

HSBC Lombard Lending Facility Terms and Conditions

HSBC Bank (Singapore) Limited



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Contents

1. Welcome			
1.1 Our agreement	4		
1.2 Key	4		
1.3 Summary of product	6		
2. How your Facility works			
2.1 How we'll give you the Loan	7		
2.2 You'll grant us security for your Loan	7		
2.3 Repayment and reborrowing	8		
2.4 You appoint us as your attorney	9		
2.5 Floating charges and fixed charges	10		
2.6 Accounts opening and operation	11		
2.7 How much can you borrow?	12		
2.8 Keep track of what you owe	14		
2.9 Margin Status	14		
2.10 How to keep track of what you owe us	15		
3. If things don't go as planned			
3.1 When we can sell and dispose of your Secured Assets	16		
		3.2 Where you hold assets or take loans in different currencies	17
		3.3 Multi-Currencies Loan	17
		3.4 Valuation	18
		3.5 Interest, fees and other costs	18
		3.6 Ending this Agreement	20
		3.7 What happens if our Agreement ends?	22
		4. Other important information	
		4.1 Changes to this Agreement	23
		4.2 Communication	24
		4.3 Limitation of liability	25
		4.4 Joint and several liability	25
		4.5 Taxes, costs and indemnities	25
		4.6 No responsibility for loss	26
		4.7 Representation and warranties	27
		4.8 Changes in circumstances	28
		4.9 Saving provisions	28
		4.10 Right of set-off	29
		4.11 Appointment of nominee or custodian	29


4.12	No enquiry by third party	30		
4.13	Delegation	30		
4.14	Successors and assigns	30		
4.15	Waiver	31		
4.16	Governing law and courts	31		
5.	Definitions	32		
			Appendix 1:	
			Examples describing how	
			the Facility works	36
			1. Key Concepts	36
			2. Illustration(s)	38
			Appendix 2:	
			Risk disclosures specific to	
			the Facility	44
			1. General risk of securities trading	44
			2. Leverage Risks	44
			3. Interest rate risk	44
			4. Timely investment	45
			5. Liquidity risk	45
			6. Commissions, Fees and Charges	45
			7. Uncommitted facility	45
			8. Restricted access to cash deposits/assets (investments) for the Facility	45
			9. Taxes, costs and indemnities	46
			10. Other Risks	46

1. Welcome

1.1 Our agreement

We're so glad you're here. This is our contract. It records the promises we make to each other about the Lombard Lending Facility. It's legally binding between you and us. We'll call it our "Agreement". We'll call the secured overdraft facility your "Facility". Any money we lend you under the Facility are called "Loans". When we talk about "we", "our" or "us" in this contract, we mean HSBC Bank (Singapore) Limited.

When we talk about "you" or "your", we mean the main applicant and any joint applicant listed in the Application Form.

 By submitting a Lombard Lending Application Form, you agree to be bound by this Agreement. Make sure you read this Agreement before you use this Facility. This includes the risk disclosures in Appendix 2.

Our Agreement starts when you drawdown the Facility by accessing the money we promised to lend you. It ends when you repay the Facility in full. Sometimes, it can also be ended early. Unless we say otherwise in this Agreement, any terms we use have the same meaning as defined in the:

- ♦ HSBC Terms and Conditions governing Personal Deposits; and
- ♦ The HSBC Premier Terms and Conditions.

1.2 Key

In this Agreement, these icons mean:



Things you need to do



Look closer



Be aware



Things you can't do



Additional information
to help you



Things you need to do
that are time sensitive

Our Agreement is made up of the documents below. They explain how our relationship will work.

Terms and Conditions for Lombard Lending Facility	This Agreement.	You're reading this now.
Product Sheet	Sets out important information we need for your application and acknowledgement of certain risks applicable to Lombard Lending.	You received a copy at the time of your application.
Application Form	Sets out information on your Credit Limit request, Lending Account and Investment Account information.	You sent this to us when you applied for the Facility.
HSBC Account User Agreement	Sets out the terms that apply to your personal deposit account held with us.	You received a copy at the time of your application.
Premier Terms and Conditions	Sets out the terms that apply to your Premier package held with us.	You received a copy at the time of your application.
Investment Terms	Sets out the terms that apply to your investment account held with us.	You received a copy at the time of your application.
Confirmation Advice	Confirms our agreement to grant you the Facility. It sets out key information about your Credit Limit and annual interest rate. We'll send you a Confirmation Advice if you make a new application or request to increase or decrease your limit.	We'll send you the confirmation advice.
Customer Instruction From	Sets out information on your request to change your Credit Limit or the collateral or to cancel the Facility.	You'll send this to us when you need to.

1.3 Summary of product

Your Benefits	<p>The Facility is a secured overdraft facility that can be secured by one or more types of collateral and gives you the flexibility for spending or investment. With the Facility, you'll have access to these benefits:</p> <ul style="list-style-type: none"> ◆ A wide range of assets accepted as collateral; ◆ Flexibility to capitalise on potential market opportunities when they arise; ◆ Access to major currencies to hedge foreign currency risk for investment; ◆ A boost to your investment power using your dormant assets; ◆ Convenient access to short term liquidity without liquidating your investment; and ◆ The potential to enhance your portfolio yield through carry yield. 	Clauses 2.2 & 3.3
How your Loan works	<p>You can drawdown the Facility fully or partially. You can also redraw when you repay amounts.</p> <p>We'll hold a charge, pledge, lien and assignment over your Secured Assets until you repay the Loan.</p> <p>We'll set your Credit Limit and Effective Credit Limit.</p> <p>You must not borrow more than your Credit Limit or Effective Credit Limit (whichever is lower).</p> <p>You'll pay interest, commission, costs, fees and other charges and expenses.</p> <p>We can change this Agreement when it's reasonable to do so. We'll let you know when we do this.</p> <p>The Facility is uncommitted and payable on demand. This means we can ask you to repay the Loans under the Facility at any time.</p>	<p>Clauses 2.2 & 2.3</p> <p>Clause 2.7</p> <p>Clause 3.5</p> <p>Clause 4.1</p> <p>Appendix 2</p>
Your Security Confirmation Advice	<p>You'll need to meet the minimum Required Margin at all times.</p> <p>If the value of your Secured Assets drops and your Net Margin Ratio (NMR) falls below the required ratio, we may make a Margin Call. This means you'll need to give us additional funds or Eligible Assets as collateral within 5 business days or 60 calendar days of the Margin Call notice, depending on your NMR.</p> <p>If you don't do this, we could sell part or all of your investment products and other assets. We can also demand repayment of the Facility in full.</p> <p>We may sell the Secured Assets in certain situations and use the proceeds to repay the money you owe us.</p>	<p>Clause 2.9</p> <p>Clause 3.1</p>

See appendix 1 for an illustration on how Lombard Lending works.

