

BY-LAW NO. 1

**A By-law relating generally to the
transaction of the business and affairs
of
HSBC Bank Canada
(Banque HSBC Canada)**

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BY-LAW NO. 1

A By-law relating generally to the
transaction of the business and affairs
of
HSBC Bank Canada
(Banque HSBC Canada)

(the "Bank")

SECTION 1 - INTERPRETATION

- 1.1 **Definitions** - In this By-law, unless the context otherwise requires:
- (a) "Act" means the Bank Act from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;
 - (b) "Board" means the Board of Directors of the Bank; and
 - (c) "By-laws" means this By-law and all other By-laws of the Bank from time to time in force and effect.
- 1.2 **Included Expressions** - Expressions referring to writing shall be construed as including references to printing, lithography, typewriting, photography and other modes of representing or reproducing words in a visible form.
- 1.3 **Included Persons** - Words importing the singular include the plural and vice versa and words importing a male person include a female person and a corporation.
- 1.4 **Definitions in Act to Apply** - The definitions contained in the Act shall, with the necessary changes and so far as applicable, apply to this By-law.
- 1.5 **Headings** - The headings, marginal references and references to specific sections of the Act in this By-Law are for reference purposes only and shall not affect the interpretation of this By-law.

SECTION 2 - BUSINESS OF THE BANK

- 2.1 **Business of Banking** - The Bank shall carry on the business of banking as a Chartered Bank within the meaning of the Act and shall be bound by and comply with provisions contained in the Act with respect to foreign bank subsidiaries.

SECTION 3 - SEAL OF THE BANK

3.1 Corporate Seal - The seal of the Bank shall have an English form and a French form which shall be in the form impressed hereon, and the directors may authorize the use of one or more official seals which shall be facsimiles of the seal of the Bank with the addition of the name of the Province of Canada in which such official seal is intended to be used.

3.2 Execution of Documents - Any deed, transfer, assignment, contract, obligation or other instrument requiring execution on behalf of the Bank may be signed by any two directors, any two officers or by any one director together with one officer, and the corporate seal or facsimile thereof shall be affixed to instruments requiring same. Notwithstanding any provision to the contrary contained in these By-laws, the Board may at any time and from time to time direct the manner in which and the person or persons by whom any particular deed, transfer, assignment, contract, obligation or instrument or any class of deeds, transfers, assignments, contracts, obligations or any other instruments requiring execution by the Bank may or shall be signed.

SECTION 4 - DIRECTORS

4.1 Number of Directors - The minimum number of directors shall be seven and the maximum number of directors shall be twenty, provided that the number of directors to be elected at any annual meeting of the shareholders shall be the number that is fixed by the directors before the annual meeting.

4.2 Vacancies on Board - Subject to the Act and Section 4.1, if a vacancy occurs in the Board of Directors at any time, a director to fill the vacancy may be elected by the remaining directors. A vacancy in the Board of Directors shall not impair the right of the remaining directors to act.

4.3 Election and Term - Subject to the Act, a director (including, for certainty, any director elected or appointed to fill a vacancy) may be elected for a term of one, two or three years. A director elected for a term of one, two or three years holds office until the close of the first, second or third annual meeting of shareholders, as the case may be, following the election of the director. No person shall be eligible to be elected or appointed a director if he or she has reached age 72.

4.4 Failure of Election - In the event of a failure to elect directors on the day for which any annual meeting of shareholders has been called, such election may take place on any other date to which the annual general meeting of shareholders is adjourned, but otherwise the directors holding office at the time when such failure of election took place shall as soon as practicable call a special general meeting of the shareholders to elect directors and to transact any other business that should have been transacted at the annual meeting. Subject to the Act, the directors in office on the day appointed for the election of directors remain in office until new directors are elected.

4.5 Qualifications of Directors - The qualifications of directors shall be as provided by the Act.

4.6 Quorum of Directors - The quorum necessary for the transaction of business by the Board of Directors shall be a majority of the Board. Except as permitted by the Act, the Board shall not transact business at a meeting of the Board unless at least one-half of the directors present are Canadian citizens ordinarily resident in Canada. No business shall be transacted at any time when a quorum is not present.

4.7 Chairman – Subject to the Act, the Board may at its first meeting and thereafter as may be required from time to time elect from their number a Chairman, specify his or her duties and delegate to him or her the powers to manage the business of the Board. In default of such election the then incumbent, if eligible, shall hold office until his or her successor is elected.

4.8 Place of Meeting - The Board may meet together at such places as it thinks fit for the dispatch of business and may adjourn and otherwise regulate its meetings and proceedings as it thinks fit.

4.9 Meetings by Telephone - A meeting of director may be held by such telephonic or other electronic or other communications facilities (including conference telephone), as permit all persons participating in the meeting to communicate adequately with each other during the meeting, and a director participating in a meeting by such means is deemed to be present at that meeting.

4.10 Calling of Meeting - A director may at any time and the Secretary upon the request of the directors shall call a meeting of the Board. Notice thereof specifying the time and place of that meeting, and if required by the Act, specifying the nature of the business to be transacted, shall be mailed, postage prepaid, addressed to each of the directors as permitted by the Act or be given to each director either personally or by leaving it at his or her usual place of business or residential address, or by telegram, telex or other method of transmitting visually recorded messages or by telephone. Notice shall be given at least 48 hours before the time appointed for holding the meeting or such lesser time as may be reasonable under the circumstances. Notwithstanding the foregoing, a director may in any manner waive notice of a meeting of directors and the attendance of a director at any meeting of directors is a waiver of notice of that meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.

