notes made in connection with their original issuance. This term does not refer to any subsequent resales of notes in market-making transactions.

The agents may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934. Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit reclaiming a selling concession from a syndicate member when the notes originally sold by such syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions. Such stabilizing transactions, syndicate covering transactions and penalty bids may stabilize, maintain or otherwise affect the market price of the notes, which may be higher than it would otherwise be in the absence of such transactions. The agents are not required to engage in these activities, and may end any of these activities at any time.

In addition to offering notes through the agents as discussed above, other medium-term notes that have terms substantially similar to the terms of the notes offered by this prospectus supplement may in the future be offered, concurrently with the offering of the notes, on a continuing basis by Royal Bank of Canada. Any of these notes sold pursuant to the distribution agreement or sold by Royal Bank of Canada directly to investors will reduce the aggregate amount of notes which may be offered by this prospectus supplement.
DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT

In addition to the documents specified in the accompanying prospectus under “Documents Incorporated by Reference”, the following documents were filed with the Securities and Exchange Commission and incorporated by reference as part of the registration statement to which this prospectus supplement relates (the “Registration Statement”): (i) the Distribution Agreement, dated January 11, 2010, between us and the agents, (ii) the Calculation Agency Agreement, dated as of January 11, 2010, between us and RBC Capital Markets Corporation, and (iii) the Exchange Rate Agency Agreement, dated as of January 11, 2010, between us and RBC Capital Markets Corporation. Such documents will not be incorporated by reference into this prospectus supplement or the accompanying prospectus. Additional exhibits to the Registration Statement to which this prospectus supplement relates may be subsequently filed in reports on Form 40-F or on Form 6-K that specifically state that such materials are incorporated by reference as exhibits in Part II of the Registration Statement.
ROYAL BANK OF CANADA

Senior Debt Securities

Subordinated Debt Securities

up to an aggregate initial offering price of U.S. $8 billion or the equivalent thereof in other currencies.

This prospectus describes some of the general terms that may apply to these securities and the general manner in which they may be offered. We will give you the specific prices and other terms of the securities we are offering in supplements to this prospectus. You should read this prospectus and the applicable supplement carefully before you invest. We may sell the securities to or through one or more underwriters, dealers or agents. The names of the underwriters, dealers or agents will be set forth in supplements to this prospectus.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED THAT THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Prospective investors should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein or in any applicable prospectus supplement.

The enforcement by investors of civil liabilities under United States federal securities laws may be affected adversely by the fact that Royal Bank of Canada is a Canadian bank, that many of its officers and directors are residents of Canada, that some or all of the underwriters or experts named in the Registration Statement may be residents of Canada, and that all or a substantial portion of the assets of Royal Bank of Canada and said persons may be located outside the United States.

The securities described herein will not constitute deposits that are insured under the Canada Deposit Insurance Corporation Act or by the United States Federal Deposit Insurance Corporation.

Investing in the securities described herein involves a number of risks. See “Risk Factors” on page 6.

TM Trademark of Royal Bank of Canada

The date of this prospectus is January 11, 2010.
TABLE OF CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE................................................................. 2
WHERE YOU CAN FIND MORE INFORMATION................................................................ 3
FURTHER INFORMATION .............................................................................................. 3
ABOUT THIS PROSPECTUS ......................................................................................... 4
PRESENTATION OF FINANCIAL INFORMATION.......................................................... 5
CAUTION REGARDING FORWARD-LOOKING STATEMENTS ........................................... 5
ROYAL BANK OF CANADA ........................................................................................... 5
RISK FACTORS ........................................................................................................... 6
USE OF PROCEEDS ...................................................................................................... 6
CONSOLIDATED RATIOS OF EARNINGS TO FIXED CHARGES................................. 7
CONSOLIDATED CAPITALIZATION AND INDEBTEDNESS............................................. 8
DESCRIPTION OF DEBT SECURITIES ....................................................................... 9
TAX CONSEQUENCES ................................................................................................. 26
PLAN OF DISTRIBUTION ............................................................................................ 38
Conflicts of Interest ..................................................................................................... 40
BENEFIT PLAN INVESTOR CONSIDERATIONS.......................................................... 41
LIMITATIONS ON ENFORCEMENT OF U.S. LAWS AGAINST THE BANK, OUR MANAGEMENT AND OTHERS ................................................................. 42
VALIDITY OF SECURITIES ......................................................................................... 42
EXPERTS ..................................................................................................................... 42
OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION ......................................... 43

In this prospectus, unless the context otherwise indicates, the “Bank”, “we”, “us” or “our” means Royal Bank of Canada and its subsidiaries. All dollar amounts referred to in this prospectus are in Canadian dollars unless otherwise specifically expressed.

DOCUMENTS INCORPORATED BY REFERENCE

The Securities and Exchange Commission (the “SEC”) allows us to “incorporate by reference” the information we file with it, which means we can disclose important information to you by referring you to those documents. Copies of the documents incorporated herein by reference may be obtained upon written or oral request without charge from the Vice-President & Head, Investor Relations, Royal Bank of Canada at 200 Bay Street, North Tower, Toronto, Ontario, Canada M5J 2W7 (telephone: (416) 955-7803). The documents incorporated by reference are available over the Internet at www.sec.gov.

We incorporate by reference our Annual Report on Form 40-F for the fiscal year ended October 31, 2009. In addition, we will incorporate by reference into this prospectus all documents that we file under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act and, to the extent, if any, we designate therein, reports on Form 6-K we furnish to the SEC after the date of this prospectus and prior to the termination of any offering contemplated in this prospectus.

Any statement contained in this prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this prospectus, to the extent that a statement contained herein or in any other subsequently-filed or furnished document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.
Upon a new Annual Report and the related annual financial statements being filed by us with, and, where required, accepted by, the SEC, the previous Annual Report shall be deemed no longer to be incorporated by reference into this prospectus for purposes of future offers and sales of securities hereunder.

All documents incorporated by reference, or to be incorporated by reference, have been filed with or furnished to, or will be filed with or furnished to, the SEC.

WHERE YOU CAN FIND MORE INFORMATION

In addition to our continuous disclosure obligations under the securities laws of the Provinces of Canada, we are subject to the information reporting requirements of the United States Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the SEC. Under the multijurisdictional disclosure system adopted by the United States, such reports and other information may be prepared in accordance with the disclosure requirements of Canada, which requirements are different from those of the United States. Such reports and other information, when filed by us in accordance with such requirements, can be inspected and copied by you at the SEC’s Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available to the public over the Internet at the SEC’s website at www.sec.gov. Our common shares are listed on the New York Stock Exchange, and reports and other information concerning us can be inspected at the offices of the New York Stock Exchange, 11 Wall Street, New York, New York 10005. Information about us can be located at our website at www.rbc.com. All Internet references in this prospectus are inactive textual references and we do not incorporate website contents into this prospectus.

FURTHER INFORMATION

We have filed with the SEC a Registration Statement on Form F-3 under the United States Securities Act of 1933, as amended, with respect to the securities offered with this prospectus. This prospectus is a part of that Registration Statement, and it does not contain all of the information set forth in the Registration Statement. You can access the Registration Statement together with its exhibits at the SEC’s website at www.sec.gov or inspect these documents at the offices of the SEC in order to obtain more information about us and about the securities offered with this prospectus.
ABOUT THIS PROSPECTUS

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement containing specific information about the terms of the securities being offered. A prospectus supplement may include a discussion of any risk factors or other special considerations applicable to those securities or to us. A prospectus supplement may also add, update or change information in this prospectus. If there is any inconsistency between the information in this prospectus and the applicable prospectus supplement, you should rely on the information in the prospectus supplement. You should read both this prospectus and any prospectus supplement together with additional information described under the heading “Where You Can Find More Information” on page 3.

We may sell securities to underwriters who will sell the securities to the public on terms fixed at the time of sale. In addition, the securities may be sold by us directly or through dealers or agents designated from time to time. If we, directly or through agents, solicit offers to purchase the securities, we reserve the sole right to accept and, together with any agents, to reject, in whole or in part, any of those offers.

Any prospectus supplement will contain the names of the underwriters, dealers or agents, if any, together with the terms of offering, the compensation of those underwriters and the net proceeds to us. Any underwriters, dealers or agents participating in the offering may be deemed “underwriters” within the meaning of the U.S. Securities Act of 1933.

We publish our consolidated financial statements in Canadian dollars. In this prospectus and any prospectus supplement, currency amounts are stated in Canadian dollars (“$”), unless specified otherwise. As indicated in the table below, the Canadian dollar has fluctuated in value compared to the U.S. dollar over the last five years.

The tables below set forth the high and low daily noon buying rates, the average yearly rate and the rate at period end between Canadian dollars and U.S. dollars (in U.S. dollars per Canadian dollar) for the five-year period ended October 31, 2009 and the high and low daily noon buying rates for November of 2009 and December of 2009. On December 31, 2009, the Canadian dollar noon buying rate was U.S. $0.9559. Our reference to the “noon buying rate” is the rate in The City of New York for cable transfers in foreign currencies as announced by the U.S. Federal Reserve Bank of New York for customs purposes on a specified date.

### YEAR ENDED OCTOBER 31

<table>
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<tr>
<th></th>
<th>HIGH</th>
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<th>AVERAGE RATE(^1)</th>
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\(^1\) The average of the noon buying rates on the last business day of each full month during the relevant period.
PRESENTATION OF FINANCIAL INFORMATION

We prepare our consolidated financial statements in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”), which differs in certain respects from accounting principles generally accepted in the United States of America (“U.S. GAAP”). For a discussion of significant differences between Canadian GAAP and U.S. GAAP and a reconciliation of the consolidated balance sheet and statement of income, you should read the section titled “Note 31: Reconciliation of the application of Canadian and United States generally accepted accounting principles” in Exhibit 2 to our Annual Report on Form 40-F for the fiscal year ended October 31, 2009.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. We may make forward-looking statements in this prospectus and the documents incorporated by reference herein, in other filings with Canadian regulators or the SEC, in reports to shareholders and in other communications. Forward-looking statements in this prospectus and documents incorporated by reference herein include, but are not limited to, statements relating to our medium-term objectives, our vision and strategic goals, the 2010 economic and market outlook for the Canadian, U.S. and global economies, the outlook and priorities for each of our business segments, and liquidity and funding management. The forward-looking information contained in this document is presented for the purpose of assisting the holders of our securities and financial analysts in understanding our financial position and results of operations as at and for the periods ended on the dates presented and our vision and strategic goals and medium-term objectives, and may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as “believe”, “expect”, “foresee”, “forecast”, “anticipate”, “intend”, “estimate”, “goal”, “plan” and “project” and similar expressions of future or conditional verbs such as “will”, “may”, “should”, “could” or “would”.

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct and that our medium-term objectives, vision and strategic goals will not be achieved. We caution readers not to place undue reliance on these statements as a number risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors – many of which are beyond our control and the effects of which can be difficult to predict – include: credit, market, operational and liquidity and funding risks, and other risks discussed in the Risk, capital and liquidity management and Overview of other risks section of the management’s discussion and analysis included in our Annual Report on Form 40-F for the fiscal year ended October 31, 2009, which is incorporated by reference in this prospectus; general business, economic and financial market conditions, including the ongoing impact from the market environment, the lack of liquidity in certain markets, the level of activity and volatility of the capital markets and recessionary conditions in Canada, the United States and certain other countries in which we conduct business; changes in accounting standards, policies and estimates, including changes in our estimates of provisions, allowances and valuations; the effects of changes in government fiscal, monetary and other policies; the effects of competition in the markets in which we operate; the impact of changes in laws and regulations, including tax laws; judicial or regulatory judgments and legal proceedings; the accuracy and completeness of information concerning our clients and counterparties; our ability to successfully execute our strategies and to complete and integrate strategic acquisitions and joint ventures successfully; and development and integration of our distribution networks.