2. How your Facility works

2.1 How we'll give you the Loan

If we grant your Facility, we'll send you a Confirmation Advice. Your Confirmation Advice will set out:

- ◆ Your Loan amount;
- ◆ Your annual interest rate; and
- ◆ The date you may start drawing down your Loan.

We'll pay any money drawn from us as part of the Loan, into your Lending Account.

🗨 We'll also tell you if we decide not to grant your Loan. This won't affect any previous loans that we've given you under the Facility.

It's important to be aware that all Instructions and Transactions are subject to other documents relating to the investments. These include terms and conditions, product specifications, offering documents, constitutive documents, information memoranda, prospectus and other documentation in relation to the underlying investment products and other assets. This includes, but is not limited to, those related to the Eligible Assets.

2.2 You'll grant us security for your Loan


📝 As security for your Loan, you'll charge, pledge, create a lien and assign in our favour:


- ◆ All Deposits;
- ◆ Time Deposits;
- ◆ Eligible Assets;
- ◆ Scripless Securities;
- ◆ Distributions;
- ◆ Fixed Incomes;
- ◆ Unit Trusts;
- ◆ Structured Products; and
- ◆ Related Securities,

as continuing security for your payment of the Loan and all other amounts owed under these terms. This means we have all rights, title and interest over the Secured Assets (all monies and investment products, both present and future) to the entire value of all outstanding sums under the Facility.


The securities, policies and funds so charged and all interest, benefits, rights and entitlements arising from them or attaching to them shall include but not limited to dividends, interest, rights, monies or property accruing at any time by way of allotment, redemption, accretion, bonus, benefits, preference, option or otherwise to or in respect of any such securities. We'll refer to these collectively as the "Secured Assets".

If you apply for the Facility through a joint account, all monies and investment products held in the joint account would also constitute Secured Assets; the security created over the Secured Assets is to the full extent of the interest held by each of you as account holder.

-  Until you repay the Loan and all other amounts owed under these terms in full, you must:
- ♦ Maintain monies in your Lending Account and Secured Assets in your Investment Account as we deem appropriate to secure your Loan;
 - ♦ Not withdraw, sell or dispose of the Secured Assets or transfer your Secured Assets to anyone else (or to any of your other accounts), except in our favor or with our prior written consent;
 - ♦ Not withdraw or transfer out the proceeds of the sale of any Secured Asset, except in our favour or with our prior written consent; and
 - ♦ Not allow anyone else to have any interest in the Secured Assets.

 We can also sell any of your Secured Assets and other Eligible Assets in the situations outlined in clause 3.1. We can do this until you repay the Loan and all other amounts owed under these terms in full.

2.3 Repayment and reborrowing

-  What you owe us at any time is made up of the outstanding:
- ♦ Amount of Loan you've drawn down;
 - ♦ Interest; and
 - ♦ Fees, charges, costs or expenses that arise for your Loan.

-
- ✔ You can repay amounts due by transferring money to your Lending Account or by selling Secured Assets. Please note that any money transferred to your Lending Account will be used to repay what you owe us, in the same currency. We won't convert your money to repay what you own in other currencies unless you ask us to in advance.

We'll automatically apply the sale proceeds of any Secured Asset towards repayment of your Loan in the same currency.

- ✔ With prior approval from us, you can transfer Secured Assets into another investment account.


You may be required to transfer new Eligible Assets to replace them. You can ask us by using the Customer Instruction Form. We don't have to agree to do this.

- ✔ You may:
 - ♦ Charge, pledge, create a lien or assign your Eligible Assets from your Investment Account as Secured Assets before your existing Secured Assets can be un-pledged, re-assigned or have the charge or lien removed; or
 - ♦ Sell or redeem your existing Secured Assets after repaying all your Loan and any other amounts due, (such as interest and fees) and then purchase new Secured Assets with any remaining sale proceeds.


- ✔ You may drawdown from the Facility as long as:
 - ♦ You stay within the lower of your Credit Limit and your Effective Credit Limit; and
 - ♦ Your Net Margin Ratio is at least 100% (or any other percentage we tell you), after any repayment of your Loan.

2.4 You appoint us as your attorney

You appoint us as your attorney. You irrevocably and by way of security appoint us and any delegate or sub-delegate as your attorney, and with full power of substitution, to exercise our rights or any of the powers, authorities and discretions conferred by under this clause and this Agreement. We'll call this your "POA".


 This means we can act on your behalf by executing all documents and doing anything which you've agreed to do in connection with the Secured Assets under this Agreement. For example, this means we can take all steps necessary to sell or transfer any of the Secured Assets such as signing forms. We don't have to tell you before we do this. We'll only do this if we consider it appropriate. This power of attorney is coupled with our security interest. This means you can't revoke it while this Agreement is continuing. You'll ratify and confirm each document, act or thing which we lawfully execute or do as your attorney.

We can delegate to any person or group of people any of the powers, authorities and discretions exercisable by us under your POA. We can do this at any time. We can do this using a power of attorney or another means that is appropriate. We'll always exercise due care when selecting a delegate or sub-delegate.


 We won't be liable or responsible to you for any loss or damage arising from any act, default, omission or misconduct on the part of any such delegate or sub-delegate.

Any third party referred to in this Clause may enjoy the benefit of or enforce the terms of this Clause in accordance with the provisions of the Contracts (Rights of Third Parties) Act 2001.

2.5 Floating charges and fixed charges

 There are generally two types of security: floating charges and fixed charges. A fixed charge covers a chosen asset for a certain period. A floating charge is used when the asset itself may change or fluctuate e.g. shares. A floating charge is converted into a fixed charge when a certain event occurs such as a default.