4.11 Notice to New Directors - Each newly elected Board may without notice hold its first meeting immediately following the meeting of shareholders at which such Board was elected, for the purpose of organizing, electing and appointing officers and transacting such other business as may be brought before it provided a quorum of directors is present.

4.12 Regular Meetings - The Board may appoint a day or days in any month or months for regular meetings at a place and hour to be named. A copy of any resolution of the Board fixing the place and time of regular meetings of the Board shall be sent to each director forthwith after being passed, but no other notice shall be required for such regular meeting.

4.13 Chairman - The Chairman of the Board, if any, or in his or her absence the Vice-Chairman of the Board, if any, or in his or her absence the President shall be entitled to act as

chairman of every meeting of the Board but, if at any meeting, the Chairman of the Board, Vice-Chairman of the Board, if any, and the President shall not be present within 15 minutes after the time appointed for holding the meeting, or if none of them is willing to act as chairman, the directors present shall choose one of their number to act as chairman.

4.14 Votes to Govern - At all meetings of the Board every question shall be decided by a majority of the votes cast on the question. In the case of an equality of votes the chairman of the meeting shall be entitled to a second or casting vote.

4.15 Conflict of Interest - Except as permitted by the Act, a director referred to in Section 4.16 below shall not be present nor vote on any resolution to approve a contract referred to in that Section.

4.16 Disclosure - A director or officer of the Bank who:

- (a) is a party to a material contract or a proposed material contract with the Bank; or
- (b) is a director or an officer of an entity that is a party to a material contract or proposed material contract with the Bank; or
- (b) has a material interest in any person who is a party to a material contract or proposed material contract with the Bank,

shall disclose in writing to the Bank or request to have entered in the minutes of the meetings of directors the nature and extent of this interest. The provisions of the Act relating to disclosures of interest in material contracts shall apply to this Section 4.15.

4.17 Secrecy - Every director shall be bound to observe the strictest secrecy as to all proceedings at meetings of the Board and any committee with regard to all the business and affairs of the Bank and its customers which come to his or her knowledge.

4.18 Remuneration - The directors may by by-law determine from time to time the aggregate remuneration that may be paid to the directors for their services as such during such period of time fixed by the by-law, and may allocate such remuneration among the directors in such proportions as they may determine; provided that no remuneration shall be paid to the directors until such by-law has been confirmed by special resolution. The Board may also determine from time to time the amount of remuneration to be paid to the officers of the Bank for services rendered or to be rendered as such in each fiscal year and subject to this Section 4.17 may authorize the execution of any contract between the Bank and any director providing for remuneration thereof.

SECTION 5 - COMMITTEES

5.1 Appointment - Subject to the Act, the directors may appoint than from their number and may delegate to any such committee any of the powers of the directors that are permitted under the Act to be so delegated.

5.2 Audit Committee - Subject to the Act, the directors shall appoint from their number an Audit Committee of not less than three directors, the majority of whom are not affiliated with the Bank, none of whom are officers or employees of the Bank or of a subsidiary of the Bank, and at least one half of whom are resident Canadian. The Board shall delegate to the Audit Committee those duties required by the Act to be performed by the Audit Committee, and may delegate such other duties or powers of the directors that are permitted under the Act to be so delegated.

5.3 Conduct Review Committee - Subject to the Act, the directors shall appoint from their number a conduct review committee of not less than three directors, the majority of whom are not affiliated with the Bank, none of whom are officers of the Bank or employee of the Bank or of a subsidiary of the Bank, and at least one half of whom are resident Canadians. The Board shall delegate to the conduct review committee those duties required by the Act to be performed by the conduct review committee, and may delegate such other duties or powers of the directors that are permitted under the Act to be so delegated. Subject to requirements of the Act, the conduct review committee may be combined with any other committee of the Board, including the audit committee required under the Act.

5.4 Quorum of Committee Members - The quorum necessary for the transaction of business by any committee of the Board shall be a majority of committee members. Except as permitted by the Act, no committee of the Board shall transact business at a meeting unless at least one-half of the committee members present are resident Canadians. No business shall be transacted at any time when a quorum is not present.

5.5 Meetings by Telephone - A meeting of any committee of the Board may be held by such telephonic, electronic or other communications facilities (including conference telephone), as permit all persons participating in the meeting to communicate adequately with each other during the meeting, and a committee member participating in a meeting by such means is deemed to be present at that meeting.

5.6 Conduct of Meetings - Subject to the Act, this By-law and any resolution of the Board of Directors, a committee of the Board may meet for the transaction of business, adjourn and otherwise regulate its meetings and procedures as it sees fit, and may from time to time adopt, amend or repeal rules or procedures in this regard. Except to the extent otherwise provided for in accordance with this By-law or by a resolution of the Board of Directors, the provisions of this By-law governing meetings of directors apply to meetings of a committee of the Board.

