

Bond/Certificate of Deposit Trading Services

Why consider/Why not consider

Important Risk Warning

- ◆ Bond is an investment product. The investment decision is yours but you should not invest in this product unless the intermediary who sells it to you has explained to you that the product is suitable for you having regard to your financial situation, investment experience and investment objectives
- ◆ Bond/Certificate of Deposit (CD) is NOT equivalent to a time deposit. CD is not a protected deposit and is NOT protected under the Hong Kong Deposit Protection Scheme
- ◆ Issuer's Risk – The Bond/CD is subject to both the actual and perceived measures of credit worthiness of the issuer. There is no assurance of protection against a default by the issuer in respect of the repayment obligations. In the worst case scenario, you might not be able to recover the principal and any coupon if the issuer defaults on the Bond/CD

Consider it if...

- ✓ you wish to have steady income generated by the interest paid throughout the life of the Bond/CD
- ✓ You want to have your principal protected at maturity[^]
- ✓ You are willing to hold your funds in the product for a medium to long term
- ✓ you want to capture wealth growth and yield enhancement opportunities
- ✓ you want to build a portfolio for meeting children's educational expenditures or provide an income source to fulfill the future retirement needs

Not consider it if...

- ✗ you are not willing to invest in bond with the minimum amount requirement, depending on the type of Bond/CD and the respective market prices at the point of trading
- ✗ you are not willing to involve currency exchange if the denominated currency of the product is different from your holding currency or home currency
- ✗ you are a person who is US citizen/with US nationality, is US resident or US tax payer, or have a US address (e.g. primary mailing, residence or business address in the US). Or you are a resident of Canada, or national of South Korea who is also a resident of South Korea

[^] Bond/ CD is mainly medium to long term fixed income products, not for short term speculation. You should be prepared to hold your funds in Bond/CD for the full tenor; you could lose part or all of your principal if you choose to sell Bond/CD prior to maturity.

Highlights for your best interest

- ◆ There are many types of bonds/ certificates of deposit from different issuers that vary in their terms. Some examples include the fixed rate bond/CD, floating rate bond, zero coupon bond and callable bond/CD. You should therefore carefully consider which one is suitable in light of your own financial position and objectives

Risk Highlights

- ◆ Indicative price of Bond/CD is available and Bond/CD's price do fluctuate when market changes. Factors affecting market price of Bond/CD include, and are not limited to, fluctuations in Interest Rates, Credit Spreads, and Liquidity Premiums. The fluctuation in yield generally has a greater effect on prices of longer tenor bonds. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling Bond/CD
- ◆ If you wish to sell Bond/CD, HSBC may repurchase it based on the prevailing market price under normal market circumstances, but the selling price may differ from the original buying price due to changes in market conditions
- ◆ Credit ratings of Bond/CD do not guarantee the creditworthiness of the Issuer. They are not recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time
- ◆ There are other risks you should be aware of. Please refer to the Bond/CD factsheet and the specific product offering documents for product and risk details

Remarks:

The contents of this document are only for general reference. Making available this document or any marketing materials or any market or product information to you shall not, by itself, constitute solicitation of the sale or recommendation of any product. If you wish to receive solicitation or recommendation from us, please contact us and, where relevant, go through our suitability assessment before transacting.

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution before purchasing this product. **You should not purchase this product based on this document alone.** If you are in any doubt, you should obtain independent professional advice.

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Product information

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- ◆ Bond/CD is NOT equivalent to a time deposit. CD is not a protected deposit and is NOT protected under the Hong Kong Deposit Protection Scheme
- ◆ Issuer's Risk – The Bond/CD is subject to both the actual and perceived measures of credit worthiness of the issuer. There is no assurance of protection against a default by the issuer in respect of the repayment obligations. In the worst case scenario, you might not be able to recover the principal and any coupon if the issuer defaults on the Bond/CD
- ◆ Additional risks are disclosed in the section of "Risk Disclosure" below. Please refer to it for details

Bonds are credit notes issued by governments, corporations or other issuers to bondholders. As a bondholder, you are extending credit to these issuers and they are obligated to repay the redemption value of the bond upon maturity, as well as a rate of interest during the life of the bond. There are many types of bonds/ certificates of deposit from different issuers that vary in their terms. Some examples include the fixed rate bond/CD, floating rate bond, zero coupon bond and callable bond/CD.

Why should I purchase Bond/CD?