We prefer fixed charges because they give more certainty to you and us. But there are times when we have to use a floating charge such as when your Secured Assets change periodically.

 If we can use a floating charge, we can convert it into a specific fixed charge at any time by sending you a notice in writing. We'll specify any assets in the notice we consider to be in jeopardy. We'll usually do this if there has been an Event of Default. We don't have to appoint a receiver.

The floating charge will become a fixed charge automatically if:

- ♦ You grant anyone else an interest in your Secured Assets (both present and future) in breach of this clause 2; or
- ♦ Any person takes, or tries to take, action against your Secured Assets (both present and future).

We'll try to tell you before we do this but we may not always be able to.

The security we have over your Secured Assets won't be affected by:

- ♦ Your death, bankruptcy or incapacity, or repayment of money you owe; or
- ♦ Any other circumstances.

To the extent permitted by law:

- ♦ We may insist you repay all loans you have with us if you want to repay one of them. This is known as our right of consolidation; and
- ♦ Any restriction on our right of consolidation does not apply to the security created by this clause 2.

2.6 Accounts opening and operation

You'll need to open the following accounts:

- ♦ Lombard Lending Account ("Lending Account"); and
- ♦ Wealth Portfolio Investment Account ("Investment Account").

We'll call these accounts your "Operating Accounts".

You can open these accounts by submitting to us a duly completed and executed Application Form.

You must operate these accounts in accordance with this Agreement.

🗨 If you want to purchase investments in different currencies, then you'll also need to open additional Lending Accounts in the corresponding currencies. We can decide which currencies the Facility will be available in.





We won't:

- ♦ Issue cheque books; or
- ♦ Accept direct debit instructions, autopay or standing instructions in respect of the Lending Account.


2.7 How much can you borrow?

You can borrow up to the lower of your Credit Limit and your Effective Credit Limit.

Credit Limit	<p>Your "Credit Limit" is set out in your Confirmation Advice. It's a static ceiling limit.</p> <p>✔ You can apply to change your Credit Limit by completing the Customer Instruction Form. If we agree, we'll send you an updated Confirmation Advice.</p> <p>○ We can change your Credit Limit at any time. We'll tell you before we do this. There are many reasons why we may need to make a change. Many are beyond our control. Rest assured that when we make changes we act reasonably and as a careful and responsible lender. The most common reasons for changing your Credit Limit include that we:</p> <ul style="list-style-type: none">◆ Have changed our credit risk appetite and policies towards credit and financial risks;◆ Reasonably believe market conditions will cause you to be exposed to unacceptable risks if we don't make the change;◆ Reasonably determine that your credit worthiness has deteriorated; or◆ Are required by law to do so.
Effective Credit Limit	<p>Your "Effective Credit Limit" is the total Collateral Value of your Secured Assets, capped at the Credit Limit.</p> <p>You may drawdown the entire Loan to finance your investment but the limit may vary depending on the:</p> <ul style="list-style-type: none">◆ Advance Ratio;◆ Commission;◆ Fees;◆ Costs; and◆ Any other charges and expenses for your investment transaction. <p>The Effective Credit Limit is set by us. We can change the amount of your Effective Credit Limit.</p> <p>Your Effective Credit Limit and the Net Margin Ratio will change on a daily basis depending on the value of your collateral and your cash or Loan position when any of the following happens:</p> <ul style="list-style-type: none">◆ The market value of any Secured Asset change;◆ We change the Advance Ratio applicable to any Secured Asset;◆ We change the list of Eligible Assets which causes some of your Secured Assets to no longer be considered as eligible;◆ As for the Effective Credit Limit, a change in your Net Margin Ratio;◆ You sell your Secured Assets or, un-pledge, re-assign or remove the charge or lien on the Secured Assets;◆ You add additional Eligible Assets to your Investment Account(s) as collateral or any Secured Assets are no longer in your Investment Account; or◆ You deposit cash or withdraw cash from your Lending Account. <p>We'll update your Effective Credit Limit and your margin status on a daily basis.</p> <p>Please see Appendix 1 which explains how you can calculate your Effective Credit Limit.</p> <p>📄 You can find your most up-to-date Effective Credit Limit in your account statement or by using internet banking.</p>

Collateral Value	<p>We calculate the collateral value of your Secured Assets using the set of Advance Ratios assigned to the Secured Asset. It is expressed as the market value of the Secured Asset multiplied by the Concentrated AR percentage and adjusted by the market value of respective Secured Assets in the portfolio multiplied by the Residual AR percentage up till the value at Diversified AR percentage.</p> <p>Please see Appendix 1 which explains how you can determine your Collateral Value.</p> <p>The set of Advance Ratios is expressed in percentage and applied to the market value of each Eligible Asset.</p> <p> You can find the list of Eligible Assets and the Advance Ratios on our webpage (www.hsbc.com.sg).</p>
Eligible Assets and Advance Ratio	<p>We can change the list of Eligible Assets and the Advance Ratios that apply to the Eligible Assets and Secured Assets at any time with immediate effect without prior notice.</p> <p> We can't predict all of the reasons why we may need to make a change, but when we make changes, we act as a careful and responsible lender. The most common reasons are:</p> <ul style="list-style-type: none"> ◆ We reasonably believe the quality of some types of Eligible Assets will deteriorate; ◆ We change our credit risk appetite and policies towards credit and financial risks; ◆ We reasonably believe that market conditions will cause you to be exposed to unacceptable risk if we do not make the change; ◆ To make sure your Secured Assets would be enough to cover the amount you owe us if you are not able to pay us in any other way; or ◆ We're required by law or regulation to do so. <p>We'll act reasonably when setting your Effective Credit Limit.</p>
Net Margin Ratio	<p>This is the ratio of the available margin to the required margin expressed as a percentage.</p> <p> It determines your margin status and ensures there's an appropriate margin or difference between the:</p> <ul style="list-style-type: none"> ◆ Collateral Value of your Secured Assets in your Investment Account; and ◆ Total amount you owe us under your Loan, to cover market volatility and losses if you don't take appropriate action in case of shortfall or if you don't pay what you owe us. <p>Please see Appendix 1 which contains descriptions and examples of how we work out the Net Margin Ratio.</p> <p> Your Net Margin Ratio must not drop below 100% (or any other percentage we tell you).</p> <p>For the purpose of determining the Net Margin Ratio, we'll consolidate and set-off the respective debits and credits amount by reference to a Singapore dollar base currency (effecting foreign exchange conversion for such purpose at such rate(s) as we deem in good faith appropriate) to determine the net credit or debit relevant to determine the ratio.</p>

2.8 Keep track of what you owe

 You must ensure at all times that:

- ♦ You don't owe us more than the lower of your Credit Limit and Effective Credit Limit; and
- ♦ The Net Margin Ratio (NMR) is equal to or more than 100% (or any other percentage as specified by us and notified to you).