SECTION 6 - OFFICERS

6.1 Chief Executive Officer - Subject to the Act, the Board shall at its first meeting and thereafter as may be required from time to time elect from their number a Chief Executive Officer, specify his or her duties and delegate to him or her the powers to manage the business and affairs of the Bank. In default of such election the then incumbents, if eligible, shall hold office until his or her successor is elected.

6.2 Other Officers - Subject to the Act, the Board or the Chief Executive Officer may designate other offices of the Bank, appoint to such offices persons of full capacity, specify their duties and delegate to them such powers as may be determined.

6.3 Directors and Officers - A director may be appointed to any office of the Bank but:

- (a) not more than two-thirds of the directors may be affiliated with the Bank;
- (b) not more than fifteen percent of the directors may be employees of the Bank or a subsidiary of the Bank, except that up to four persons who are employees of the Bank or a subsidiary of the Bank may be directors if those directors constitute not more than one-half of the directors of the Bank.

Two or more offices of the Bank may be held by the same person.

SECTION 7 - PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

7.1 Indemnification - Except in respect of an action by or on behalf of the Bank to procure a judgment in its favour, the Bank shall indemnify a director or officer of the Bank, a former director or officer of the Bank or another person who acts or acted, at the Bank's request, as a director or officer of or in a similar capacity for another entity and the person's heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by them in respect of any civil, criminal, administrative, investigative or other proceeding in which they are involved because of that association with the Bank or other entity on the condition that:

- (a) the person acted honestly and in good faith with a view to the best interests of the Bank or the other entity for which he or she acted at the Bank's request as a director or officer or in a similar capacity; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the person had reasonable grounds for believing that his or her conduct was lawful.

7.2 Advances – The Bank may advance amounts to the director, officer, or other person for the costs, charges and expenses of a proceeding referred to in Section 7.1 provided that such amounts advanced shall be repaid to the Bank if the person or persons do not fulfill the conditions set out in Section 7.1.

7.3 Indemnification in Derivative Actions - With the approval of a Court, the Bank shall indemnify a person referred to in Section 7.1 in respect of an action by or on behalf of the Bank or other entity to procure a judgment in its favour to which the person is made a party because of the association with the Bank or other entity referred to in Section 7.1, against all costs, charges and expenses reasonably incurred by that person in connection with such action if that person fulfils the conditions set out in Section 7.1.

SECTION 8 - PENSION PLAN

8.1 Authority - The Board may establish a Pension Fund or Funds for such officers and employees of the Bank and of corporations of which the Bank owns all the issued and outstanding shares (except any qualifying shares of directors) and their families and may adopt, continue, consolidate and revise any Pension Fund or Funds heretofore available to any such officers and employees and their families; and contribute thereto out of the funds of the Bank from time to time such sums as they may by resolution appropriate for that purpose and shall cause such Fund or Funds to be administered in accordance with the rules and regulations thereof as established or amended by the Board from time to time.

SECTION 9 - SHARES

9.1 Act to Apply - The provisions of the Act shall govern shares, issue of shares, redemption and repurchase of shares, share certificates, share transfers, share transmissions and title to shares.

SECTION 10 - DIVIDENDS AND RIGHTS

10.1 Dividends - Subject to the Act, the Board may from time to time declare and pay dividends payable in money or property of the Bank to the shareholders according to their respective rights and interests in the Bank.

10.2 Stock Dividends - For the amount of any dividend that the Board may lawfully declare payable in money, it may declare a stock dividend and issue therefor shares of the Bank as fully paid.

10.3 Dividend Cheques - A dividend payable in cash shall be paid by cheque or banker's draft, or by cable or other means of telegraphic, electronic or mechanical transfer to the order of each registered holder of shares of the class or series in respect of which it has been declared. Where a dividend is paid by cheque or draft, it may be mailed by ordinary mail, postage prepaid, to such registered holder at the address appearing on the register of shareholders, unless such holder otherwise directs. In the case of joint holders, the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all such joint holders and mailed to them at the address appearing on the register of shareholders in respect of such joint holding, or to the first address so appearing if there are more than one. The mailing of such cheque as aforesaid, or the receipt of funds by cable or other means of telegraphic, electronic or mechanical transfer, unless the same be not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Bank is required to and does withhold.

10.4 Non-receipt of Cheques - In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Bank shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-

receipt and of title as the Board may from time to time prescribe, whether generally or in any particular case.

10.5 Unclaimed Dividends - Any dividend unclaimed after a period of 12 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Bank.

SECTION 11 - MEETINGS OF SHAREHOLDERS

11.1 Annual Meetings - The annual meeting of shareholders may be held at such time and at such place in Canada as the Board may, from time to time, determine for the purposes required by the Act and for the transaction of such other business as may properly be brought before the meeting.

11.2 Special Meetings - The directors or any four of them may at any time call a special meeting of shareholders.

11.3 Notice - Notice of any meeting of shareholders of the Bank may be given in the manner prescribed in the Act. Notwithstanding the foregoing, a shareholder and any other person entitled to attend a meeting of shareholders may waive notice, and attendance at a meeting is deemed to be a waiver of notice except where a person attends for the sole purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

11.4 Resolution in Writing - Subject to the Act:

- (a) a resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders; and
- (b) a resolution in writing dealing with all matters required by the Act to be dealt with at a meeting of shareholders, and signed by all the shareholders entitled to vote at that meeting, satisfies all the requirements of the Act and these By-laws relating to meetings of shareholders.