We caution that the foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results. When relying on our forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

Additional information about these and other factors can be found in the “Risk, capital and liquidity management” and “Overview of other risks” sections in the management’s discussion and analysis of financial
condition and results of operations included in our Annual Report on Form 40-F for the fiscal year ended October 31, 2009, which is incorporated by reference in this prospectus.

ROYAL BANK OF CANADA

Business

The Bank and its subsidiaries operate under the master brand name RBC. We are Canada’s largest bank as measured by assets and market capitalization, and among the largest banks in the world, based on market capitalization. We are one of North America’s leading diversified financial services companies, and provide personal and commercial banking, wealth management services, insurance, corporate and investment banking and transaction processing services on a global basis. We employ approximately 80,000 full- and part-time employees who serve more than 18 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 53 other countries.

Our segments are Canadian Banking, Wealth Management, Insurance, International Banking, Capital Markets and Corporate Support. Additional information about our business and each segment (including segment results) can be found under “Overview” on page 6 and under “Business segment results” beginning on page 16 of the management’s discussion and analysis of financial condition and results of operations included in our Annual Report on Form 40-F for the fiscal year ended October 31, 2009, which is incorporated by reference in this prospectus.

We are a Schedule I Bank under the Bank Act (Canada), which constitutes our charter. Our corporate headquarters are located at Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, Canada M5J 2J5 and our head office is located at 1 Place Ville Marie, Montréal, Québec, Canada H3C 3A9.

RISK FACTORS

Investment in these securities is subject to various risks including those risks inherent in conducting the business of a diversified financial institution. Before deciding whether to invest in any debt securities, you should consider carefully the risks described in the documents incorporated by reference in this prospectus (including subsequently filed documents incorporated by reference) and, if applicable, those described in a prospectus supplement relating to a specific offering of securities. You should consider the categories of risks identified and discussed in the management’s discussion and analysis of financial condition and results of operations included in our Annual Report on Form 40-F for the fiscal year ended October 31, 2009, including those summarized under “Caution Regarding Forward-Looking Information” on page 5.

USE OF PROCEEDS

Except as otherwise set forth in a prospectus supplement, the net proceeds from the sale of securities will be added to our general funds and will be used for general banking purposes. In addition, except as otherwise set forth in a prospectus supplement, the purpose of the sale of the subordinated debt securities will be to enlarge our capital base.
CONSOLIDATED RATIOS OF EARNINGS TO FIXED CHARGES

The tables below set forth our consolidated ratios of earnings to fixed charges, calculated in accordance with Canadian GAAP and U.S. GAAP, for the five-year period ended October 31, 2009:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended October 31,</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian GAAP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excluding Interest on Deposits</td>
<td>3.28</td>
<td>2.51</td>
<td>2.34</td>
<td>2.27</td>
<td>2.37</td>
</tr>
<tr>
<td>Including Interest on Deposits</td>
<td>1.60</td>
<td>1.37</td>
<td>1.37</td>
<td>1.40</td>
<td>1.45</td>
</tr>
<tr>
<td>U.S. GAAP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excluding Interest on Deposits</td>
<td>3.29</td>
<td>2.33</td>
<td>2.36</td>
<td>2.28</td>
<td>2.47</td>
</tr>
<tr>
<td>Including Interest on Deposits</td>
<td>1.59</td>
<td>1.32</td>
<td>1.37</td>
<td>1.39</td>
<td>1.47</td>
</tr>
</tbody>
</table>

For purposes of computing these ratios, earnings represent net income plus income taxes and fixed charges (excluding capitalized interest). Fixed charges represent (i) estimated interest within rental expense, (ii) amortization of debt issuance costs and (iii) interest (including capitalized interest), including or excluding deposit interest as indicated.
CONSOLIDATED CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated capitalization at October 31, 2009. This table should be read in conjunction with our annual audited consolidated financial statements and the management’s discussion and analysis of financial condition and results of operations included in our Annual Report on Form 40-F for the fiscal year ended October 31, 2009, which is incorporated by reference in this prospectus.

<table>
<thead>
<tr>
<th>As at October 31, 2009</th>
<th>(in millions of Canadian dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subordinated debentures</td>
<td>$6,461</td>
</tr>
<tr>
<td>Trust capital securities (1)</td>
<td>1,395</td>
</tr>
<tr>
<td>RBC Trust capital securities included in non-controlling interest in subsidiaries (1)</td>
<td>1,725</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td></td>
</tr>
<tr>
<td>Preferred shares</td>
<td>4,813</td>
</tr>
<tr>
<td>Common shares</td>
<td>13,075</td>
</tr>
<tr>
<td>Contributed surplus</td>
<td>246</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>20,585</td>
</tr>
<tr>
<td>Treasury shares – preferred</td>
<td>(2)</td>
</tr>
<tr>
<td>Treasury shares – common</td>
<td>(95)</td>
</tr>
<tr>
<td>Accumulated other comprehensive income (loss)</td>
<td>(1,716)</td>
</tr>
<tr>
<td>Total Shareholders’ Equity</td>
<td>36,906</td>
</tr>
<tr>
<td>Total Capitalization</td>
<td>46,487</td>
</tr>
</tbody>
</table>

(1) For more information on the classification of trust capital securities refer to our Note 17 of our audited consolidated financial statements for the year ended October 31, 2009.
DESCRIPTION OF DEBT SECURITIES

We may issue senior or subordinated debt securities. Neither the senior debt securities nor the subordinated debt securities will be secured by any of our property or assets or the property or assets of our subsidiaries. Thus, by owning a debt security, you are one of our unsecured creditors.

The senior debt securities will be issued under our senior debt indenture, as supplemented by the first supplemental indenture (collectively, the “senior debt indenture”), described below and will be unsecured obligations that rank equally with all of our other unsecured and unsubordinated debt, including deposit liabilities, other than certain governmental claims in accordance with applicable law.

The subordinated debt securities will be issued under our subordinated debt indenture described below and will be subordinate in right of payment to all of our “senior indebtedness”, as defined in the subordinated debt indenture. Neither indenture limits our ability to incur additional indebtedness.

In the event we become insolvent, our governing legislation provides that priorities among payments of our deposit liabilities (including payments in respect of the senior debt securities) and payments of all of our other liabilities (including payments in respect of the subordinated debt securities) are to be determined in accordance with the laws governing priorities and, where applicable, by the terms of the indebtedness and liabilities. Because we have subsidiaries, our right to participate in any distribution of the assets of our banking or non-banking subsidiaries, upon a subsidiary’s dissolution, winding-up, liquidation or reorganization or otherwise, and thus your ability to benefit indirectly from such distribution, is subject to the prior claims of creditors of that subsidiary, except to the extent that we may be a creditor of that subsidiary and our claims are recognized. There are legal limitations on the extent to which some of our subsidiaries may extend credit, pay dividends or otherwise supply funds to, or engage in transactions with, us or some of our other subsidiaries. Accordingly, the debt securities will be structurally subordinated to all existing and future liabilities of our subsidiaries, and holders of debt securities should look only to our assets for payments on the debt securities.

Neither the senior debt securities nor the subordinated debt securities will constitute deposits insured under the Canada Deposit Insurance Corporation Act or by the United States Federal Deposit Insurance Corporation or any other Canadian or United States governmental agency or instrumentality.

When we refer to “debt securities” or “securities” in this prospectus, we mean both the senior debt securities and the subordinated debt securities.

The Senior and Subordinated Debt Indentures

The senior debt securities and the subordinated debt securities are each governed by an indenture — the senior debt indenture, in the case of the senior debt securities, and the subordinated debt indenture, in the case of the subordinated debt securities. When we refer to the “indentures”, we mean both the senior debt indenture and the subordinated debt indenture, and when we refer to the “indenture”, we mean either the senior debt indenture or the subordinated debt indenture. Each indenture is a contract between us and The Bank of New York Mellon, as successor to the corporate trust business of JPMorgan Chase Bank, N.A., which acts as trustee. The indentures are substantially identical, except for the provisions relating to the events of default, which are more limited in the subordinated debt indenture, to subordination, which are included only in the subordinated debt indenture, and the provisions relating to possible conversions or exchanges, which are only included in the senior debt indenture.

Reference to the indenture or the trustee, with respect to any debt securities, means the indenture under which those debt securities are issued and the trustee under that indenture.

The trustee has two main roles:

- The trustee can enforce the rights of holders against us if we default on our obligations under the terms of the indenture or the debt securities. There are some limitations on the extent to which the trustee
acts on behalf of holders, described below under “— Events of Default — Remedies If an Event of Default Occurs”.

- The trustee performs administrative duties for us, such as sending interest payments and notices to holders and transferring a holder’s debt securities to a new buyer if a holder sells.

The indentures and their associated documents contain the full legal text of the matters described in this section. The indentures and the debt securities will be governed by New York law, except that the subordination provisions in the subordinated debt indenture and certain provisions relating to the status of the senior debt securities under Canadian law in the senior debt indenture will be governed by the laws of the Province of Ontario and the laws of Canada applicable therein. A copy of each of the senior debt indenture, the supplements to the senior debt indenture and the form of subordinated debt indenture is an exhibit to our Registration Statement. See “Where You Can Find More Information” above for information on how to obtain a copy.

General

We may issue as many distinct series of debt securities under either indenture as we wish. The provisions of the senior debt indenture and the subordinated debt indenture allow us not only to issue debt securities with terms different from those previously issued under the applicable indenture, but also to “re-open” a previous issue of a series of debt securities and issue additional debt securities of that series. We may issue debt securities in amounts that exceed the total amount specified on the cover of your prospectus supplement at any time without your consent and without notifying you.

This section summarizes the material terms of the debt securities that are common to all series, although the prospectus supplement that describes the terms of each series of debt securities may also describe differences from the material terms summarized here.

Because this section is a summary, it does not describe every aspect of the debt securities. This summary is subject to and qualified in its entirety by reference to all the provisions of the indentures, including definitions of certain terms used in the indentures. In this summary, we describe the meaning of only some of the more important terms. For your convenience, we also include references in parentheses to certain sections of the indentures. Whenever we refer to particular sections or defined terms of the indentures in this prospectus or in the prospectus supplement, such sections or defined terms are incorporated by reference here or in the prospectus supplement. You must look to the indentures for the most complete description of what we describe in summary form in this prospectus.

This summary is also subject to and qualified by reference to the description of the particular terms of your series described in the prospectus supplement. Those terms may vary from the terms described in this prospectus. The prospectus supplement relating to each series of debt securities will be attached to the front of this prospectus. There may also be a further prospectus supplement, known as a pricing supplement, which describes additional terms of debt securities you are offered.

We may issue the debt securities as original issue discount securities, which will be offered and sold at a substantial discount below their stated principal amount. (Section 101) The prospectus supplement relating to the original issue discount securities will describe U.S. federal income tax consequences and other special considerations applicable to them. The debt securities may also be issued as indexed securities or securities denominated in foreign currencies or currency units, as described in more detail in the prospectus supplement relating to any of the particular debt securities. The prospectus supplement relating to specific debt securities will also describe any special considerations and any material additional tax considerations applicable to such debt securities.