If either of these things happen, we're entitled to make a Margin Call ("Margin Call") on you to restore the margin to a level no less than 100% (or any other percentage as specified by us and notified to you) within the required period (depending on your NMR).


2.9 Margin Status

 We may send you a Margin Call notice to cover the shortfall, but are not obliged to do so, if:


- ♦ You owe us more than the lower of your Credit Limit and Effective Credit Limit; or
- ♦ Your Net Margin Ratio is below 100% (or any other percentage as specified by us and notified to you).

 We'll send you the Margin Call notice by one of the following:

- ♦ The form of a short message or text message ("SMS") to the phone number last notified in writing by you. You'll need to check your phone text messages regularly;
- ♦ Phone call on the phone number last notified in writing to you; or
- ♦ An e-mail to the e-mail address last notified in writing by you. You'll need to check your emails regularly. See clause 4.2 for further details on these modes of communication.

 If you receive a Margin Call, you must do one or more of the following to rectify the margin position back to Net Margin Ratio of 100% or more:

- ♦ Give us instructions to sell your Secured Assets;
- ♦ Deposit additional funds in your Lending Account; or
- ♦ Deposit additional Eligible Assets in your Investment Account as Secured Assets.

 You must rectify the margin position back to Net Margin Ratio of 100% or more within:

- ♦ 60 calendar days for Net Margin Ratio between 80% to below 100%; or
- ♦ 5 Business Days for Net Margin Ratio between 60% to below 80%,
from the date of the Margin Call notice (or within such other period as stated in the notice).

If you do not take appropriate action, we can exercise our rights
over your Secured Assets and any other Eligible Assets.

This means we can sell your Secured Assets. We can use the proceeds of sale or any other funds held in any other accounts maintained with us globally, towards repayment of your Loan. We'll apply these funds so:

- ♦ Your Net Margin Ratio is then equal to, or more than, 100% (or any other percentage we tell you); and
- ♦ What you owe us doesn't exceed the lower of your Credit Limit and Effective Credit Limit.


2.10 How to keep track of what you owe us

You can access information about your Loan by:

- ♦ Logging into your internet banking account and consulting your Lending Account or Investment Account and account statement;
- ♦ Contacting your relationship manager; or
- ♦ Consulting your periodic account statement.

Information about applicable Advance Ratios and the list of Eligible Assets is available on our webpage www.hsbc.com.sg.

Information about your Loan is updated on a daily basis.

 If your Net Margin Ratio reaches a level between 60% to below 100% we may send you a margin status notification to inform you about margin shortfall. See above clause 2.9 on Margin Status.

If you don't receive a statement, please tell us. You may ask us for a statement at any time.

3. If things don't go as planned

3.1 When we can sell and dispose of your Secured Assets

We can sell and dispose of your Secured Assets if:

- ♦ You exceed your Credit Limit or Effective Credit Limit;
- ♦ You fail to take appropriate action within 5 business days or 60 calendar days from the date we send you a Margin Call notice (or within such other notice period as stated in the notice) – the required notice period depends on your NMR;
- ♦ Your Net Margin Ratio is equal or below 60% (or any other percentage as specified by us and notified to you);
- ♦ We reasonably believe that market conditions will cause you or us to be exposed to unacceptable risks, including unstable, unfavourable and abnormal market conditions; or
- ♦ We end this Agreement and you don't repay your Loan and all other amounts owed under these terms within the period we tell you to.

○ We can use any money in your Lending Account(s) and any other account maintained with us. This includes with any of the branches of HSBC anywhere in the world. If there is a shortfall after such money is applied to amounts you owe us then we'll use any amount we receive from the sale of your Secured Assets or other Eligible Assets to pay the amount you owe us.

In selling the Secured Assets, we can:

- ♦ Sell more of the securities than is necessary to reduce the amount owing to equal to or more than the 100% of the Net Margin Ratio;
- ♦ Determine what to sell; and
- ♦ Sell in tranches over time (including selling tranches over more than one day).

We'll take reasonable care to sell the securities at the best price that is reasonably obtainable having regard to the circumstances existing at the time of the sale. We're not obliged to take any action to limit your loss when exercising our rights under this clause.

If the proceeds from the sale don't cover what you owe us, we may sell or dispose of any other Eligible Assets to cover the shortfall. You'll need to pay us any remaining shortfall. We may take any legal action to recover any shortfall. You may be responsible for our costs of doing so.

If we don't exercise our rights in respect of the unsatisfied Margin Call despite being entitled to do so, it shall not be regarded as a waiver of our rights to act at any time in the future.

Forced Liquidation is our right to force liquidate (redeem) your investment holdings held with us. We may provide you with a Margin Call notice but are not obliged to do. We have the right to liquidate all or part of your Secured Assets to rectify the margin position irrespective of whether any Margin Call notifications have been sent to you.

 Remember that you have to monitor your Loan and ensure it is secured by sufficient collateral.

3.2 Where you hold assets or take loans in different currencies

Your Secured Assets might be in different currencies or your Loan might be drawn in a different currency from some or all of your Secured Assets. When we perform any calculations under our Agreement, we'll use our prevailing exchange rates.

3.3 Multi-Currencies Loan

The Facility offers you more than one major currency to draw from. It provides you the ability to manage or hedge your foreign exchange exposures, and minimise your foreign exchange conversion fee depending on your investment objectives. The loan currency made available to you shall be determined from time to time by us at our sole and absolute discretion. We'll call this the "Available Currency".