11.5 Chairman, Secretary and Scrutineers - The Chairman of the Board or, in his or her absence, the Deputy-Chairman, if any, or in his or her absence, the President, if such an officer has been elected or appointed and is present, shall be chairman of any meeting of shareholders. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chairman. If the Secretary of the Bank is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by resolution of the shareholders or by the chairman with the consent of the meeting.

11.6 Persons Entitled to be Present - The only persons entitled to attend a meeting of shareholders shall be those entitled to vote thereat, the auditors of the Bank and others who,

although not entitled to vote, are entitled or required under the Act or the By-laws to be present at the meeting. Any other person may be admitted only with the invitation of the chairman of the meeting or with the consent of the meeting.

11.7 Quorum - A quorum for the transaction of business at any meeting of shareholders shall be the holder or holders of a majority of the shares entitled to vote thereat, present in person or by proxy. Where a shareholder is a body corporate the duly authorized representative or representatives thereof shall be entitled to attend and vote on behalf of such body corporate. If the Bank has only one shareholder, or only one holder of any class or series of shares, the shareholder present in person or by proxy, (or the duly authorized representative thereof in the case of a body corporate) shall constitute a meeting of shareholders or a meeting of shareholders of that class or series of shares as the case may be.

11.8 Right to Vote - At any meeting of shareholders every person shall be entitled to vote who is present in person or by proxy and votes and who, at the time of the taking of the vote, is registered on the records of the Bank as the holder of one or more shares carrying the right to vote at such meeting. Unless otherwise provided in the By-laws, every shareholder shall be entitled to one vote for each share held by him or her at such time.

11.9 Form of Proxy - Unless in the circumstances the Act requires any other form of proxy, a proxy appointing a proxyholder, whether for a specified meeting or otherwise, shall be in the following form or in any other form that the Board shall approve:

HSBC Bank Canada
(Banque HSBC Canada)

The undersigned hereby appoints _____ of _____ or failing him or her _____ of _____ as proxyholder for the undersigned to attend at and vote for and on behalf of the undersigned at the general meeting of the Bank to be held on the day of ____, 19__, and at any adjournment of that meeting.

Signed this __ day of _____, 19__.

(Signature of Shareholder or
Authorized Signatory)

11.10 Time for Deposit of Proxies - A proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof shall be deposited at the registered office of the Bank or at such other place as is specified for that purpose in the notice calling the meeting not less than 48 hours before the time for holding the meeting at which the person named in the proxy proposes to vote or shall be deposited with the chairman prior to the commencement of the meeting.

11.11 Votes to Govern - At any meeting of shareholders every question shall, unless otherwise required by the Act or By-laws, be determined by the majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a ballot, the chairman of the meeting shall not be entitled to a second or casting vote.

11.12 Adjournment - The chairman of the meeting may with the consent of any meeting at which a quorum is present and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. If the meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of a general meeting of the Bank. Save as aforesaid, it shall not be necessary to give any notice of an adjourned meeting or of the business to be transacted at any adjourned meeting.

11.13 Show of Hands - Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of that question, and the result of the vote so taken shall be the decision of the shareholders upon that question.

11.14 Submission of Contracts or Transactions to Shareholders for Approval - The Board in their discretion may submit any contract, matter or transaction for approval, ratification or confirmation at any general meeting of shareholders of the Bank.

SECTION 12 - NOTICES

12.1 Giving of Notice - Except where otherwise specified in the By-laws or in the Act, any notice, communication or document to be given to a shareholder, director or officer of the Bank shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to the address as recorded in the books of the Bank or if mailed by prepaid ordinary or airmail in a sealed envelope addressed to the address as recorded in the books of the Bank or if sent by any means of wire or wireless or other form of transmitted or recorded communication. Any notice, communication or document so delivered shall be deemed to have been given when it is delivered personally or at the address aforesaid, and a notice, communication or document so mailed shall be deemed to have been given when deposited in a post office or public letter box; and a notice or communication sent by any means of wire or wireless or any other form of transmitted or recorded communication shall be deemed to have been given when delivered to the appropriate communication company or agency or its representative for dispatch.

12.2 Joint Shareholders - All notices with respect to any shares registered in more than one name may, if more than one address is recorded on the books of the Bank in respect of such joint holding, be given to such joint shareholders at the first address so recorded, and a notice so given shall be sufficient notice to all the holders of such shares.

12.3 Computation of Time - In computing the date when notice must be given under any provision of the Act requiring a specified number of days' notice of any meeting or other event, the date of giving the notice shall be excluded and the date of the meeting or other event shall be included.

12.4 Omissions and Errors - The accidental omission to give any notice to any shareholder, director, officer, auditor, or member of a committee of the Board, or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

12.5 Waiver of Notice - Any shareholder or its duly appointed proxy or representative, director or officer may waive any notice required to be given to him or her under any provision of the Act or By-laws of the Bank and such waiver whether given before or after the meeting or other event of which notice is required to be given shall cure any default in giving such notice.