In addition, the specific financial, legal and other terms particular to a series of debt securities will be described in the prospectus supplement and, if applicable, a pricing supplement relating to the series. The prospectus supplement relating to a series of debt securities will describe the following terms of the series:
• the title of the series of debt securities;

• whether it is a series of senior debt securities or a series of subordinated debt securities;

• any limit on the aggregate principal amount of the series of debt securities;

• the person to whom interest on a debt security is payable, if other than the holder on the regular record date;

• the date or dates on which the series of debt securities will mature;

• the rate or rates, which may be fixed or variable per annum, at which the series of debt securities will bear interest, if any, and the date or dates from which that interest, if any, will accrue;

• the place or places where the principal of, premium, if any, and interest on the debt securities is payable;

• the terms, if any, on which any securities may or shall be converted into or exchanged at the option of the Bank or otherwise for shares or other securities of the Bank or another entity or other entities, into the cash value thereof or into any combination of the foregoing, any specific terms relating to the adjustment thereof and the period during which such securities may or shall be so converted or exchanged;

• the dates on which interest, if any, on the series of debt securities will be payable and the regular record dates for the interest payment dates;

• any mandatory or optional sinking funds or similar provisions or provisions for redemption at our option or the option of the holder;

• the date, if any, after which, and the price or prices at which, the series of debt securities may, in accordance with any optional or mandatory redemption provisions, be redeemed and the other detailed terms and provisions of those optional or mandatory redemption provisions, if any;

• if other than denominations of $1,000 and any integral multiples thereof, the denominations in which the series of debt securities will be issuable;

• the currency of payment of principal, premium, if any, and interest on the series of debt securities;

• if the currency of payment for principal, premium, if any, and interest on the series of debt securities is subject to our election or that of a holder, the currency or currencies in which payment can be made and the period within which, and the terms and conditions upon which, the election can be made;

• any index, formula or other method used to determine the amount of payment of principal or premium, if any, and interest on the series of debt securities;

• the applicability of the provisions described under “— Defeasance” below;

• any event of default under the series of debt securities if different from those described under “— Events of Default” below;

• if the debt securities will be issued in bearer form, any special provisions relating to bearer securities;

• if the series of debt securities will be issuable only in the form of a global security, the depositary or its nominee with respect to the series of debt securities and the circumstances under which the global
security may be registered for transfer or exchange in the name of a person other than the depositary or the nominee; and

- any other special feature of the series of debt securities.

Overview of Remainder of This Description

The remainder of this description summarizes:

- additional mechanics relevant to the debt securities under normal circumstances, such as how holders record the transfer of ownership and where we make payments;

- holders’ rights in several special situations, such as if we merge with another company or if we want to change a term of the debt securities;

- subordination provisions in the subordinated debt indenture that may prohibit us from making payment on those securities;

- our right to release ourselves from all or some of our obligations under the debt securities and the indenture by a process called defeasance; and

- holders’ rights if we default or experience other financial difficulties.

Form, Exchange and Transfer

Unless we specify otherwise in the prospectus supplement, the debt securities will be issued:

- only in fully-registered form;

- without interest coupons; and

- in denominations that are even multiples of $1,000. (Section 302)

If a debt security is issued as a registered global debt security, only the depositary — e.g., DTC, Euroclear and Clearstream, each as defined below under “Ownership and Book-Entry Issuance” — will be entitled to transfer and exchange the debt security as described in this subsection because the depositary will be the sole registered holder of the debt security and is referred to below as the “holder”. Those who own beneficial interests in a global security do so through participants in the depositary’s securities clearance system, and the rights of these indirect owners will be governed by the applicable procedures of the depositary and its participants. We describe book-entry procedures below under “Ownership and Book-Entry Issuance”.

Holders of securities issued in fully-registered form may have their debt securities broken into more debt securities of smaller denominations of not less than $1,000, or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed. (Section 305) This is called an exchange.

Holders may exchange or register the transfer of debt securities at the office of the trustee. Debt securities may be transferred by endorsement. Holders may also replace lost, stolen or mutilated debt securities at that office. The trustee acts as our agent for registering debt securities in the names of holders and registering the transfer of debt securities. We may change this appointment to another entity or perform it ourselves. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also record transfers. (Section 305) The trustee may require an indemnity before replacing any debt securities.

Holders will not be required to pay a service charge to register the transfer or exchange of debt securities, but holders may be required to pay for any tax or other governmental charge associated with the exchange or
transfer. The registration of a transfer or exchange will only be made if the security registrar is satisfied with your proof of ownership.

If we designate additional transfer agents, they will be named in the prospectus supplement. We may cancel the designation of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts. (Section 1002)

If the debt securities are redeemable and we redeem less than all of the debt securities of a particular series, we may block the registration of transfer or exchange of debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders entitled to receive the mailing. We may also refuse to register transfers or exchanges of debt securities selected for redemption, except that we will continue to permit registration of transfers and exchanges of the unredeemed portion of any debt security being partially redeemed. (Section 305)

Payment and Paying Agents

We will pay interest to the person listed in the trustee’s records at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the debt security on the interest due date. That particular day, usually about two weeks in advance of the interest due date, is called the regular record date and will be stated in the prospectus supplement. (Section 307) Holders buying and selling debt securities must work out between them how to compensate for the fact that we will pay all the interest for an interest period to the one who is the registered holder on the regular record date. The most common manner is to adjust the sale price of the securities to prorate interest fairly between buyer and seller. This prorated interest amount is called accrued interest.

We will pay interest, principal and any other money due on the debt securities at the corporate trust office of the trustee in the City of New York. That office is currently located at 101 Barclay Street - Floor 4E, New York, NY 10286. Holders must make arrangements to have their payments picked up at or wired from that office. We may also choose to pay interest by mailing checks.

Book-entry and other indirect holders should consult their banks, brokers or other financial institutions for information on how they will receive payments.

We may also arrange for additional payment offices and may cancel or change these offices, including our use of the trustee’s corporate trust office. These offices are called paying agents. We may also choose to act as our own paying agent or choose one of our subsidiaries to do so. We must notify holders of changes in the paying agents for any particular series of debt securities. (Section 1002)

Conversion or Exchange of Senior Debt Securities

If and to the extent mentioned in the relevant prospectus supplement, any senior debt securities series may be optionally or mandatorily convertible or exchangeable for stock or other securities of the Bank or another entity or entities, into the cash value therefor or into any combination of the above. The specific terms on which any senior debt securities series may be so converted or exchanged will be described in the relevant prospectus supplement. These terms may include provisions for conversion or exchange, either mandatory, at the holder’s option or at our option, in which case the amount or number of securities the senior debt securities holders would receive would be calculated at the time and manner described in the relevant prospectus supplement. (Section 301)

Notices

We and the trustee will send notices regarding the debt securities only to registered holders, using their addresses as listed in the trustee’s records. (Sections 101 and 106) With respect to who is a registered “holder” for this purpose, see “Ownership and Book-Entry Issuance”.

-13-
Regardless of who acts as paying agent, all money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to holders will be repaid to us. After that two-year period, holders may look to us for payment and not to the trustee or any other paying agent. (Section 1003)

Mergers and Similar Events

Under the indentures, we are generally permitted to consolidate or merge with another entity. We are also permitted to sell or lease substantially all of our assets to another entity, or to buy or lease substantially all of the assets of another entity. However, we may not take any of these actions unless all the following conditions are met:

- When we merge, amalgamate, consolidate or otherwise are combined with, or acquired by, another entity or sell or lease substantially all of our assets, the surviving, resulting or acquiring entity must be a properly organized entity and must be legally responsible for the debt securities, whether by agreement, operation of law or otherwise.

- The merger, amalgamation, consolidation, other combination, sale or lease of assets must not cause a default on the debt securities. A default for this purpose would include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

If the conditions described above are satisfied with respect to any series of debt securities, we will not need to obtain the approval of the holders of those debt securities in order to merge or consolidate or to sell our assets. Also, these conditions will apply only if we wish to merge or consolidate with another entity or sell substantially all of our assets to another entity. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another entity, any transaction that involves a change of control but in which we do not merge or consolidate and any transaction in which we sell less than substantially all of our assets. It is possible that this type of transaction may result in a reduction in our credit rating, may reduce our operating results or may impair our financial condition. Holders of our debt securities, however, will have no approval right with respect to any transaction of this type.

Modification and Waiver of the Debt Securities

There are four types of changes we can make to either indenture and the debt securities issued under that indenture.

Changes Requiring Approval of All Holders. First, there are changes that cannot be made to the indenture or the debt securities without specific approval of each holder of a debt security affected in any material respect by the change under a particular debt indenture. Following is a list of those types of changes:

- change the stated maturity of the principal or reduce the interest on a debt security;
- reduce any amounts due on a debt security;
- reduce the amount of principal payable upon acceleration of the maturity of a debt security (including the amount payable on an original issue discount security) following a default;
- change the currency of payment on a debt security;
- change the place of payment for a debt security;
- impair a holder’s right to sue for payment;
- impair the holder’s right to require repurchase on the original terms of those debt securities that provide a right of repurchase;
reduce the percentage of holders of debt securities whose consent is needed to modify or amend the indenture;

reduce the percentage of holders of debt securities whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults; or

modify any other aspect of the provisions dealing with modification and waiver of the indenture. (Section 902)

Changes Requiring a Majority Vote. The second type of change to the indenture and the debt securities is the kind that requires a vote in favor by holders of debt securities owning not less than a majority of the principal amount of the particular series affected. Most changes fall into this category, except for clarifying changes and certain other changes that would not adversely affect in any material respect holders of the debt securities. (Section 901) We may also obtain a waiver of a past default from the holders of debt securities owning a majority of the principal amount of the particular series affected. However, we cannot obtain a waiver of a payment default or any other aspect of the indenture or the debt securities listed in the first category described above under “Changes Requiring Approval of All Holders” unless we obtain the individual consent of each holder to the waiver. (Section 513)

Changes Not Requiring Approval. The third type of change to the indenture and the debt securities does not require any vote by holders of debt securities. This type is limited to clarifications and certain other changes that would not adversely affect in any material respect holders of the debt securities. (Section 901)

We may also make changes or obtain waivers that do not adversely affect in any material respect a particular debt security, even if they affect other debt securities. In those cases, we do not need to obtain the approval of the holder of that debt security; we need only obtain any required approvals from the holders of the affected debt securities.

Modification of Subordination Provisions. We may not modify the subordination provisions of the subordinated debt indenture in a manner that would adversely affect in any material respect the outstanding subordinated debt securities of any one or more series without the consent of the holders of a majority of the principal amount of all affected series, voting together as one class.

Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a debt security:

- For original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of the debt securities were accelerated to that date because of a default.

- For debt securities whose principal amount is not known (for example, because it is based on an index), we will use a special rule for that debt security described in the prospectus supplement.

- For debt securities denominated in one or more non-U.S. currencies or currency units, we will use the U.S. dollar equivalent.

Debt securities will not be considered outstanding, and therefore not eligible to vote, if we have given a notice of redemption and deposited or set aside in trust for the holders money for the payment or redemption of the debt securities. Debt securities will also not be eligible to vote if they have been fully defeased as described below under “Defeasance — Full Defeasance”. (Section 1402)

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding debt securities that are entitled to vote or take other action under the indenture. In certain limited circumstances, the trustee will be entitled to set a record date for action by holders. If the trustee or we set a record date for a vote or other action to be taken by holders of a particular series, that vote or action may be taken only by
persons who are holders of outstanding securities of that series on the record date. We or the trustee, as applicable, may shorten or lengthen this period from time to time. This period, however, may not extend beyond the 180th day after the record date for the action. (Sections 104 and 512)

Book-entry and other indirect holders should consult their banks, brokers or other financial institutions for information on how approval may be granted or denied if we seek to change the indenture or the debt securities or request a waiver.