When you make a withdrawal, the Loan will be drawn in your selected Available Currency. When you make an investment, the Loan will be drawn in the base currency of the investment. You can't drawdown if you don't have the Lending Account in the base currency of the investment. Interest will accrue according to the currency that is drawn. Cash or deposits in other currency will not automatically be offset. You'll need to give us instructions to convert the cash to your loan currency.


When there is a currency mismatch between your Lending Account and your collateral, you'll have foreign currency exposure and a cross currency reduction will be applied to the collateral value. As a result, your Effective Credit Limit may be lower. If it causes your Net Margin Ratio to fall below the required margin level, you will be issued with a Margin Call. You must then regularise your account .

3.4 Valuation

If we exercise our right under this Agreement to sell a Secured Asset that is in a currency different from the Loan, we may convert the proceeds of the sale into the Loan currency and apply this amount to your Loan. Such conversion of currency will be effected at our prevailing exchange rate at the time of conversion. Any exchange rate provided by us at any other time, is for reference only and may differ from the rate at which we effect the conversion.


3.5 Interest, fees and other costs

Interest will be calculated daily on the unpaid amount of your Loan. Interest will accrue daily until your Loan is repaid in full.

 We'll debit the accrued interest from your Lending Account on the 24th of each month. If that date falls on a Sunday or a public holiday in Singapore, interest will be debited on the business day following that date. You must ensure that a sufficient amount of cleared and immediately available funds is maintained in the Lending Account in the relevant currency for this purpose.

Your annualised Interest Rate for Loans is 1 month VLR + spread, whether for SGD, USD, AUD, EUR, GBP or HKD loans.

1 month VLR refers to our Variable Lending Rate in respect of the relevant currency on a daily reset basis, as determined by us taking into consideration various factors including but not limited to cost of borrowing, internal business costs and market conditions.

 Drawings which cause the Effective Credit limit to be exceeded will bear excess interest charges at 2.00% above 1 month VLR per annum, subject to changes at our discretion, until the date when the amount outstanding falls below the Effective Credit Limit.


We'll tell you the interest rate spread(s) we'll charge you in the Confirmation Advice.


SGD and GBP Loans	For SGD and GBP Loans, interest is calculated based on the actual number of days elapsed and 365 days in a year (or 366 days in a leap year).
USD, AUD, EUR and HKD Loans	For USD, AUD, EUR and HKD Loans, interest is calculated on the basis of actual number of days elapsed and 360 days in a year.
VLR rate deemed zero	Should VLR, at any time fall below zero, the VLR rate shall be deemed to be zero or such other rate as notified to you by us as soon as practicable.
Minimum interest charge	A minimum interest charge of 10.00 (in the respective Loan currency) per month is chargeable on each and any utilisation of the Facility. If the Facility is not utilised, no interest will be charged.
Custody charges	We'll notify you the custody charges and any other fees incurred for the operation of your Lending Account(s) or Investment Account.
Perfection costs	<p>You'll pay any costs and expenses of perfecting any security or that we have incurred in connection with any of your liabilities to us. This includes but is not limited to any legal costs, stamp duties and penalty charges (if any) whether:</p> <ul style="list-style-type: none"> ◆ Voluntary or not; ◆ As principal or as surety; and ◆ Such liabilities be present or future, actual or contingent, primary or collateral, joint or several. <p>You authorise us to debit these amounts directly from your Lending Account(s) or any other account (whether held solely or jointly) with us.</p>
Sale costs	In the event of a sale or transfer of your Secured Assets, you'll be responsible for paying all related costs.
Other fees and charges	You'll pay all fees, costs, charges, expenses and other monies in any way connected with or arising out of the investment or transaction financed by the Facility from time to time.
Currency conversion fee	You'll also incur foreign exchange conversion fee every time you buy or sell collateral that is traded in a different currency from the currency of the Loan that you used to settle that trade. This fee is built into the bid offer rate.

We reserve the right to recall any of the Facility upon non-payment of interest, capitalized interest or any other monies due and owing to us.

3.6 Ending this Agreement

You may end this Agreement at any time by giving us prior notice and completing the relevant Customer Instruction Form.

 We can end this Agreement by giving you at least 30 days notice in writing. We'll only do this if we reasonably believe that we should not continue to provide you with the Loan. This usually includes when this Agreement changes in a way that isn't acceptable to you. It can also include any unsatisfactory conduct we detect during our annual credit review.

 We may end our Agreement immediately without telling you first upon an occurrence of Event of Default. Each of the circumstances set out in this clause is an Event of Default.

 We may end our Agreement or suspend your Loan immediately if you:

- ◆ Don't pay what you owe us when it's due.
- ◆ Don't comply or say you don't intend to comply with this:
 - ◆ Agreement; and
 - ◆ Any rule, regulation, law or policy in relation to the Secured Assets.
- ◆ Owe us more than the lower of the:
 - ◆ Credit Limit; and
 - ◆ Effective Credit Limit.
- ◆ Let your Net Margin Ratio drop below:
 - ◆ 100% (or any other percentage we tell you) and you didn't take appropriate actions to correct this within the time period that we gave you; or
 - ◆ 60% (or any other percentage we tell you).
- ◆ Have given us information that was or has become false, incorrect or misleading.
- ◆ Can't pay your debts as they fall due.
- ◆ Are declared bankrupt, insolvent, have legal proceedings brought against you or have a statutory demand served against you.
- ◆ Fail to satisfy any final judgement passed against you by any court of competent jurisdiction and in the case of any judgement obtained in default of appearance, no application has been made to set such judgement aside with one month of you becoming aware of that judgement.
- ◆ Die or we reasonably believe you don't have legal capacity to make decisions.
- ◆ Close your investment account with us.
- ◆ Assign your estate for the benefit of creditors or sequestration of your estate.

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- ♦ Have any part of your Secure Assets, other assets or property taken by another with a view to confiscate, seize, compulsorily acquire, expropriate or nationalise them.
 - ♦ Are named in a court order requiring us to do so.