SECTION 13 - FINANCIAL YEAR-END

13.1 Financial Year-End. - The financial year of the Bank shall expire on the thirty-first day of December in each year.

HSBC BANK CANADA

BY-LAW NO. 2

RIGHTS, PRIVILEGES, RESTRICTIONS AND CONDITIONS ATTACHED TO

AN UNLIMITED NUMBER OF COMMON SHARES AND AN UNLIMITED NUMBER OF CLASS 1 PREFERRED SHARES AND AN UNLIMITED NUMBER OF CLASS 2 PREFERRED SHARES

Authorized Capital

1. The authorized capital of the Bank consists of an unlimited number of common shares without nominal or par value (the "Common Shares"), an unlimited number of Class 1 Preferred Shares without nominal or par value and an unlimited number of Class 2 Preferred Shares without nominal or par value. The Class 1 Preferred Shares shall be entitled to preference over the Class 2 Preferred Shares, the Common Shares and over any other shares of the Bank ranking junior to the Class 1 Preferred Shares with respect to the payment of dividends and the distribution of assets of the Bank in the event of the liquidation, dissolution and winding-up of the Bank, whether voluntary or involuntary, or any other distribution of the assets of the Bank among its shareholders for the purpose of winding-up its affairs. The Class 2 Preferred Shares shall be entitled to preference over the Common Shares and over any other shares of the Bank ranking junior to the Class 2 Preferred Shares with respect to the payment of dividends and the distribution of assets of the Bank in the event of liquidation, dissolution and winding-up of the Bank, whether voluntary or involuntary, or any other distribution of the assets of the Bank among its shareholders for the purpose of winding-up its affairs.

Common Shares

2. The Common Shares shall have attached thereto the following rights, privileges, restrictions and conditions:
 - 2.1 Voting Rights. The holders of the Common Shares shall be entitled to one vote in respect of each Common Share held at any meeting of the shareholders of the Bank except where only holders of a special class of shares are entitled to vote.
 - 2.2 Dividends. The holders of the Common Shares, in the absolute discretion of the directors, shall be entitled to receive, and the Bank shall pay thereon out of moneys of the Bank properly applicable to the payment of dividends, as and when declared by the directors to the exclusion

of any other class or classes of shares of the Bank, but subject to the rights of the holders of the preferred shares, non-cumulative dividends as may be declared from time to time in respect of the Common Shares.

- 2.3 Liquidation, Dissolution or Winding-up. In the event of the liquidation, dissolution or winding-up of the Bank, or other distribution of assets of the Bank among its shareholders for the purpose of winding-up its affairs or upon a reduction of capital, the holders of the Common Shares shall, after the prior payment of amounts owing to holders of the preferred shares, be entitled to the remainder of the assets of the Bank.
- 2.4 Redemption. The Common Shares shall be non-redeemable.

Class 1 Preferred Shares

3. The Class 1 Preferred Shares shall have attached thereto the following rights, privileges, restrictions and conditions:
- 3.1 Interpretation. The term "Class 1 Preferred Shares" shall mean the Class 1 Preferred Shares as a class.
- 3.2 Issue In Series. The Class 1 Preferred Shares may at any time and from time to time be issuable in one or more series, in accordance with and subject to the provisions of the *Bank Act* as now existing or hereafter amended (herein referred to as the "Act"). The Board of Directors (the "Board") shall, subject to the provisions of the Act, the provisions herein contained and to any conditions attaching to any outstanding series of Class 1 Preferred Shares, by resolution duly passed before the issue of any Class 1 Preferred Shares of any series, fix the number of Class 1 Preferred Shares to be comprised in such series, fix the rights, privileges, restrictions and conditions to be attached to the Class 1 Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the designation thereof, the rate or method of calculation or amount of preferential dividends, and whether such rate, amount or method or calculation shall be subject to change or adjustment in the future, the date or dates and place or places of payment thereof, the consideration and the terms and conditions of any purchase or cancellation or redemption thereof, conversion rights (if any), voting rights (if any), the terms and conditions of any purchase fund or sinking fund (if any), the restrictions (if any) respecting payment of dividends on or any repayment of capital in respect of any shares ranking junior to the Class 1 Preferred Shares, rights or retraction (if any) vested in the holders thereof, and constraints on the transfer of the Class 1 Preferred Shares (if any).
- 3.3 Priority. The Class 1 Preferred Shares of each series shall, with respect to priority in payment of dividends and, as more particularly set forth in paragraph 3.6 hereof, with respect to distribution of assets in the event of the liquidation, dissolution or winding-up of the Bank, whether voluntary or involuntary, or any other distribution of the assets of the Bank among its shareholders for the purpose of winding-up its affairs, be entitled to a preference over the Common Shares of the Bank and over any other shares ranking junior to the Class 1 Preferred

Shares, and the Class 1 Preferred Shares of each series may also be given such other preferences over the Common Shares and any other shares ranking junior to the Class 1 Preferred Shares as may be determined as to the respective series authorized to be issued. The priority, in the case of cumulative dividends, shall be with respect to all prior completed periods in respect of which such dividends were payable and, in the case of non-cumulative dividends, shall be with respect to all dividends declared and unpaid, plus such further amounts, if any, as may be specified in the provisions attaching to a particular series.