Special Provisions Related to the Subordinated Debt Securities

The subordinated debt securities issued under the subordinated debt indenture will be our direct unsecured obligations constituting subordinated indebtedness for the purpose of the Bank Act (Canada) and will therefore rank subordinate to our deposits. Holders of subordinated debt securities should recognize that contractual provisions in the subordinated debt indenture may prohibit us from making payments on these securities.

If we become insolvent or are wound-up, the subordinated debt securities will rank equally and ratably with, but not prior to, all other subordinated debt and subordinate in right of payment to the prior payment in full of (i) our indebtedness then outstanding, other than subordinated indebtedness and (ii) all indebtedness to which our other subordinated indebtedness is subordinate in right of payment to the same extent as such other subordinated indebtedness. As of October 31, 2009, we had $608 billion of senior indebtedness, including deposits, outstanding, which would rank ahead of the subordinated debt securities. The only outstanding subordinated indebtedness issued to date has been issued pursuant to our indentures with Computershare Trust Company of Canada dated October 1, 1984, June 6, 1986, November 14, 1994, May 21, 1997 and June 18, 2004, as supplemented from time to time.

For these purposes, “indebtedness” at any time means:

(i) the deposit liabilities of the Bank at such time; and

(ii) all other liabilities and obligations of the Bank to third parties (other than fines or penalties which pursuant to the Bank Act (Canada) are a last charge on the assets of a bank in the case of insolvency of such bank and obligations to shareholders of the Bank, as such) which would entitle such third parties to participate in a distribution of the Bank’s assets in the event of the insolvency or winding-up of the Bank.

“subordinated indebtedness” at any time means:

(i) the liability of the Bank in respect of the principal of and premium, if any, and interest on its outstanding subordinated indebtedness outlined above;

(ii) any indebtedness which ranks equally with and not prior to the outstanding subordinated indebtedness, in right of payment in the event of the insolvency or winding-up of the Bank and which, pursuant to the terms of the instrument evidencing or creating the same, is expressed to be subordinate in right of payment to all indebtedness to which the outstanding subordinated indebtedness is subordinate in right of payment to at least the same extent as the outstanding subordinated indebtedness is subordinated thereto pursuant to the terms of the instrument evidencing or creating the same;

(iii) any indebtedness which ranks subordinate to and not equally with or prior to the outstanding subordinated indebtedness, in right of payment in the event of the insolvency or winding-up of the Bank and which, pursuant to the terms of the instrument evidencing or creating the same, is expressed to be subordinate in right of payment to all indebtedness to which the outstanding subordinated indebtedness is subordinate in right of payment to at least the same extent as the outstanding subordinated indebtedness is subordinate pursuant to the terms of the instrument evidencing or creating the same; and
the subordinated debt securities, which will rank equally to the Bank’s outstanding subordinated indebtedness.

The subordination provisions of the subordinated debt indenture are governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Defeasance

The following discussion of full defeasance and covenant defeasance will be applicable to each series of debt securities that is denominated in U.S. dollars and has a fixed rate of interest and will apply to other series of debt securities if we so specify in the prospectus supplement. (Section 1401)

**Full Defeasance.** If there is a change in U.S. federal tax law, as described below, we can legally release ourselves from any payment or other obligations on the debt securities, called full defeasance, if we put in place the following other arrangements for holders to be repaid:

- We must deposit in trust for the benefit of all holders of the debt securities a combination of money and notes or bonds of the U.S. government or a U.S. government agency or U.S. government-sponsored entity (the obligations of which are backed by the full faith and credit of the U.S. government) that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates.

- There must be a change in current U.S. federal tax law or an Internal Revenue Service (“IRS”) ruling that lets us make the above deposit without causing the holders to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves. (Under current federal tax law, the deposit and our legal release from the obligations pursuant to the debt securities would be treated as though we took back your debt securities and gave you your share of the cash and notes or bonds deposited in trust. In that event, you could recognize gain or loss on the debt securities you give back to us.)

- We must deliver to the trustee a legal opinion of our counsel confirming the tax-law change described above and that the holders of the debt securities will not recognize income, gain or loss for federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to federal income tax on the same amounts and in the same manner and at the same times as would be the case if such deposit, defeasance and discharge had not occurred. (Sections 1402 and 1404)

- In the case of the subordinated debt securities, the following requirement must also be met:
  
  - No event or condition may exist that, under the provisions described under “— Subordination Provisions” above, would prevent us from making payments of principal, premium or interest on those subordinated debt securities on the date of the deposit referred to above or during the 90 days after that date.

If we ever did accomplish full defeasance, as described above, you would have to rely solely on the trust deposit for repayment on the debt securities. You could not look to us for repayment in the unlikely event of any shortfall.

**Covenant Defeasance.** Even without a change in current U.S. federal tax law, we can make the same type of deposit as described above, and we will be released from the restrictive covenants under the debt securities that may be described in the prospectus supplement. This is called covenant defeasance. In that event, you would lose the protection of these covenants but would gain the protection of having money and U.S. government or U.S. government agency notes or bonds set aside in trust to repay the debt securities. In order to achieve covenant defeasance, we must do the following:
• We must deposit in trust for the benefit of all holders of the debt securities a combination of money and notes or bonds of the U.S. government or a U.S. government agency or U.S. government sponsored entity (the obligations of which are backed by the full faith and credit of the U.S. government) that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates.

• We must deliver to the trustee a legal opinion of our counsel confirming that the holders of the debt securities will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and covenant defeasance and will be subject to federal income tax on the same amounts and in the same manner and at the same times as would be the case if such deposit and covenant defeasance had not occurred.

If we accomplish covenant defeasance, certain provisions of the indenture and the debt securities would no longer apply:

- Covenants applicable to the series of debt securities and described in the prospectus supplement.
- Any events of default relating to breach of those covenants.

If we accomplish covenant defeasance, you can still look to us for repayment of the debt securities if there were a shortfall in the trust deposit. In fact, if one of the remaining events of default occurs (such as a bankruptcy) and the debt securities become immediately due and payable, there may be such a shortfall. (Sections 1403 and 1404)

Events of Default

You will have special rights if an event of default occurs and is not cured, as described later in this subsection.

What is an Event of Default?

Under the senior debt indenture, the term “Event of Default” means any of the following:

- We do not pay the principal of or any premium on a debt security.
- We do not pay interest on a debt security within 30 days of its due date.
- We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur.
- Any other event of default described in the prospectus supplement occurs. (Section 501)

Under the subordinated debt indenture, the term “Event of Default” means any of the following:

- We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur.
- Any other event of default described in the prospectus supplement occurs. (Section 501)

Remedies If an Event of Default Occurs. If an Event of Default occurs, the trustee will have special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs. If an Event of Default has occurred and has not been cured, the trustee or the holders of at least 25% in principal amount of the debt securities of the affected series may declare the entire principal amount (or, in the case of original issue discount securities, the portion of the principal amount that is specified in the terms of the affected debt security) of all the debt securities of that series to be due and immediately payable. This is called a declaration...
of acceleration of maturity. However, a declaration of acceleration of maturity may be cancelled, but only before a judgment or decree based on the acceleration has been obtained, by the holders of at least a majority in principal amount of the debt securities of the affected series. If you are the holder of a subordinated debt security, the principal amount of the subordinated debt security will not be paid and may not be required to be paid at any time prior to the relevant maturity date, except in the event of our insolvency or winding-up. (Section 502)

You should read carefully the prospectus supplement relating to any series of debt securities which are original issue discount securities for the particular provisions relating to acceleration of the maturity of a portion of the principal amount of original issue discount securities upon the occurrence of an event of default and its continuation.

Except in cases of default in which the trustee has the special duties described above, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability called an indemnity. (Section 603) If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the applicable indenture with respect to the debt securities of that series. (Section 512)

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities the following must occur:

- the holder of the debt security must give the trustee written notice that an event of default has occurred and remains uncured;
- the holders of 25% in principal amount of all outstanding securities of the relevant series must make a written request that the trustee take action because of the default, and must offer reasonable indemnity to the trustee against the cost and other liabilities of taking that action; and
- the trustee must have not taken action for 90 days after receipt of the above notice and offer of indemnity. (Section 507)

However, you are entitled at any time to bring a lawsuit for the payment of money due on your debt security on or after its due date. (Section 508)

Book-entry and other indirect holders should consult their banks, brokers or other financial institutions for information on how to give notice or direction to or make a request of the trustee and to make or cancel a declaration of acceleration.

We will give to the trustee every year a written statement of certain of our officers certifying that to their knowledge we are in compliance with the applicable indenture and the debt securities issued under it, or else specifying any default. (Section 1004)

Ownership and Book-Entry Issuance

In this section, we describe special considerations that will apply to registered securities issued in global, i.e., book-entry, form. First we describe the difference between registered ownership and indirect ownership of registered securities. Then we describe special provisions that apply to global securities.

Who is the Registered Owner of a Security?

Each debt security will be represented either by a certificate issued in definitive form to a particular investor or by one or more global securities representing securities. We refer to those who have securities registered in their own names, on the books that we or the trustee maintain for this purpose, as the “registered holders” of those securities. Subject to limited exceptions, we and the trustee are entitled to treat the registered holder of a security as
the person exclusively entitled to vote, to receive notices, to receive any interest or other payment in respect of the
security and to exercise all the rights and power as an owner of the security. We refer to those who own beneficial
interests in securities that are not registered in their own names as indirect owners of those securities. As we discuss
below, indirect owners are not registered holders, and investors in securities issued in book-entry form or in street
name will be indirect owners.

Book-Entry Owners. Unless otherwise noted in your prospectus supplement, we will issue each security in
book-entry form only. This means securities will be represented by one or more global securities registered in the
name of a financial institution that holds them as depositary on behalf of other financial institutions that participate
in the depositary’s book-entry system. These participating institutions, in turn, hold beneficial interests in the
securities on behalf of themselves or their customers.

Under each indenture (and the Bank Act (Canada) in the case of subordinated indebtedness), subject to
limited exceptions, only the person in whose name a security is registered is recognized as the holder of that
security. Consequently, for securities issued in global form, we will recognize only the depositary as the holder of
the securities and we will make all payments on the securities, including deliveries of any property other than cash,
to the depositary. The depositary passes along the payments it receives to its participants, which in turn pass the
payments along to their customers who are the beneficial owners. The depositary and its participants do so under
agreements they have made with one another or with their customers; they are not obligated to do so under the terms
of the securities.

As a result, investors will not own securities directly. Instead, they will own beneficial interests in a global
security, through a bank, broker or other financial institution that participates in the depositary’s book-entry system
or holds an interest through a participant. As long as the securities are issued in global form, investors will be
indirect owners, and not registered holders, of the securities.

Street Name Owners. We may terminate an existing global security or issue securities initially in non-
global form. In these cases, investors may choose to hold their securities in their own names or in street name.
Securities held by an investor in street name would be registered in the name of a bank, broker or other financial
institution that the investor chooses, and the investor would hold only a beneficial interest in those securities through
an account he or she maintains at that institution.

For securities held in street name, we will, subject to limited exceptions, recognize only the intermediary
banks, brokers and other financial institutions in whose names the securities are registered as the holders of those
securities, and we will make all payments on those securities, including deliveries of any property other than cash, to
them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but
only because they agree to do so in their customer agreements or because they are legally required to do so.
Investors who hold securities in street name will be indirect owners, not registered holders, of those securities.