 We may also end our Agreement or suspend your Loan immediately if we reasonably believe:

- ♦ You or we will be exposed to a larger risk than we expected because of market conditions if we do not end our Agreement with you.
- ♦ There is a real risk you can't pay your debts as they fall due.
- ♦ That if we don't, you or we (including another member of the HSBC group) might breach a law, regulation, code or court order, agreement or guidance from a government regulator or law enforcement agency or any other duty or requirement.
- ♦ You're involved in any fraudulent, illegal, unauthorised or criminal activity, it doesn't matter whether it's linked to this Agreement.
- ♦ The Secured Assets are in jeopardy and notice thereof has been given by HSBC to you or if notice of revocation, repudiation or termination of any guarantee or other Secured Assets is received by us.
- ♦ We could be exposed to action or censure from any government, regulator or law enforcement agency, or another HSBC group member may be exposed to those things.
- ♦ It's important as part of our fight against financial crime.
- ♦ Such action is required.
- ♦ You fail to perform or commit or threaten to commit a breach of your obligations in respect of this Agreement of the Secured Assets.
- ♦ You assign your estate for the benefit of creditors or sequestration of your estate.
- ♦ You become or are about to become insolvent or unable to pay your debts as and when they fall due.
- ♦ It is or shall become unlawful for you to perform or comply with any one or more of your obligations under this Agreement.
- ♦ Any step is taken by any person or agency with a view to the confiscation, seizure, compulsory, acquisition, expropriation or nationalization of the Secured Assets or any part thereof, or any of your other asset or property.


If we end our Agreement:


- ♦ We may not be able to tell you the reasons why; and
- ♦ Certain parts of this Agreement will continue to apply.

 We won't be responsible for any losses this may cause you.


3.7 What happens if our Agreement ends?

You won't be entitled to draw down any amount under the Facility from the earlier of the date of the notice or the effective date of termination.

 You must pay us everything that you owe us by the date we tell you to. Your obligation to repay amounts you owe including interest and fees, will continue until you repay in full. We may take you to court to recover the money if you don't and you may be responsible for our costs of doing so.

 We may use the Secured Assets and any monies you hold with us in your Lending Account and other accounts to pay what you owe us. This may involve us selling Eligible Assets and using the money we obtain from the sale to pay what you owe us. If the proceeds we obtain from the sale is not enough to cover what you owe us, we may sell any other Secured Assets to cover the shortfall. You'll need to pay us any remaining shortfall. We may take legal action to recover any shortfall and you may be responsible for our costs of doing so.

We may deduct the amount you owe us (or any of it) from any other accounts you hold with us.

 We'll apply the sale proceeds of your Secured Assets to the amounts you owe in this order:

- ♦ Firstly, to the amount you owe us (including principal, interest, fees, costs and expenses) under these terms; and
- ♦ Then to the fees, charges, costs and expenses which we incur in selling your Secured Assets.

4. Other important information

4.1 Changes to this Agreement

We live in a rapidly changing world. Sometimes this means we need to update this Agreement. These updates include amendments to:

- (i) fees and charges (if any);
- (ii) interest rates;
- (iii) interest rate calculation methodology; and
- (iv) basis of calculation of minimum payment amount.

We may amend or supplement this Agreement if it is reasonably necessary to:

- (i) reflect changes to our operational costs, business operations or systems and processes, or our arrangements with third parties;
- (ii) give effect to:
 - (a) applicable law, rule, regulation;
 - (b) a change, recommendation, order, requirement, notice, direction, code, circular or guidance issued by any regulatory, supervisory, governmental, statutory authority, stock exchange, self-regulatory, or resolution body having jurisdiction over us or a court of competent jurisdiction;
- (iii) reflect changes to industry or market conditions or practice;
- (iv) align with standards or expectations including in respect of:
 - (a) banking and financial services practices;
 - (b) environmental, social and governance practices;
 - (c) consumer and investor protection practices;
 - (d) cyber, digital, technology (including financial technology (FinTech)) practices e.g., those relating to crypto-assets, digital assets, virtual assets, asset tokenisation and artificial intelligence (including generative artificial intelligence and machine learning);
 - (e) operational resilience and data management practices; or
 - (f) taxation and transfer pricing practices; or
 - (v) otherwise protect our legitimate interests.

To the extent reasonably practicable, we'll give you reasonable notice of any changes to this Agreement before such changes take effect.

If we make any changes to the interest rates, fees and other costs in clause 3.5 then we will give you at least 30 days' notice.

We can choose how to give this notice to you. This may include:

- (i) contacting you directly (through mail, email, post or via mobile);
- (ii) placing signs or notices at our branches;
- (iii) publishing the change on our website; and
- (iv) using any other method we think is reasonably appropriate.

If you don't agree with a change, you can:

- (i) cancel the Facility, close the Lending Accounts and the Wealth Portfolio Investment Account) after paying all amounts you may owe us; or
- (ii) sell your existing investment products which are used as collateral and repay all amounts you owe us under the Facility.







4.2 Communication

How do you contact us?


Please contact your Relationship Manager or our banking hotline on 1800 472 2669 (in Singapore) or (65) 6472 2669 (from overseas).

How do we contact you?

We may need to contact you from time to time, for example to tell you about changes we make or to give you a margin status notification update or a Margin Call notice. We'll contact you in one of the following ways:

	SMS	We'll use this most of the time. We consider you've received the SMS immediately after we sent it. We'll send it to the last mobile number you gave us in writing
	Phone	We only use this in certain circumstances. We'll consider you've received our message immediately after we tell you on a call or when we leave a voicemail. We'll call you on the last mobile number you gave us in writing.
	Email	We'll use this most of the time. We consider that you've received the email immediately. We'll use the last email address you gave us in writing.
	Website	We may publish some information on our webpage (www.hsbc.com.sg) or any digital platform. We'll consider you've received it immediately.
	Personal delivery	We'll only use this when we need to. We'll consider mail has been delivered at the time of personal delivery or immediately after leaving it at the address you last gave us in writing.
	Prepaid post	We'll only use this when we need to. We'll consider it received 24 hours after sending it to the address you last gave us writing by you.

4.3 Limitation of liability

 If we have acted in good faith then we aren't liable to you for any loss, damage or expense of any kind which you or any other person may incur or suffer arising from or in connection with any set-off or Forced Liquidation. This means you have no right or claim against us for not proceeding with any Forced Liquidation or set-off at a better price or time.

If we choose not to exercise our rights under this Agreement at any time, we may exercise them later.

This clause does not prejudice any other provisions limiting our liability under this Agreement.