- 3.4 Series to Rank Equally on Liquidation, Dissolution or Winding-up. The Class 1 Preferred Shares of each series shall rank on a parity with the Class 1 Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Bank, whether voluntary or involuntary, or any other distribution of the assets of the Bank among its shareholders for the purpose of winding-up of its affairs.
- 3.5 Dividends. The holders of the Class 1 Preferred Shares of each series shall be entitled to receive and the Bank shall pay thereon as and when declared by the Board, subject to the provisions of the Act, dividends in the amounts specified or determined in accordance with the provisions of such series and such dividends may be cumulative or non-cumulative and payable in cash (including foreign currency) or by way of a stock dividend or in any other lawful manner. Dividends which are cumulative, shall accrue from the date of issue of the Class 1 Preferred Shares on the amount paid up thereon. Subject to specific provisions of a series in the case of dividends payable in cash, drafts of the Bank payable at par shall be issued for the amount of such dividends less any tax required to be deducted. Dividend drafts shall be forwarded to each holder of Class 1 Preferred Shares in accordance with the by-laws of the Bank. In the case of a dividend payable in cash, the forwarding of such a draft to a holder of Class 1 Preferred Shares or payment to the credit of a holder on the direction of such holder shall be a full and complete discharge of the Bank's obligation to pay such dividend to such holder. A dividend payable in cash, by agreement between the Bank and the holder of Class 1 Preferred Shares, may be paid by wire transfer, direct deposit, or any other means acceptable to the Bank and such holder. If on any date for the payment of any dividend on the Class 1 Preferred Shares of any series, the dividend payable on such date is not paid in full on all the Class 1 Preferred Shares of such series then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the Board on which the Bank shall have sufficient moneys or property properly applicable to the payment of same. The holders of the Class 1 Preferred Shares of any series shall not be entitled to any dividends other than or in excess of those expressly provided for in the preferences, rights, conditions, restrictions, limitations or prohibitions attached to the Class 1 Preferred Shares of such series.
- 3.6 Priority on Liquidation, Dissolution or Winding-up. In the event of liquidation, dissolution or winding-up of the Bank, whether voluntary or involuntary, or any other distribution of the assets of the Bank among its shareholders for the purpose of winding-up its affairs, before any amount shall be paid to or any assets distributed among the holders of the Common Shares or share of any other class of the Bank ranking junior to the Class 1 Preferred Shares, the holder of a Class 1 Preferred Share of a series shall be entitled to receive to the extent provided for with respect

to such Class 1 Preferred Shares by such series (i) an amount equal to the amount paid upon thereon (ii) such premium, if any, as has been provided for with respect to the Class 1 Preferred Shares of such series and (iii) all unpaid cumulative dividends, if any, on such Class 1 Preferred Share (which for such purpose shall be calculated as if such cumulative dividends were accruing daily for the period from the expiration of the last period for which cumulative dividends have been paid up to and including the date of distribution) and, in the case of non-cumulative Class 1 Preferred Shares, all declared and unpaid non-cumulative dividends. After payment to the holders of the Class 1 Preferred Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Bank.

- 3.7 Voting Rights. Subject to the provisions of the Act and except as otherwise herein expressly provided, the holders of the Class 1 Preferred Shares of each series shall not, as such, have any voting rights for the election of directors of the Bank or for any other purpose, nor shall they be entitled to receive any notice or attend shareholders' meetings, except to the extent provided in any series.

Notwithstanding the foregoing, the holders of the Class 1 Preferred Shares shall be entitled to receive notice of meetings or shareholders called for the purpose of authorizing the dissolution of the Bank or the sale of its business or assets.

- 3.8 Creation and Issue of Additional Preferred Shares. The Bank shall not, without prior approval of the holders of the Class 1 Preferred Shares given as hereinafter specified:

- (a) create or issue any shares ranking in priority to the Class 1 Preferred Shares; or
- (b) amend the provisions attaching to the Class 1 Preferred Shares;

unless at the date of such creation or issuance all cumulative dividends up to and including the last completed period for which such cumulative dividends shall be payable, shall have been declared and paid or set apart for payment in respect of each series of cumulative Class 1 Preferred Shares then issued and outstanding and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment in respect of each series of non-cumulative Class 1 Preferred Shares then issued and outstanding.

- 3.9 Certain Changes to Class 1 Preferred Shares. Subject to the specific provisions of a series, the Bank shall, without prior approval of the holders of the Class 1 Preferred Shares, have the power to:

- (a) increase or decrease any maximum number of authorized shares of the Class 1 Preferred Shares or increase any maximum number of authorized shares of another class of shares having rights or privileges equal or superior to the Class 1 Preferred Shares;
- (b) effect an exchange, reclassification or cancellation of all or part of the Class 1 Preferred Shares; and
- (c) create a new class of shares ranking equal to the Class 1 Preferred Shares.

- 3.10 Approval of Class 1 Preferred Shareholders. Subject to the specific provisions of a series, the approval of the holders of Class 1 Preferred Shares required as to any and all matters referred to herein (in addition to or as distinct from any vote, authorization, confirmation or approval required by the Act) may be given by an instrument or instruments in writing signed by the holders of not less than two-thirds of the issued and outstanding Class 1 Preferred Shares or by a resolution passed by at least two-thirds of the votes cast at a general meeting of the holders of Class 1 Preferred Shares duly called for that purpose at which holders holding a majority of the outstanding Class 1 Preferred Shares is represented or present, or, if at any such meeting the holders of a majority of the outstanding Class 1 Preferred Shares are not present or represented by proxy within one-half an hour after the time appointed for such meeting, such meeting shall be adjourned to such date being no less than 15 days later and to such time and place as may be appointed by the chairman and not less than 7 days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose of which the meeting was originally called.