Registered Holders. Subject to limited exceptions, our obligations, as well as the obligations of the trustee
under any indenture and the obligations, if any, of any other third parties employed by us, run only to the registered
holders of the securities. We do not have obligations to investors who hold beneficial interests in global securities, in
street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect owner
of a security or has no choice because we are issuing the securities only in global form.

For example, once we make a payment or give a notice to the registered holder, we have no further
responsibility for that payment or notice even if that holder is required, under agreements with depositary
participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if we want
to obtain the approval of the holders for any purpose — for example, to amend the indenture for a series of debt
securities or to relieve us of the consequences of a default or of our obligation to comply with a particular provision
of an indenture — we would seek the approval only from the registered holders, and not the indirect owners, of the
relevant securities. Whether and how the registered holders contact the indirect owners is up to the registered
holders.
When we refer to “you” in this prospectus, we mean all purchasers of the securities being offered by this prospectus, whether they are the registered holders or only indirect owners of those securities. When we refer to “your securities” in this prospectus, we mean the securities in which you will hold a direct or indirect interest.

**Special Considerations for Indirect Owners.** If you hold securities through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- how it would handle a request for the holders’ consent, if ever required;
- how it would exercise rights under the securities if there were a default or other event triggering the need for holders to act to protect their interests; and
- if the securities are in book-entry form, how the depositary’s rules and procedures will affect these matters.

**What is a Global Security?**

Unless otherwise noted in the applicable prospectus supplement, we will issue each security in book-entry form only. Each security issued in book-entry form will be represented by a global security that we deposit with and register in the name of one or more financial institutions or clearing systems, or their nominees, which we select. A financial institution or clearing system that we select for any security for this purpose is called the “depositary” for that security. A security will usually have only one depositary but it may have more. Each series of securities will have one or more of the following as the depositaries:

- The Depository Trust Company, New York, New York, which is known as “DTC”;
- Euroclear System, which is known as “Euroclear”;
- Clearstream Banking, société anonyme, Luxembourg, which is known as “Clearstream”; and
- any other clearing system or financial institution named in the prospectus supplement.

The depositaries named above may also be participants in one another’s systems. Thus, for example, if DTC is the depositary for a global security, investors may hold beneficial interests in that security through Euroclear or Clearstream, as DTC participants. The depositary or depositaries for your securities will be named in your prospectus supplement; if none is named, the depositary will be DTC.

A global security may represent one or any other number of individual securities. Generally, all securities represented by the same global security will have the same terms. We may, however, issue a global security that represents multiple securities of the same kind, such as debt securities, that have different terms and are issued at different times. We call this kind of global security a master global security. Your prospectus supplement will not indicate whether your securities are represented by a master global security.

A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under “— Holder’s Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated”. As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all securities represented by a global security, and investors will be permitted to own only indirect interests in a global security. Indirect interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depositary or with another institution that does. Thus, an investor whose security is
represented by a global security will not be a holder of the security, but only an indirect owner of an interest in the global security.

If the prospectus supplement for a particular security indicates that the security will be issued in global form only, then the security will be represented by a global security at all times unless and until the global security is terminated. We describe the situations in which this can occur below under “— Holder’s Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated”. If termination occurs, we may issue the securities through another book-entry clearing system or decide that the securities may no longer be held through any book-entry clearing system.

**Special Considerations for Global Securities.** As an indirect owner, an investor’s rights relating to a global security will be governed by the account rules of the depositary and those of the investor’s bank, broker, financial institution or other intermediary through which it holds its interest (e.g., Euroclear or Clearstream, if DTC is the depositary), as well as general laws relating to securities transfers. We do not recognize this type of investor or any intermediary as a holder of securities and instead deal only with the depositary that holds the global security.

If securities are issued only in the form of a global security, an investor should be aware of the following:

- an investor cannot cause the securities to be registered in his or her own name, and cannot obtain non-global certificates for his or her interest in the securities, except in the special situations we describe below;

- an investor will be an indirect holder and must look to his or her own bank, broker or other financial institution for payments on the securities and protection of his or her legal rights relating to the securities, as we describe above under “— Who Is the Registered Owner of a Security?”;

- an investor may not be able to sell interests in the securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form;

- an investor may not be able to pledge his or her interest in a global security in circumstances in which certificates representing the securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;

- the depositary’s policies will govern payments, deliveries, transfers, exchanges, notices and other matters relating to an investor’s interest in a global security, and those policies may change from time to time. We and the trustee will have no responsibility for any aspect of the depositary’s policies, actions or records of ownership interests in a global security. We and the trustee also do not supervise the depositary in any way;

- the depositary may require that those who purchase and sell interests in a global security within its book-entry system use immediately available funds and your bank, broker or other financial institution may require you to do so as well; and

- financial institutions that participate in the depositary’s book-entry system and through which an investor holds its interest in the global securities, directly or indirectly, may also have their own policies affecting payments, deliveries, transfers, exchanges, notices and other matters relating to the securities, and those policies may change from time to time. For example, if you hold an interest in a global security through Euroclear or Clearstream, when DTC is the depositary, Euroclear or Clearstream, as applicable, may require those who purchase and sell interests in that security through them to use immediately available funds and comply with other policies and procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the policies or actions or records of ownership interests of any of those intermediaries.
Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated. If we issue any series of securities in book-entry form but we choose to give the beneficial owners of that series the right to obtain non-global securities, any beneficial owner entitled to obtain non-global securities may do so by following the applicable procedures of the depositary, any transfer agent or registrar for that series and that owner’s bank, broker or other financial institution through which that owner holds its beneficial interest in the securities. If you are entitled to request a non-global certificate and wish to do so, you will need to allow sufficient lead time to enable us or our agent to prepare the requested certificate.

In addition, in a few special situations described below, a global security will be terminated and interests in it will be exchanged for certificates in non-global form representing the securities it represented. After that exchange, the choice of whether to hold the securities directly or in street name will be up to the investor. Investors must consult their own banks, brokers or other financial institutions, to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of holders and street name investors above under “— Who Is the Registered Owner of a Security?”

The special situations for termination of a global security are as follows:

- if the depositary notifies us that it is unwilling, unable or no longer qualified to continue as depositary for that global security and we do not appoint another institution to act as depositary within 60 days;

- if we notify the trustee, warrant agent or unit agent, as applicable, that we wish to terminate that global security; or

- if an event of default has occurred with regard to these debt securities and has not been cured or waived.

If a global security is terminated, only the depositary, and neither we nor the trustee for any debt securities is responsible for deciding the names of the institutions in whose names the securities represented by the global security will be registered and, therefore, who will be the registered holders of those securities.

Considerations Relating to DTC

DTC has advised us as follows:

- DTC is:
  
  (1) a limited purpose trust company organized under the laws of the State of New York;

  (2) a “banking organization” within the meaning of New York Banking Law;

  (3) a member of the Federal Reserve System;

  (4) a “clearing corporation” within the meaning of the New York Uniform Commercial Code; and

  (5) a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act.

- DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes to accounts of its participants. This eliminates the need for physical movement of securities.

- Participants in DTC include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. DTC is partially owned by some of these participants or their representatives.
Indirect access to the DTC system is also available to banks, brokers and dealers and trust companies that have custodial relationships with participants.

The rules applicable to DTC and DTC participants are on file with the SEC.

**Considerations Relating to Clearstream and Euroclear**

Euroclear and Clearstream are securities clearing systems in Europe. Both systems clear and settle securities transactions between their participants through electronic, book-entry delivery of securities against payment.

Euroclear and Clearstream may be depositaries for a global security. In addition, if DTC is the depositary for a global security, Euroclear and Clearstream may hold interests in the global security as participants in DTC.

As long as any global security is held by Euroclear or Clearstream, as depositary, you may hold an interest in the global security only through an organization that participates, directly or indirectly, in Euroclear or Clearstream. If Euroclear or Clearstream is the depositary for a global security and there is no depositary in the United States, you will not be able to hold interests in that global security through any securities clearance system in the United States.

Payments, deliveries, transfers, exchanges, notices and other matters relating to the securities made through Euroclear or Clearstream must comply with the rules and procedures of those systems. Those clearing systems could change their rules and procedures at any time. We have no control over those systems or their participants, and we take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, on one hand, and participants in DTC, on the other hand, when DTC is the depositary, would also be subject to DTC’s rules and procedures.

**Special Timing Considerations Relating to Transactions in Euroclear and Clearstream.** Investors will be able to make and receive through Euroclear and Clearstream payments, deliveries, transfers, exchanges, notices and other transactions involving any securities held through those clearing systems only on days when those systems are open for business. These clearing systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in the securities through these clearing systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream may need to make special arrangements to finance any purchases or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than would be the case for transactions within one clearing system.
The Trustee

The Bank of New York Mellon, as successor to the corporate trust business of JPMorgan Chase Bank, N.A., serves as the trustee for our senior debt securities. The Bank of New York Mellon also serves as the trustee for the subordinated debt securities. Consequently, if an actual or potential event of default occurs with respect to any of these securities, the trustee may be considered to have a conflicting interest for purposes of the Trust Indenture Act of 1939. In that case, the trustee may be required to resign under one or both of the indentures, and we would be required to appoint a successor trustee. For this purpose, a “potential” event of default means an event that would be an event of default if the requirements for giving us default notice or for the default having to exist for a specific period of time were disregarded. From time to time, we and our affiliates have conducted commercial banking, financial and other transactions with The Bank of New York Mellon and its respective affiliates for which fees have been paid in the ordinary course of business. We may conduct these types of transactions with each other in the future and receive fees for services performed.
TAX CONSEQUENCES

UNITED STATES TAXATION

This section describes the material United States federal income tax consequences of owning debt securities that we will offer. This section is the opinion of Sullivan & Cromwell LLP, our United States federal income tax counsel. It applies to you only if you acquire debt securities in an offering and you hold debt securities as capital assets for tax purposes. This section does not apply to persons other than U.S. holders (as defined below). The ownership of debt securities that pay interest from sources within the United States may give rise to material United States federal income tax consequences to persons other than U.S. holders. If a particular offering of debt securities is expected to pay interest from sources within the United States, the applicable supplement will specify that fact and may discuss the material United States federal income tax consequences to persons other than U.S. holders of owning such debt securities. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a tax-exempt organization;
- a life insurance company;
- a person that owns notes that are a hedge or that are hedged against interest rate or currency risks;
- a person that holds debt securities as part of a straddle or conversion transaction;
- a U.S. holder whose functional currency is not the U.S. dollar;
- a person subject to the alternative minimum tax; or
- a bank.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, as well as on the income tax treaty between the United States of America and Canada. These laws are subject to change, possibly on a retroactive basis.

If a partnership holds the debt securities, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the debt securities should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the debt securities.

You are urged to consult your own tax advisor regarding the United States federal, state and local and other tax consequences of owning and disposing of debt securities offered under the prospectus in your particular circumstances.

This section describes the material United States federal income tax consequences of owning debt securities to a U.S. holder. You are a U.S. holder if you are a beneficial owner of debt securities and you are:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to United States federal income tax regardless of its source; or

- a trust if a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

This section deals only with debt securities that are due to mature 30 years or less from the date on which they are issued. The United States Federal income tax consequences of owning debt securities with a term of more than 30 years, indexed notes that are not treated as debt for tax purposes or that are treated as contingent payment debt obligations for tax purposes will be discussed in the applicable supplement and will not, unless otherwise specified in the applicable supplement, be taxed in accordance with the discussion in this section.