4.4 Joint and several liability

If this Agreement is signed by two or more people it will be binding on the borrowers jointly and severally. When we use the words 'you' or 'yours' in this agreement, we mean each borrower jointly and severally.


We can vary the terms of the Facility or this Agreement with any one of the borrowers. This variation applies to all borrowers. A variation does not prejudice our rights against any borrower.

You are still required to repay the Loan even if this Agreement is void or invalidated. This means any invalidity affecting any of the joint borrower won't affect the other joint borrowers. You can't exercise any right of subrogation, contribution or any other remedy without our written consent. This includes in relation to a claim against another borrower.

If a borrower becomes bankrupt and owes the other borrowers money, the other borrowers won't submit a proof of debt in competition with us. If you submit a proof of debt against a joint borrower in competition with us then you'll give us all proceeds of such proof as soon as you receive them.

4.5 Taxes, costs and indemnities

 You can't deduct amounts from sums payable by you.

 You must pay us the amounts you owe in full, including any applicable Goods & Services Tax. If you're required to make any deduction or withholding because of tax or other obligations then you'll need to pay these in addition to the sums you must pay us.

✔ You'll tell us about any change in tax residency. You'll do this within 30 days of the change. You'll also give us an updated Self-Certification Form within 90 days of the change.

✔ You're responsible for ensuring compliance with the laws and regulations of your nationality and country of residence throughout the term of the Facility.

⚠ If your tax residency changes and it's no longer prudent, lawful or commercially viable for us to make the Facility available to you, we can terminate the Facility. We can do this by giving notice to you under this Agreement.

You're responsible for your own taxes and duties arising from the Facility, irrespective of whether under Singapore tax law or overseas tax law. You're responsible for:

- ♦ Getting your own tax advice;
- ♦ The payment of any applicable taxes and duties; and
- ♦ Any other tax obligations you may have (such as filing requirements), in connection with the Facility.

We are not responsible for any of your tax and duties or related reporting obligations.

4.6 No responsibility for loss

○ Neither us nor our nominees will be liable to account as mortgagee in possession of the securities or other or in respect of any loss or damage happening in or about the exercise or purported exercise of or the failure to exercise any of the rights, powers, authorities or discretions vested in us or HSBC's nominees and not arising out of gross negligence or willful default by us including any loss or damage howsoever arising from through or occasioned by any of the following:

- ♦ The giving, dispatch, collection or transfer of share certificate, transfer documents or other documents or instruments;
- ♦ The giving of or failure to give instructions of any sort for whatever purposes;
- ♦ Any delay, failure, inaccuracy, miscommunication or other error or default arising from or in connection with any transfer of securities from or to any account or sub account with any depository, depository agent or otherwise or any notification or settlement in connection with any of these things or otherwise;

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- ♦ The registration of, or failure to register, any security accruing, offered or arising whether by way of conversion, redemption, rights, bonus, preference, option or otherwise in relation to any of these things or from any notification or failure to notify in relation to any of these things;
 - ♦ Any delay, failure, or other error or default in procuring, taking, or collecting or in any other way enforcing or acquiring the payment or benefits of any rights, money or property (including dividends, interest, moneys and other distributions and allotments, accretions, offers, rights, benefits and advantages whatsoever accruing, offered or arising in relation to the securities or any part thereof;
 - ♦ Any exercise or non-exercise or inability to exercise any rights attaching or accruing to the securities or any part thereof; or
 - ♦ Any loss incurred as a result of transmission or communication or computer breakdown (including by our agents).

4.7 Representation and warranties

You represent and warrant:


- ♦ You'll remain the sole lawful and beneficial owner of the Secured Assets;
- ♦ The Secured Assets are and will remain free from any mortgage, lien, charge or other security interest, save for this Agreement created by you in our favour;
- ♦ You have full power, capacity and authority to enter into this Agreement and create security over the Secured Assets in our favour under the terms of this Agreement and that:
- ♦ All necessary action has been taken; and
- ♦ All necessary consents have been obtained,

which are required to authorise the creation of security over the Secured Assets and to enter in, execute, deliver and perform the matters and transactions contemplated in this Agreement;

- ♦ This Agreement constitutes a valid, legal and binding obligation to you;
- ♦ Save for registration or other formalities required to perfect and protect our interest in, and priority to, the security created in this Agreement (which will be affected by you and evidence of which will be given to us) no filing, registration, recording and notarization of this Agreement is necessary or desirable to ensure the validity, enforceability or priority in any relevant jurisdiction of your obligation and our rights under this Agreement; and
- ♦ The securities are duly authorised, validly issued, fully paid and freely transferable and there are no monies or liabilities outstanding or payable in respect of any of the securities.

4.8 Changes in circumstances


If we believe any part of this Agreement breaches a law or regulation (including any directive, notice or guidance) then that part will become void to the extent of the breach. This includes where laws or regulations have changed since the Agreement began making some or all of the services unlawful. If part of this Agreement is voided, it does not affect any other part of this Agreement.

 If we're no longer able to offer you the Facility because it would breach a law or regulation, then we'll have to cancel your Facility. If this happens, you'll have to repay all monies outstanding under the Facility together with any interest and other outstanding amounts.


4.9 Saving provisions

We may, at all times, without affecting the security in anyway:

- ♦ Increase, decrease, extend, renew, or re-structure all or any of the loans, drawings, credit or banking facilities or any other accommodation granted or given to you from time to time whether solely or jointly with any other person or persons (in partnership or otherwise) and whether beyond the said limit or otherwise or vary any terms and conditions thereof with or without notice to you;
- ♦ Deal with, exchange, vary, release, realise, modify or abstain from perfecting or enforcing any collateral security or guarantee or rights which we may now or hereafter have from or against you or any other person;
- ♦ Grant to you or any other person anytime, indulgence, forbearance or concession or make any other arrangement, variation or release with you, or any principal debtor or any other person or any guarantor (whether such persons are jointly liable with you) in respect of the Facility;
- ♦ Compound with, discharge, release or vary the facilities or accept or vary any compromise, arrangement or settlement with you or any other person; and
- ♦ Renew guarantees, stand-by letters of credit, letters of credit, bills or promissory notes or other negotiable or non-negotiable instruments in any manner and compound with, accept composition from and make other arrangements with, you or any other person liable to us in respect of the bills, notes, instruments or any other securities or guarantees held or to be held by us for any part of the Facility.