At such adjourned meeting, the holders of Class 1 Preferred Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution of passed thereat by not less than two-thirds of the votes cast at such adjourned meeting shall constitute the approval and confirmation of the holders of the Class 1 Preferred Shares referred to above.

The formalities to be observed in respect of the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the Act and the by-laws of the Bank with respect to meeting of shareholders. On every poll taken at a meeting or adjourned meeting of holders of Class 1 Preferred Shares every holder of Class 1 Preferred Shares shall be entitled to one vote in respect of each Class 1 Preferred Share held by such shareholder.

- 3.11 Amendment. Any by-law to amend, delete or vary any preferences, rights, privileges, restrictions and conditions attaching to the Class 1 Preferred Shares shall, in addition to the requirements of the Act, not be effective until it has been approved by the holders of the Class 1 Preferred Shares in accordance with Section 3.10.

Class 2 Preferred Shares

4. The Class 2 Preferred Shares shall have attached thereto the following rights, privileges, restrictions and conditions:
- 4.1 Interpretation. The term "Class 2 Preferred Shares" shall mean the Class 2 Preferred Shares as a class.
- 4.2 Issue In Series. The Class 2 Preferred Shares may at any time and from time to time be issuable in one or more series, in accordance with and subject to the provisions of the Act. The Board shall, subject to the provisions of the Act, the provisions herein contained and to any conditions attaching to any outstanding series of Class 2 Preferred Shares, by resolution duly

passed before the issue of any Class 2 Preferred Shares of any series, fix the number of Class 2 Preferred shares to be comprised in such series, fix the rights, privileges, restrictions and conditions to be attached to the Class 2 Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the designation thereof, the rate or method of calculation or amount of preferential dividends, and whether such rate, amount or method or calculation shall be subject to change or adjustment in the future, the date or dates and place or places of payment thereof, the consideration and the terms and conditions of any purchase or cancellation or redemption thereof, conversion rights (if any), voting rights (if any), the terms and conditions of any purchase fund or sinking fund (if any), the restrictions (if any) respecting payment of dividends on or any repayment of capital in respect of any shares ranking junior to the Class 2 Preferred Shares, rights or retraction (if any) vested in the holders thereof, and constraints on the transfer of the Class 2 Preferred Shares. The Board is deemed to have designated the Class 2 Preferred Shares Series A as set forth in paragraph 4.11 hereof.

- 4.3 Priority. The Class 2 Preferred Shares of each series shall, with respect to priority in payment of dividends and, as more particularly set forth in paragraph 4.6 hereof, with respect to distribution of assets in the event of liquidation, dissolution or winding-up of the Bank, whether voluntary or involuntary, or any other distribution of the assets of the Bank among its shareholders for the purpose of winding-up its affairs, be ranked junior to the Class 1 Preferred Shares but shall be entitled to a preference over the Common Shares of the Bank and over any other shares ranking junior to the Class 2 Preferred Shares, and the Class 2 Preferred Shares of each series may also be given such other preferences over the Common Shares and any other shares ranking junior to the Class 2 Preferred Shares as may be determined as to the respective series authorized to be issued. The priority, in the case of cumulative dividends, shall be with respect to all prior completed periods in respect of which such dividends were payable and, in the case of non-cumulative dividends, shall be with respect to all dividends declared and unpaid, plus such further amounts, if any, as may be specified in the provisions attaching to a particular series.
- 4.4 Series to Rank Equally on Liquidation, Dissolution or Winding-Up. The Class 2 Preferred Shares of each series shall rank on a parity with the Class 2 Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Bank, whether voluntary or involuntary, or any other distribution of the assets of the Bank among its shareholders for the purpose of winding-up of its affairs.
- 4.5 Dividends. The holders of the Class 2 Preferred Shares of each series shall be entitled to receive and the Bank shall pay thereon as and when declared by the Board, subject to the provisions of the Act, dividends in the amounts specified or determined in accordance with the provisions of such series and such dividends may be cumulative or non-cumulative and payable in cash (including foreign currency) or by way of a stock dividend or in any other lawful manner. Dividends which are cumulative, shall accrue from the date of issue of the Class 2 Preferred Shares on the amount paid up thereon. In the case of dividends payable in cash, drafts of the Bank payable at par shall be issued for the amount of such dividends less any tax required to be deducted. Dividend drafts shall be forwarded to each holder of Class 2

Preferred Shares in accordance with the by-laws of the Bank. In the case of a dividend payable in cash, the forwarding of such a draft to a holder of Class 2 Preferred Shares or payment to the credit of a holder on the direction of such holder shall be a full and complete discharge of the Bank's obligation to pay such dividend to such holder. A dividend payable in cash, by agreement between the Bank and the holder of Class 2 Preferred Shares, may be paid by wire transfer, direct deposit, or any other means acceptable to the Bank and such holder. If on any date for the payment of any dividend on the Class 2 Preferred Shares of any series, the dividend payable on such date is not paid in full on all the Class 2 Preferred Shares of such series then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the Board on which the Bank shall have sufficient moneys or property properly applicable to the payment of same. The holders of the Class 2 Preferred Shares of any series shall not be entitled to any dividends other than or in excess of those expressly provided for in the preferences, rights, conditions, restrictions, limitations or prohibitions attached to the Class 2 Preferred Shares of such series.