Payments of Interest

Except as described below in the case of interest on a discount debt security that is not qualified stated interest, each as defined below under “Original Issue Discount — General”, you will be taxed on any interest on your debt securities, whether payable in U.S. dollars or a foreign currency, including a composite currency or basket of currencies other than U.S. dollars, as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for United States tax purposes.

Unless the applicable supplement states otherwise, debt securities will, for United States federal income tax purposes, be accounted for as being issued by the Bank or one of its non-U.S. affiliates, rather than by a U.S. branch or subsidiary. Assuming this treatment is respected, interest paid by us on such debt securities will be income from sources outside the United States, subject to the rules regarding the foreign tax credit allowable to a U.S. holder. Under the foreign tax credit rules, interest from sources outside the United States will depending on your circumstances, be “passive” or “general” income for purposes of computing the foreign tax credit. If, on the contrary, a particular offering of debt securities is expected to pay interest from sources within the United States, the applicable supplement will state that fact. Interest from sources within the United States is not foreign source income for purposes of computing the foreign tax credit.

Cash Basis Taxpayers. If you are a taxpayer that uses the cash receipts and disbursements method of accounting for tax purposes and you receive an interest payment that is denominated in, or determined by reference to, a foreign currency, you must recognize income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

Accrual Basis Taxpayers. If you are a taxpayer that uses an accrual method of accounting for tax purposes, you may determine the amount of income that you recognize with respect to an interest payment denominated in, or determined by reference to, a foreign currency by using one of two methods. Under the first method, you will determine the amount of income accrued based on the average exchange rate in effect during the interest accrual period or, in the case of an accrual period that spans two taxable years, that part of the period within the taxable year.

If you elect the second method, you would determine the amount of income accrued based on the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if you receive a payment of interest within five business days of the last day of your accrual period or taxable year, you may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that you actually receive the interest payment. If you elect the second method, it will apply to all debt instruments that you hold at the beginning of the first taxable year to which the election applies and to all debt instruments that you subsequently acquire. You may not revoke this election without the consent of the Internal Revenue Service.

In addition, when you actually receive an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of your note, denominated in, or determined by reference to, a foreign currency for which you accrued an amount of income, you will recognize ordinary income or loss measured by the
difference, if any, between the exchange rate that you used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

**Original Issue Discount**

*General.* If you own a debt security, other than a debt security with a term of one year or less, it will be treated as a discount debt security issued at an original issue discount if the amount by which the debt security’s stated redemption price at maturity exceeds its issue price is more than a *de minimis* amount. Generally, a debt security’s issue price will be the first price at which a substantial amount of debt securities included in the issue of which the debt security is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. A debt security’s stated redemption price at maturity is the total of all payments provided by the debt security that are not payments of qualified stated interest. Generally, an interest payment on a debt security is qualified stated interest if it is one of a series of stated interest payments on a debt security that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the debt security. There are special rules for variable rate debt securities that are discussed under “– Variable Rate Debt Securities”.

In general, your debt security is not a discount debt security if the amount by which its stated redemption price at maturity exceeds its issue price is less than the *de minimis* amount of 1/4 of 1 percent of its stated redemption price at maturity multiplied by the number of complete years to its maturity. Your debt security will have *de minimis* original issue discount if the amount of the excess is less than the *de minimis* amount. If your debt security has *de minimis* original issue discount, you must include the *de minimis* amount in income as stated principal payments are made on the debt security, unless you make the election described below under “– Election to Treat All Interest as Original Issue Discount”. You can determine the includible amount with respect to each such payment by multiplying the total amount of your debt security’s *de minimis* original issue discount by a fraction equal to:

- the amount of the principal payment made
  divided by:
  - the stated principal amount of the debt security.

Generally, if your discount debt security matures more than one year from its date of issue, you must include original issue discount, or OID, in income before you receive cash attributable to that income. The amount of OID that you must include in income is calculated using a constant-yield method, and generally you will include increasingly greater amounts of OID in income over the life of your debt security. More specifically, you can calculate the amount of OID that you must include in income by adding the daily portions of OID with respect to your discount debt security for each day during the taxable year or portion of the taxable year in which you hold your discount debt security. You can determine the daily portion by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. You may select an accrual period of any length with respect to your discount debt security and you may vary the length of each accrual period over the term of your discount debt security. However, no accrual period may be longer than one year and each scheduled payment of interest or principal on the discount debt security must occur on either the first or final day of an accrual period.

You can determine the amount of OID allocable to an accrual period by:

- multiplying your discount debt security’s adjusted issue price at the beginning of the accrual period by your debt security’s yield to maturity; and then

- subtracting from this figure the sum of the payments of qualified stated interest on your debt security allocable to the accrual period.
You must determine the discount debt security’s yield to maturity on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. Further, you determine your discount debt security’s adjusted issue price at the beginning of any accrual period by:

- adding your discount debt security’s issue price and any accrued OID for each prior accrual period; and then

- subtracting any payments previously made on your discount debt security that were not qualified stated interest payments.

If an interval between payments of qualified stated interest on your discount debt security contains more than one accrual period, then, when you determine the amount of OID allocable to an accrual period, you must allocate the amount of qualified stated interest payable at the end of the interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, you must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. You may compute the amount of OID allocable to an initial short accrual period by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

The amount of OID allocable to the final accrual period is equal to the difference between:

- the amount payable at the maturity of your debt security, other than any payment of qualified stated interest; and

- your debt security’s adjusted issue price as of the beginning of the final accrual period.

**Acquisition Premium.** If you purchase your debt security for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on your debt security after the purchase date but is greater than the amount of your debt security’s adjusted issue price, as determined above under “– General”, the excess is acquisition premium. If you do not make the election described below under “– Election to Treat All Interest as Original Issue Discount”, then you must reduce the daily portions of OID by a fraction equal to:

- the excess of your adjusted basis in the debt security immediately after purchase over the adjusted issue price of the debt security

  divided by:

- the excess of the sum of all amounts payable, other than qualified stated interest, on the debt security after the purchase date over the debt security’s adjusted issue price.

**Pre-Issuance Accrued Interest.** An election may be made to decrease the issue price of your debt security by the amount of pre-issuance accrued interest if:

- a portion of the initial purchase price of your debt security is attributable to pre-issuance accrued interest;

- the first stated interest payment on your debt security is to be made within one year of your debt security’s issue date; and

- the payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on your debt security.
**Debt Securities Subject to Contingencies, Including Optional Redemption.** Your debt security is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, you must determine the yield and maturity of your debt security by assuming that the payments will be made according to the payment schedule most likely to occur if:

- the timing and amounts of the payments that comprise each payment schedule are known as of the issue date; and
- one of such schedules is significantly more likely than not to occur.

If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, you must include income on your debt security in accordance with the general rules that govern contingent payment obligations. If applicable, these rules will be discussed in the applicable supplement.

Notwithstanding the general rules for determining yield and maturity, if your debt security is subject to contingencies, and either you or we have an unconditional option or options that, if exercised, would require payments to be made on the debt security under an alternative payment schedule or schedules, then:

- in the case of an option or options that we may exercise, we will be deemed to exercise or not to exercise an option or combination of options in the manner that minimizes the yield on your debt security; and
- in the case of an option or options that you may exercise, you will be deemed to exercise or not to exercise an option or combination of options in the manner that maximizes the yield on your debt security.

If both you and we hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. You may determine the yield on your debt security for the purposes of those calculations by using any date on which your debt security may be redeemed or repurchased as the maturity date and the amount payable on the date that you chose in accordance with the terms of your debt security as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules then, except to the extent that a portion of your debt security is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, you must redetermine the yield and maturity of your debt security by treating your debt security as having been retired and reissued on the date of the change in circumstances for an amount equal to your debt security’s adjusted issue price on that date.

**Election to Treat All Interest as Original Issue Discount.** You may elect to include in gross income all interest that accrues on your debt security using the constant-yield method described above under “— General”, with the modifications described below. For purposes of this election, interest will include stated interest, OID, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium, described below under “— Debt Securities Purchased at a Premium”, or acquisition premium.

If you make this election for your debt security, then, when you apply the constant-yield method:

- the issue price of your debt security will equal your cost;
- the issue date of your debt security will be the date you acquired it; and
- no payments on your debt security will be treated as payments of qualified stated interest.
Generally, this election will apply only to the debt security for which you make it; however, if the debt security has amortizable bond premium, you will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludable from gross income, that you hold as of the beginning of the taxable year to which the election applies or any taxable year thereafter. Additionally, if you make this election for a market discount note, you will be treated as having made the election discussed below under “— Market Discount” to include market discount in income currently over the life of all debt instruments that you currently own or later acquire. You may not revoke any election to apply the constant-yield method to all interest on a debt security or the deemed elections with respect to amortizable bond premium or market discount debt securities without the consent of the Internal Revenue Service.

**Variable Rate Debt Securities.** Your debt security will be a variable rate debt security if:

- your debt security’s issue price does not exceed the total noncontingent principal payments by more than the lesser of:
  - 0.015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date; or
  - 15 percent of the total noncontingent principal payments; and

- your debt security provides for stated interest, compounded or paid at least annually, only at:
  - one or more qualified floating rates;
  - a single fixed rate and one or more qualified floating rates;
  - a single objective rate; or
  - a single fixed rate and a single objective rate that is a qualified inverse floating rate.

Your debt security will have a variable rate that is a qualified floating rate if:

- variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which your debt security is denominated; or

- the rate is equal to such a rate multiplied by either:
  - a fixed multiple that is greater than 0.65 but not more than 1.35; or
  - a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and

- the value of the rate on any date during the term of your debt security is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If your debt security provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of the debt security, the qualified floating rates together constitute a single qualified floating rate.

Your debt security will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed.
throughout the term of the debt security or are not reasonably expected to significantly affect the yield on the debt
security.

Your debt security will have a variable rate that is a single objective rate if:

- the rate is not a qualified floating rate;

- the rate is determined using a single, fixed formula that is based on objective financial or economic
  information that is not within the control of or unique to the circumstances of the issuer or a related
  party; and

- the value of the rate on any date during the term of your debt security is set no earlier than three
  months prior to the first day on which that value is in effect and no later than one year following that
  first day.

Your debt security will not have a variable rate that is an objective rate, however, if it is reasonably
expected that the average value of the rate during the first half of your debt security’s term will be either
significantly less than or significantly greater than the average value of the rate during the final half of your debt
security’s term.

An objective rate as described above is a qualified inverse floating rate if:

- the rate is equal to a fixed rate minus a qualified floating rate; and

- the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in
  the cost of newly borrowed funds.

Your debt security will also have a single qualified floating rate or an objective rate if interest on your debt
security is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or
an objective rate for a subsequent period, and either:

- the fixed rate and the qualified floating rate or objective rate have values on the issue date of the debt
  security that do not differ by more than 0.25 percentage points; or

- the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

In general, if your variable rate debt security provides for stated interest at a single qualified floating rate or
objective rate, or one of those rates after a single fixed rate for an initial period, all stated interest on your debt
security is qualified stated interest. In this case, the amount of OID, if any, is determined by using, in the case of a
qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or
qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected
for your debt security.

If your variable rate debt security does not provide for stated interest at a single qualified floating rate or a
single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an
initial period, you generally must determine the interest and OID accruals on your debt security by:

- determining a fixed rate substitute for each variable rate provided under your variable rate debt
  security;

- constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above;

- determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate
debt instrument; and
adjusting for actual variable rates during the applicable accrual period.

When you determine the fixed rate substitute for each variable rate provided under the variable rate debt security, you generally will use the value of each variable rate as of the issue date or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on your debt security.