In general, Bond/CD offers comparatively safe returns. At HSBC, we currently offer Bond/CD issued by governments including PRC, US and HKSAR, local quasigovernment bodies, supranationals and well-known corporations around the world denominated in major currencies. There is also a wide selection of tenors or terms from which to choose, i.e., from 1 to 30 years with various benchmark yields.

What factors affect bond prices?

Prices of bonds correlate with the bond yield, which in turn is directly related to the credit risks of the bond issuers. Credit risk is usually measured by credit ratings assigned by international rating companies such as Moody's and Standard & Poor's. Issuers with higher credit risk may pay a higher yield to attract investors. Changes in the credit ratings will be reflected in the yield and price of the bond.

Generally, the prices of Bond move in the opposite direction to changes in the yield. When the bond yield is up, the price falls and when the bond yield is down, the price increases.

How do I benefit from Bond/CD purchase and sale?

There is the potential for capital gains when you buy and sell Bond/CD. Steady income is also generated by the interest paid throughout the life of the Bond/CD.

The advantages of HSBC

When you invest through HSBC, you know that you are serviced by one of the most established banks in the world. HSBC has specially selected some of the most well-known bond /CD issuances, providing a wide range of tenors for different investment needs. With our extensive network in the investment community and a strong Bond/CD capacity, HSBC is able to offer some of the most competitive pricing. And if you need to sell the Bond/CD purchased through us, HSBC will repurchase them based on the prevailing market price under normal market circumstances[†].

All Bond/CD purchased through HSBC are under our custody and our nominee service ensures that all interest earned is credited to your integrated account or savings account with us. You can manage your Bond/ CD portfolio with a monthly transaction summary and transaction history provided by us, or review the current worth of your Bond/CD with the account summary. Furthermore, you can obtain the latest Bond/CD prices for both purchases and sales through our phonebanking service, HSBC Internet Banking, or by visiting any HSBC branch.

† The buying price may differ from the original selling price due to changes in market conditions.

The costs of purchasing or selling Bond/CD

The minimum amount for purchasing Bond/CD is HK\$10,000, depending on the type of Bond/CD and the respective market prices at the point of trading. Handling fees are charged for the following services:

Service	Handling fees	
	Bond	CD
Safe custody	Waived	Waived
Interest collection	Waived	Waived
Redemption at maturity	Waived	Waived
Transfer*	Into HSBC	Waived
	Out of HSBC	Through Central Money Market Unit (CMU): HKD500 per note/bond per transfer Through Euroclear/other overseas clearing houses/bank: HKD1,000 per note/bond per transfer

* Customers will need to pay if there are any out of pocket costs incurred.

All charges are subject to revision. The charges for other specific services will be advised at the time the services are offered or on request.

Enjoy extra benefits

- ◆ **Secured credit facility** – a loan ratio of up to 70% of the Bond/CD value
- ◆ **Calculation of Total Relationship Balance** – the money purchased Bond/CD will be included in the calculation of your Total Relationship Balance[#]. This balance forms the basis of benefits such as preferential interest and exchange rates, favourable interest rates on your secured credit facility, and the annual fee waiver

[#] The related accrued interest will not be included in either the secured credit facility or the Total Relationship Balance.

Start purchasing Bond/CD now

If you have an HSBC Premier/HSBC One/Personal Integrated Account investment services account, or a Securities Account, you can buy/sell Bond/CD** through any HSBC branch, our phonebanking service[†] or HSBC Internet Banking. [@]

** Trading of RMB bonds is specifically designed for HSBC Premier/HSBC One/Personal Integrated Account customers who also hold a RMB savings account.

[†] Phonebanking provides service to customers on selling bonds only.

[@] The services provided through HSBC Internet Banking involve no solicitation of the sale or recommendation of, or advice on, any product from us. All transactions that you enter into through HSBC Internet Banking are conducted on an execution-only basis and based on your own judgment. We do not have any duty to assess or ensure suitability of the product or the transaction that you enter into. If you wish to receive solicitation or recommendation from us, you should contact us and, where relevant, go through our suitability assessment before transacting.