4.6 Priority on Liquidation, Dissolution or Winding-up. In the event of liquidation, dissolution or winding-up of the Bank, whether voluntary or involuntary, or any other distribution of the assets of the Bank among its shareholders for the purpose of winding-up its affairs, before any amount shall be paid to or any assets distributed among the holders of the Common Shares or share of any other class of the Bank ranking junior to the Class 2 Preferred Shares, the holder of a Class 2 Preferred Share of a series shall be entitled to receive to the extent provided for with respect to such Class 2 Preferred Shares by such series (i) an amount equal to the amount paid upon thereon (ii) such premium, if any, as has been provided for with respect to the Class 2 Preferred Shares of such series and (iii) all unpaid cumulative dividends, if any, on such Class 2 Preferred Share (which for such purpose shall be calculated as if such cumulative dividends were accruing daily for the period from the expiration of the last period for which cumulative dividends have been paid up to and including the date of distribution) and, in the case of non-cumulative Class 2 Preferred Shares, all declared and unpaid non-cumulative dividends. After payment to the holders of the Class 2 Preferred Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Bank.

4.7 Voting Rights. Subject to the provisions of the Act and except as otherwise herein expressly provided, the holders of the Class 2 Preferred Shares of each series shall not, as such, have any voting rights for the election of directors of the Bank or for any other purpose, nor shall they be entitled to receive any notice or attend shareholders' meetings, except to the extent provided in any series.

Notwithstanding the foregoing, the holders of the Class 2 Preferred Shares shall be entitled to receive notice of meetings or shareholders called for the purpose of authorizing the dissolution of the Bank or the sale of its business or assets.

4.8 Creation and Issue of Additional Preferred Shares. The Bank shall not, without prior approval of the holders of the Class 2 Preferred Shares given as hereinafter specified:

(a) create or issue any shares ranking in priority to the Class 2 Preferred Shares; or

- (b) create or issue any additional series of Class 2 Preferred Shares or any shares ranking *pari passu* with the Class 2 Preferred Shares;

unless at the date of such creation or issuance all cumulative dividends up to and including the last completed period for which such cumulative dividends shall be payable, shall have been declared and paid or set apart for payment in respect of each series of cumulative Class 2 Preferred Shares then issued and outstanding and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment in respect of each series of non-cumulative Class 2 Preferred Shares then issued and outstanding.

- 4.9 Approval of Class 2 Preferred Shareholders. The approval of the holders of Class 2 Preferred Shares required as to any and all matters referred to herein (in addition to or as distinct from any vote, authorization, confirmation or approval required by the Act) may be given by an instrument or instruments in writing signed by the holders of not less than two-thirds of the issued and outstanding Class 2 Preferred Shares or by a resolution passed by at least two-thirds of the votes cast at a general meeting of the holders of Class 2 Preferred Shares duly called for that purpose at which holders holding a majority of the outstanding Class 2 Preferred Shares is represented or present, or, if at any such meeting the holders of a majority of the outstanding Class 2 Preferred Shares are not present or represented by proxy within one-half an hour after the time appointed for such meeting, such meeting shall be adjourned to such date being no less than 15 days later and to such time and place as may be appointed by the chairman and not less than 7 days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose of which the meeting was originally called.

At such adjourned meeting, the holders of the Class 2 Preferred Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution of passed thereat by not less than two-thirds of the votes cast at such adjourned meeting shall constitute the approval and confirmation of the holders of the Class 2 Preferred Shares referred to above. The formalities to be observed in respect of the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the Act and the by-laws of the Bank with respect to meeting of shareholders. On every poll taken at a meeting or adjourned meeting of holders of Class 2 Preferred Shares every holder of Class 2 Preferred Shares shall be entitled to one vote in respect of each Class 2 Preferred Share held by such shareholder.

- 4.10 Amendment. Any by-law to amend, delete or vary any preferences, rights, privileges, restrictions and conditions attaching to the Class 2 Preferred Shares shall, in addition to the requirements of the Act, not be effective until it has been approved by the holders of the Class 2 Preferred Shares in accordance with Section 4.9.

- 4.11 Class 2 Preferred Shares Series A. 10,800,000 of the Class 2 Preferred Shares are deemed to be designated by the Board as Class 2 Preferred Shares Series A divided into three tranches as follows:

Tranche 1 - 4,000,000 Class 2 Preferred Shares Series A

Tranche 2 - 4,000,000 Class 2 Preferred Shares Series A

Tranche 3 - 2,800,000 Class 2 Preferred Shares Series A

The Class 2 Preferred Shares Series A confer on the holders thereof and are subject to the rights, privileges, restrictions and conditions attached to the Class 2 Preferred Shares as a class together with the rights, privileges, restrictions and conditions described in Schedule A attached hereto.

HSBC BANK CANADA

BY-LAW NO. 3

The aggregate of all amounts that may be paid to Directors of the Bank in respect of Directors' remuneration for services performed during each fiscal year of the Bank commencing with the fiscal year 2019 shall be fixed at CAD 1,300,000.