If your variable rate debt security provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period, you generally must determine interest and OID accruals by using the method described in the previous paragraph. However, your variable rate debt security will be treated, for purposes of the first three steps of the determination, as if your debt security had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of your variable rate debt security as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

**Short-Term Debt Securities.** In general, if you are an individual or other cash basis U.S. holder of a short-term debt security, you are not required to accrue OID, as specially defined below for the purposes of this paragraph, for United States federal income tax purposes unless you elect to do so (although it is possible that you may be required to include any stated interest in income as you receive it). If you are an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer who so elects, you will be required to accrue OID on short-term debt securities on either a straight-line basis or under the constant-yield method, based on daily compounding. If you are not required and do not elect to include OID in income currently, any gain you realize on the sale or retirement of your short-term debt security will be ordinary income to the extent of the accrued OID, which will be determined on a straight-line basis unless you make an election to accrue the OID under the constant-yield method, through the date of sale or retirement. However, if you are not required and do not elect to accrue OID on your short-term debt securities, you will be required to defer deductions for interest on borrowings allocable to your short-term debt securities in an amount not exceeding the deferred income until the deferred income is realized.

When you determine the amount of OID subject to these rules, you must include all interest payments on your short-term debt security, including stated interest, in your short-term debt security’s stated redemption price at maturity.

**Foreign Currency Discount Notes.** If your discount note is denominated in, or determined by reference to, a foreign currency, you must determine OID for any accrual period on your discount note in the foreign currency and then translate the amount of OID into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. holder, as described under “— U.S. Holders — Payments of Interest”. You may recognize ordinary income or loss when you receive an amount attributable to OID in connection with a payment of interest or the sale or retirement of your note.

**Market Discount**

You will be treated as if you purchased your debt security, other than a short-term debt security, at a market discount, and your debt security will be a market discount debt security if:

- you purchase your debt security for less than its issue price as determined above under “— Original Issue Discount – General”; and

the difference between the debt security’s stated redemption price at maturity or, in the case of a discount debt security, the debt security’s revised issue price, and the price you paid for your debt security is equal to or greater than 1/4 of 1 percent of your debt security’s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the debt security’s maturity. To determine the revised issue price of your debt security for these purposes, you generally add any OID that has accrued on your debt security to its issue price.
If your debt security’s stated redemption price at maturity or, in the case of a discount debt security, its revised issue price, exceeds the price you paid for the debt security by less than 1/4 of 1 percent multiplied by the number of complete years to the debt security’s maturity, the excess constitutes *de minimis* market discount, and the rules discussed below are not applicable to you.

You must treat any gain you recognize on the maturity or disposition of your market discount debt security as ordinary income to the extent of the accrued market discount on your debt security. Alternatively, you may elect to include market discount in income currently over the life of your debt security. If you make this election, it will apply to all debt instruments with market discount that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke this election without the consent of the Internal Revenue Service. If you own a market discount debt security and do not make this election, you will generally be required to defer deductions for interest on borrowings allocable to your debt security in an amount not exceeding the accrued market discount on your debt security until the maturity or disposition of your debt security.

You will accrue market discount on your market discount debt security on a straight-line basis unless you elect to accrue market discount using a constant-yield method. If you make this election, it will apply only to the debt security with respect to which it is made and you may not revoke it.

**Debt Securities Purchased at a Premium**

If you purchase your debt security for an amount in excess of its principal amount, you may elect to treat the excess as amortizable bond premium. If you make this election, you will reduce the amount required to be included in your income each year with respect to interest on your debt security by the amount of amortizable bond premium allocable to that year, based on your debt security’s yield to maturity. If your note is denominated in, or determined by reference to, a foreign currency, you will compute your amortizable bond premium in units of the foreign currency and your amortizable bond premium will reduce your interest income in units of the foreign currency. Gain or loss recognized that is attributable to changes in exchange rates between the time your amortized bond premium offsets interest income and the time of the acquisition of your note is generally taxable as ordinary income or loss. If you make an election to amortize bond premium, it will apply to all debt instruments, other than debt instruments the interest on which is excludible from gross income, that you hold at the beginning of the first taxable year to which the election applies or that you thereafter acquire, and you may not revoke it without the consent of the Internal Revenue Service. See also “— Original Issue Discount – Election to Treat All Interest as Original Issue Discount”.

**Purchase, Sale and Retirement of the Debt Securities**

Your tax basis in your debt security will generally be your cost of your debt security adjusted by:

- adding any OID or market discount, *de minimis* original issue discount previously included in income with respect to your debt security; and then
- subtracting any payments on your debt security that are not qualified stated interest payments (except for payments in respect of *de minimis* market discount) and any amortizable bond premium applied to reduce interest on your debt security.

If you purchase your note with foreign currency, the U.S. dollar cost of your note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if you are a cash basis taxpayer or an accrual basis taxpayer that so elects and your note is traded on an established securities market, as defined in the applicable Treasury regulations, the U.S. dollar cost of your note will be the U.S. dollar value of the purchase price on the settlement date of your purchase.

You will generally recognize gain or loss on the sale or retirement of your debt security equal to the difference between the amount you realize on the sale or retirement and your tax basis in your debt security. If your note is sold or retired for an amount in foreign currency, the amount you realize will be the U.S. dollar value of such amount on the date the note is disposed of or retired, except that in the case of a note that is traded on an established
securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an accrual basis
taxpayer that so elects, will determine the amount realized based on the U.S. dollar value of the foreign currency on
the settlement date of the sale.

You will recognize capital gain or loss when you sell or retire your debt security, except to the extent:

- described above under “— Original Issue Discount – Short-Term Debt Securities” or “— Market
  Discount”;  
- attributable to accrued but unpaid interest;  
- the rules governing contingent payment obligations apply; or  
- attributable to changes in exchange rates as described below.

Capital gain of a noncorporate U.S. holder that is recognized in taxable years beginning before January 1,
2011 is generally taxed at a maximum rate of 15% where the holder has a holding period of greater than one year.

You must treat any portion of the gain or loss that you recognize on the sale or retirement of a note as
ordinary income or loss to the extent attributable to changes in exchange rates. However, you take exchange gain or
loss into account only to the extent of the total gain or loss you realize on the transaction.

Exchange of Amounts in other than U.S. Dollars

If you receive foreign currency as interest on your note or on the sale or retirement of your note, your tax
basis in such foreign currency will equal its U.S. dollar value when the interest is received or at the time of the sale
or retirement. If you purchase foreign currency, you generally will have a tax basis equal to the U.S. dollar value of
such foreign currency on the date of your purchase. If you sell or dispose of foreign currency, including if you use it
to purchase notes or exchange them for U.S. dollars, any gain or loss recognized generally will be ordinary income
or loss.

Indexed Debt Securities and Exchangeable Debt Securities

The applicable supplement will discuss any special United States federal income tax rules with respect to
debt securities the payments of which are determined by reference to any index, other debt securities that are subject
to the rules governing contingent payment obligations that are not subject to the rules governing variable rate debt
securities and debt securities exchangeable for stock or securities of the Bank or another entity or entities, into the
cash value therefore or into any combination of the above.

Treasury Regulations Requiring Disclosure of Reportable Transactions

Treasury regulations require United States taxpayers to report certain transactions that give rise to a loss in
excess of certain thresholds (a “Reportable Transaction”). Under these regulations, if the notes are denominated in a
foreign currency, a U.S. holder (or a U.S. alien holder that holds the notes in connection with a U.S. trade or
business) that recognizes a loss with respect to the notes that is characterized as an ordinary loss due to changes in
currency exchange rates (under any of the rules discussed above) would be required to report the loss on Internal
Revenue Service Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the
regulations. For individuals and trusts, this loss threshold is $50,000 in any single taxable year. For other types of
taxpayers and other types of losses, the thresholds are higher. You should consult with your tax advisor regarding
any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of notes.

Information Reporting and Backup Withholding

If you are a noncorporate U.S. holder, information reporting requirements, on Internal Revenue Service
Form 1099, generally will apply to:
• payments of principal and interest on a debt security within the United States, including payments made by wire transfer from outside the United States to an account you maintain in the United States; and

• the payment of the proceeds from the sale of a debt security effected at a United States office of a broker.

Additionally, backup withholding will apply to such payments if you are a noncorporate U.S. holder that:

• fails to provide an accurate taxpayer identification number, is notified by the Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax returns; or

• in certain circumstances, fails to comply with applicable certification requirements.

Payment of the proceeds from the sale of a debt security effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of a debt security that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

• the proceeds are transferred to an account maintained by you in the United States;

• the payment of proceeds or the confirmation of the sale is mailed to you at a United States address; or

• the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption.

In addition, a sale of a debt security effected at a foreign office of a broker will be subject to information reporting if the broker is:

• a United States person;

• a controlled foreign corporation for United States tax purposes;

• a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period; or

• a foreign partnership, if at any time during its tax year:
  • one or more of its partners are “U.S. persons”, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership; or
  • such foreign partnership is engaged in the conduct of a United States trade or business,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the United States Internal Revenue Service.
CANADIAN TAXATION

In the opinion of Ogilvy Renault LLP, Canadian tax counsel to the Bank, the following summary describes the material Canadian federal income tax considerations under the Income Tax Act (Canada) (the “Act”) and Income Tax Regulations (the “Regulations”) generally applicable to a holder of debt securities who acquires debt securities in the original offering, and who, at all relevant times, is not resident and is not deemed to be resident in Canada, who deals at arm’s length with the Bank and any Canadian resident (or deemed Canadian resident) to whom the holder disposes the debt securities, and who does not use or hold and is not deemed to use or hold debt securities in or in the course of carrying on a business in Canada and is not an insurer carrying on an insurance business in Canada and elsewhere (a “Non-resident Holder”).

This summary is based upon the provisions of the Act and the Regulations in force on the date hereof, proposed amendments to the Act and the Regulations in a form publicly announced prior to the date hereof by or on behalf of the Minister of Finance (Canada) (included for this purpose in the reference to the Act and Regulations) and the current administrative practices and policies published in writing by the Canada Revenue Agency. This summary does not take into account or anticipate any other changes in law, whether by legislative, governmental or judicial action or interpretation, nor does it take into account provincial, territorial or foreign income tax legislation. Subsequent developments could have a material effect on the following description.

Canadian federal income tax considerations applicable to debt securities may be described particularly, when such debt securities are offered, in the applicable supplement related thereto. In the event the Canadian federal income tax considerations are described in such supplement, the following description will be superseded by the description in the supplement to the extent indicated therein.

Interest paid or credited or deemed for purposes of the Act to be paid or credited by the Bank on a debt security (including any amount paid at maturity in excess of the principal amount and interest deemed to be paid on the debt security in certain cases involving the assignment or other transfer of a debt security to a resident or deemed resident of Canada) to a Non-resident Holder will not be subject to Canadian non-resident withholding tax unless any portion of such interest (other than on a “prescribed obligation” described below) is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders of any class of shares of the capital stock of a corporation (a “Participating Debt Interest”). A “prescribed obligation” is a debt obligation the terms or conditions of which provide for an adjustment to an amount payable in respect of the obligation for a period during which the obligation was outstanding which adjustment is determined by reference to a change in the purchasing power of money and no amount payable in respect thereof, other than an amount determined by reference to a change in the purchasing power of money, is contingent or dependent upon any of the criteria described in the definition of Participating Debt Interest. If any interest paid or credited or deemed to be paid or credited on a debt security is to be calculated by reference to an index which could be viewed as a proxy for the profit of the Bank, such interest may be subject to Canadian non-resident withholding tax. The Canadian withholding tax implications of such an issuance will be described particularly in the relevant supplement if such debt securities are offered.