For more information:

- ◆ Go to our web site at www.hsbc.com.hk
- ◆ Call 2233 3733
- ◆ Visit any HSBC branch

Risk Disclosure:

- ◆ Bond/ CD is mainly medium to long term fixed income products, not for short term speculation. You should be prepared to hold your funds in Bond/CD for the full tenor; you could lose part or all of your principal if you choose to sell Bond/CD prior to maturity
- ◆ It is the issuer to pay interest and repay principal of Bond/CD. If the issuer defaults, the holder of Bond/CD may not be able to receive back the interest and principal. The holder of Bond/CD bears the credit risk of the issuer and has no recourse to HSBC unless HSBC is the issuer itself
- ◆ Indicative price of Bond/CD is available and Bond/CD's price does fluctuate when market changes. Factors affecting market price of Bond/CD include, and are not limited to, fluctuations in Interest Rates, Credit Spreads, and Liquidity Premiums. The fluctuation in yield generally has a greater effect on prices of longer tenor bonds. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling Bond/CD
- ◆ If you wish to sell Bond/CD, HSBC may repurchase it based on the prevailing market price under normal market circumstances, but the selling price may differ from the original buying price due to changes in market conditions
- ◆ There may be exchange rate risks if you choose to convert payments made on Bond/CD to your home currency
- ◆ The secondary market for Bond/CD may not provide significant liquidity or may trade at prices based on the prevailing market conditions and may not be in line with the expectations of Bond/CD holders
- ◆ If Bond/CD is early redeemed, you may not be able to enjoy the same rates of return when you use the proceeds to purchase other products

Note:

- ◆ Effective from 1 September 2013, free SMS notification on Bond/CD maturity will be sent to customer 3 calendar days before the Maturity date provided that 1) customer's mobile phone service is registered in Hong Kong and 2) customer's correspondence address is in Hong Kong in accordance to the Bank's record. The SMS notifications will NOT be sent to customers if it deems inappropriate to send the SMS to customer in accordance to the Bank's policy as designated by the Bank from time to time. This service is subject to change without prior notice. To opt out, please call (852) 2233 3033 for HSBC Jade customers, (852) 2233 3322 for HSBC Premier customers or (852) 2233 3000 for other personal banking customers
- ◆ If you have any feedback or complaint about any aspect of the service you have received, please contact our Hong Kong branches, call (852) 2233 3033 for HSBC Jade customers, (852) 2233 3322 for HSBC Premier customers or (852) 2233 3000 for other personal banking customers, or write to the Customer Relations Department at P.O. Box No.71169 Kowloon Central Post Office, or send an email to feedback@hsbc.com.hk. We will respond to a complaint within a reasonable period of time normally not exceeding 30 days in general circumstances. If you are not satisfied with the outcome of your complaint, you have the right to refer the matter to the Complaint Processing Centre of Hong Kong Monetary Authority at 55th Floor Two International Finance Centre, 8 Finance Street, Central, Hong Kong. For monetary dispute, you have the right to refer the matter to the Financial Dispute Resolution Centre at Room 408-409, 4/F, West Wing, Justice Place, 11 Ice House Street, Central, Hong Kong
- ◆ This information is issued by The Hongkong and Shanghai Banking Corporation Limited. It is based on information obtained from sources believed to be reliable, but we make no representation and accept no responsibility as to its accuracy or completeness and shall not be held liable for damages arising out of any person's reliance upon this information. This information is neither a recommendation, an offer to sell, nor a solicitation of an offer to purchase any investment. It is not intended to provide and should not be relied upon as any tax, legal or accounting advice, investment recommendations or a credit or other evaluation of the bonds. You are advised to consult your tax, legal, accounting or other advisors
- ◆ Customers agree and accept that, unless otherwise specified by the Bank, in no circumstances will the Bank or any of its nominees, custodians and/or agents be under any obligation or responsibility to apply for, or assist in the application for, any Tax Reclaim Arrangement that may be available to the Customers. Customers agree and accept that neither the Bank nor its nominees, custodians and/or agents shall be held liable for the loss of Tax Reclaim Arrangement or any other losses, damages, costs and/or expenses incurred or suffered by the Customers in this regard. "Tax Reclaim Arrangement" means any tax refund, tax concession, tax differences reclaim, preferential tax treatment or the like
- ◆ In providing custodian services, the Bank will deliver the Notes purchased in accordance with the agreement with you. In case of failed delivery of Notes by third party, you may exercise rights to claim for the ownership of the Notes as appropriate
- ◆ The Hongkong and Shanghai Banking Corporation Limited, of 1 Queen's Road Central, Hong Kong, a deemed registered institution under the Securities and Futures Ordinance. HSBC is registered with the Securities and Futures Commission, Hong Kong with central entity number AAA523

Bond/CD Offering Documents:

Make sure you receive and read Bond/CD termsheet. If you are in any doubt about the contents of the offering document, you should take independent professional advice.

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