In the event that a debt security which is not exempt from Canadian withholding tax according to its terms is redeemed, cancelled, or repurchased, as applicable, or purchased by the Bank or any other person resident or deemed to be resident in Canada from a Non-resident Holder or is otherwise assigned or transferred by a Non-resident Holder to a person resident or deemed to be resident in Canada for an amount which exceeds, generally, the issue price thereof or in certain cases the price for which such debt security was assigned or transferred by a person resident or deemed to be resident in Canada to the Non-resident Holder, the excess may, in certain circumstances, be deemed to be interest and may be subject to non-resident withholding tax if the debt security is not considered to be an “excluded obligation” for purposes of the Act. A debt security that was issued for an amount not less than 97% of the principal amount (as defined for the purposes of the Act) of the debt security, and the yield from which, expressed in terms of an annual rate (determined in accordance with the Act) on the amount for which the debt security was issued does not exceed 4/3 of the interest stipulated to be payable on the debt security, expressed in terms of an annual rate on the outstanding principal amount from time to time will be an excluded obligation for this purpose.
Generally, there are no other taxes on income (including taxable capital gains) payable in respect of a debt security or interest, discount, or premium thereon by a Non-resident Holder.

**PLAN OF DISTRIBUTION**

We may sell any series of debt securities at any time after effectiveness of the Registration Statement of which this prospectus forms a part in one or more of the following ways from time to time:

- through underwriters or dealers;
- through agents; or
- directly to one or more purchasers.

The offered securities may be distributed periodically in one or more transactions at:

- a fixed price or prices, which may be changed;
- market prices prevailing at the time of sale;
- prices related to the prevailing market prices; or
- negotiated prices.

The prospectus supplement will include:

- the initial public offering price;
- the names of any underwriters, dealers or agents;
- the purchase price of the securities;
- our proceeds from the sale of the securities;
- any underwriting discounts or agency fees and other underwriters’ or agents’ compensation;
- any discounts or concessions allowed or reallowed or paid to dealers;
- the place and time of delivery of the securities; and
- any securities exchange on which the securities may be listed.

If underwriters are used in the sale, they will buy the securities for their own account. The underwriters may then resell the securities in one or more transactions, at any time or times at a fixed public offering price or at varying prices. The underwriters may change from time to time any fixed public offering price and any discounts or commissions allowed or re-allowed or paid to dealers. If dealers are utilized in the sale of the securities, we will sell the securities to the dealers as principals. The dealers may then resell the securities to the public at varying prices to be determined by such dealers.

In connection with the offering of securities, we may grant to the underwriters an option to purchase additional securities to cover over-allotments, if any, at the initial public offering price (with an additional underwriting commission), as may be set forth in the prospectus supplement for such securities. If we grant any over-allotment option, the terms of the option will be set forth in the prospectus supplement for the securities.
This prospectus may be delivered by underwriters and dealers in connection with short sales undertaken to hedge exposures under commitments to acquire our securities to be issued on a delayed or contingent basis.

Underwriters, dealers and agents that participate in the distribution of the securities may be underwriters as defined in the U.S. Securities Act of 1933. Any discounts or commissions that we pay them and any profit they receive when they resell the securities may be treated as underwriting discounts and commissions under that Act. We may have agreements with underwriters, dealers and agents to indemnify them against certain civil liabilities, including liabilities under the U.S. Securities Act of 1933, to contribute with respect to payments which they may be required to make in respect of such liabilities and to reimburse them for certain expenses.

Underwriters, dealers and agents, and their affiliates or associates, may engage in transactions with us or perform services for us in the ordinary course of business and receive compensation from us.

Each series of offered securities will be a new issue of securities and will have no established trading market. Securities may or may not be listed on a national or foreign securities exchange or automated quotation system. Any underwriters or agents to whom securities are sold for public offering or sale may make, but are not required to make, a market in the securities, and the underwriters or agents may discontinue making a market in the securities at any time without notice. No assurance can be given as to the liquidity or the existence of trading markets for any securities.

Any underwriters utilized may engage in stabilizing transactions and syndicate covering transactions in accordance with Rule 104 of Regulation M under the Securities Exchange Act of 1934. Stabilizing transactions permit bids to purchase the offered securities or any underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate covering transactions involve purchases of securities in the open market after the distribution has been completed in order to cover syndicate short positions. Such stabilizing transactions and syndicate covering transactions may cause the price of the offered securities to be higher than would be the case in the absence of such transactions.

**Market-Making Resales By Affiliates**

This prospectus may be used by RBC Capital Markets Corporation in connection with offers and sales of the securities in market-making transactions. In a market-making transaction, RBC Capital Markets Corporation may resell a security it acquires from other holders, after the original offering and sale of the security. Resales of this kind may occur in the open market or may be privately negotiated, at prevailing market prices at the time of resale or at related or negotiated prices. In these transactions, RBC Capital Markets Corporation may act as principal or agent, including as agent for the counterparty in a transaction in which RBC Capital Markets Corporation acts as principal, or as agent for both counterparties in a transaction in which RBC Capital Markets Corporation does not act as principal. RBC Capital Markets Corporation may receive compensation in the form of discounts and commissions, including from both counterparties in some cases.

The securities to be sold in market-making transactions include securities to be issued after the date of this prospectus, as well as securities previously issued.

We do not expect to receive any proceeds from market-making transactions. We do not expect that RBC Capital Markets Corporation or any other affiliate that engages in these transactions will pay any proceeds from its market-making resales to us.

Information about the trade and settlement dates, as well as the purchase price, for a market-making transaction will be provided to the purchaser in a separate confirmation of sale.

*Unless we or an agent informs you in your confirmation of sale that your security is being purchased in its original offering and sale, you may assume that you are purchasing your security in a market-making transaction.*
Conflicts of Interest

Our affiliate, RBC Capital Markets Corporation, may participate in the distribution of the securities as an underwriter, dealer or agent. Any offering of securities in which RBC Capital Markets Corporation participates will be conducted in compliance with the applicable requirements of NASD Rule 2720, a rule of the Financial Industry Regulatory Authority, Inc. (“FINRA”). RBC Capital Markets Corporation will not participate in the distribution of an offering of securities that do not have a bona fide public market within the meaning of Rule 2720 and are not investment grade rated within the meaning of Rule 2720 or securities in the same series that have equal rights and obligations as investment grade rated securities unless either (1) each member firm responsible for managing the public offering does not have a conflict of interest within the meaning of Rule 2720, is not an affiliate of any member that does have a conflict of interest, and meets the requirements of Rule 2720 with respect to disciplinary history or (2) a qualified independent underwriter has participated in the preparation of the prospectus supplement or other offering document for the offering of securities and has exercised the usual standards of due diligence with respect thereto. Neither RBC Capital Markets Corporation nor any other FINRA member participating in an offering of these securities that has a conflict of interest will confirm initial sales to any discretionary accounts over which it has authority without the prior specific written approval of the customer.

In compliance with guidelines of FINRA, the maximum commission or discount to be received by the participating FINRA members may not exceed 8% of the aggregate principal amount of securities offered pursuant to this prospectus. We anticipate, however, that the maximum commission or discount to be received in any particular offering of securities will be significantly less than this amount.
BENEFIT PLAN INVESTOR CONSIDERATIONS

A fiduciary of a pension, profit-sharing or other employee benefit plan (a “plan”) subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), should consider the fiduciary standards of ERISA in the context of the plan’s particular circumstances before authorizing an investment in the debt securities. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code (the “Code”).

Section 406 of ERISA and Section 4975 of the Code prohibit plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Internal Revenue Code (also “plans”), from engaging in certain transactions involving “plan assets” with persons who are “parties in interest” under ERISA or “disqualified persons” under the Code (“parties in interest”) with respect to the plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) (“non-ERISA arrangements”) are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws (“similar laws”).

The acquisition or, if applicable, exchange of the debt securities by a plan with respect to which we or certain of our affiliates is or becomes a party in interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those notes are acquired pursuant to and in accordance with an applicable exemption. The U.S. Department of Labor has issued five prohibited transaction class exemptions, or “PTCEs”, that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the notes. These exemptions are:

- PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;
- PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;
- PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;
- PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and
- PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

Any purchaser or holder of debt securities or any interest therein will be deemed to have represented by its purchase and holding of the debt securities that it either (1) is not a plan and is not purchasing those debt securities on behalf of or with “plan assets” of any plan or (2) with respect to the purchase or holding or, if applicable, exchange is eligible for the exemptive relief available under any of the PTCEs listed above or there is some other basis on which such purchase and holding is not prohibited. In addition, any purchaser or holder of debt securities or any interest therein which is a non-ERISA arrangement will be deemed to have represented by its purchase or holding or, if applicable, exchange of the debt securities that its purchase and holding will not violate the provisions of any similar law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing debt securities on behalf of or with “plan assets” of any plan or non-ERISA arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above or some other basis on which such purchase and holding is not prohibited, or the potential consequences of any purchase, holding or exchange under similar laws, as applicable.
Each purchaser and holder of the debt securities has exclusive responsibility for ensuring that its purchase and holding of the debt securities does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any similar laws. The sale of any debt securities to any plan is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by plans generally or any particular plan, or that such an investment is appropriate for plans generally or any particular plan.

LIMITATIONS ON ENFORCEMENT OF U.S. LAWS AGAINST THE BANK, OUR MANAGEMENT AND OTHERS

We are a Canadian chartered bank. Many of our directors and executive officers, including many of the persons who signed the Registration Statement on Form F-3, of which this prospectus is a part, and some of the experts named in this document, reside outside the United States, and a substantial portion of our assets and all or a substantial portion of the assets of such persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon such persons to enforce against them judgments of the courts of the United States predicated upon, among other things, the civil liability provisions of the federal securities laws of the United States. In addition, it may be difficult for you to enforce, in original actions brought in courts in jurisdictions located outside the United States, among other things, civil liabilities predicated upon such securities laws.

We have been advised by our Canadian counsel, Ogilvy Renault LLP, that a judgment of a United States court predicated solely upon civil liability under such laws would probably be enforceable in Canada if the United States court in which the judgment was obtained has a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. We have also been advised by such counsel, however, that there is substantial doubt whether an original action could be brought successfully in Canada predicated solely upon such civil liabilities.

VALIDITY OF SECURITIES

The validity of the debt securities will be passed upon by Ogilvy Renault LLP, Toronto, Ontario, as to matters of Canadian law and applicable matters of Ontario law, and by Sullivan & Cromwell LLP, New York, New York, as to matters of New York law. Davis Polk & Wardwell, New York, New York will issue an opinion as to certain legal matters for the agents or underwriters.

EXPERTS

The consolidated financial statements incorporated by reference in this prospectus from the Bank’s Annual Report on Form 40-F for the year ended October 31, 2009 and the effectiveness of the Bank’s internal control over financial reporting have been audited by Deloitte & Touche LLP, Independent Registered Chartered Accountants, as stated in their reports, which are incorporated herein by reference. Such financial statements have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.
OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The estimated expenses in connection with this offering, other than underwriting discounts and commissions, are as follows (in U.S. dollars):

Registration Statement filing fee ..............................................................................................................$300,000
Trustees’ fees and expenses .....................................................................................................................$1,500,000
Legal fees and expenses .........................................................................................................................$1,500,000
Accounting fees and expenses ...............................................................................................................$800,000
Printing costs ...........................................................................................................................................$500,000
Miscellaneous ............................................................................................................................................$1,650,000

Total  ......................................................................................................................................................$6,250,000