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-  You declare this Agreement will continue in full force and effect despite;
- ♦ Any legal limitation insufficiency of borrowing powers, incapacity (including mental or legal) or other circumstance relating to you or any other persons;
 - ♦ Any irregularity, unenforceability, illegality or invalidity of any obligation or any defect or informality of, any collateral security or document to their intent that this security shall remain in full force and effect and this Agreement shall be construed accordingly as if there were no such irregularity, unenforceability, illegality, invalidity, defect or informality;
 - ♦ The failure of us to make any demand or enforcement of security or to take any security agreed to be taken by us;
 - ♦ Any amalgamation, reconstruction, consolidation or otherwise which may be made in the constitution of the company by which the business of HSBC may, for the time being, be carried on or sale of any part of HSBC's undertaking and assets to another company whether the company or companies with which HSBC amalgamates or the company to which HSBC transfers all or any of its assets either on a reconstruction or sale as aforesaid shall or shall not differ in their or its objects, characters and reconstruction from HSBC, it being your intent that this Agreement shall remain valid and effectual for all purposes and the benefit of this Agreement and all rights conferred upon HSBC hereby may be assigned to and enforced by such company or companies, person or persons and proceeded on in the same manner to all intents and purposes as if such company or companies, person or persons had been named herein instead; or
 - ♦ The death, insanity, bankruptcy or any other incapacity (including mental or legal) of you or any other persons.

4.10 Right of set-off

 We can use the money from any account you hold with us to reduce your outstanding amounts if an Event of Default occurs or we demand repayment (notwithstanding any settlement of account). We don't have to tell you before we do this. We can do this by combining or consolidating your existing accounts. This includes money held by another member of the HSBC Group. Your outstanding amounts may be present, future, actual, contingent, primary, collateral, several or joint.

4.11 Appointment of nominee or custodian

We can appoint any third party to act as your custodian. You authorize us or such other custodian to establish on its books a custody account in your name. This account will be used for the deposit or delivery of any Secured Assets. We have sole and absolute discretion, to appoint any person, agent or nominee to maintain the Secured Assets.

4.12 No enquiry by third party

Any person dealing with us or our nominees, substitutes, delegates or attorneys (under a power of attorney relating to this Agreement) must not ask whether any:

- ♦ Whether any event has occurred which may allow us to exercise our rights under this Agreement including rights relating to an Event of Default or any exercise of our rights is regular or proper or about the title or position of the person exercising such rights; and
- ♦ Whether any money remains owing under this Agreement.

4.13 Delegation

We can delegate any of the powers, authorities and discretions exercisable by us under this Agreement to any person or fluctuating body, including in respect of the:

- ♦ Secured Assets;
- ♦ Delegation of this Agreement; and
- ♦ Power to sub-delegate.

We can do this by power of attorney or in any other manner.

We must exercise due care in the selection of the delegate or sub-delegate.

- We won't be responsible for any loss or damage arising from any act, default, omission or misconduct by a delegate or sub-delegate.

Any third party referred to in this Clause may enjoy the benefits of or enforce the terms of this Clause in accordance with the provisions of the Contracts (Rights of Third Parties) Act 2001.

4.14 Successors and assigns

We can transfer or assign any part of our rights, benefits and obligation under the Facility to any banks or other lending institutions. We'll tell you before we do this. You'll pay the costs of any transfer.

- ⊗ You can't assign or transfer any of your rights or obligations under this Agreement.

4.15 Waiver

If you breach this Agreement, we may not take steps to enforce our rights straight away. We can decide when to take these steps. Any delay is not a waiver of our rights. We can also decide to:

- ♦ Waive our rights; or
- ♦ Grant you indulgences,

if you agree to any additional terms and conditions we request. Any waiver or indulgence will only be granted in writing.

Any waiver or indulgence granted will not prejudice or affect the rights, powers or remedies under this Agreement. This includes for any future breaches.

The rights and remedies under this Agreement are cumulative and not exclusive of any other rights or remedies provided by law.

4.16 Governing law and courts

This Agreement, and everything that happens in relation to this Agreement before it is made, are governed by the laws, and subject to the non-exclusive jurisdiction of the courts, of Singapore.

5. Definitions

In this Agreement, the following meanings apply:

Agreement

Means these Terms and Conditions for Lombard Lending Facility.

Available Currency

As defined in clause 3.3.

Business Day

A day, other than a Saturday or Sunday, on which banks are generally open for business in Singapore.

Credit Limit

As defined in clause 2.7.

Deposits

All rights, title and interest of the monies, regardless of currency, which are held or will be held with us in your Lending Account or standing to the credit of all accounts. This includes those held in your name, or for your benefit or account, with any of the branches of HSBC in Singapore and anywhere in the world. It also includes:

- ♦ Without limitation, any renewals whether by way of extension, replacement or substitution together with the interest accrued or to be accrued; and
 - ♦ Right of repayment and other rights and benefits accruing to or arising in connection with them or any part of them and all additions and all structured deposits.
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Effective Credit Limit

As defined in clause 2.7.

Event of Default

An occurrence of an event or circumstances that allows a lender to demand full repayment of an outstanding balance before it is due.

Equities

Eligible stocks or fixed shares as collateral.

Facility

Means all the amounts due under this Agreement including the outstanding of:

- ♦ The amount you have borrowed (all Loans);
- ♦ Any interest, commission, fees, costs (including any arising from the sale of any security); and
- ♦ Any other charges and expenses.

Fixed Incomes

Eligible bonds or fixed incomes as collateral

Eligible Assets

Selected shares, stocks, notes, warrants, bonds, debentures, units in units trust, certificates of deposit, debt securities, market-linked structured products or strategy to facilitate, inter alia, customised risk-return objectives, involving the combination of various financial instruments and derivatives, including but not limited to, structure notes, structured funds and other alternative investments, structures and other securities of any kind whatsoever which are now or may at any time be in our possession or held in your Investment Account (as defined below).

Distributions

All dividend, interest, repayment or redemption proceeds or other distribution paid or payable on or in respect of any Secured Assets and not limited to any right, money or property paid, distributed, accruing or offered at any time (by way of exchange, redemption, substitution, dividends, bonus, preference, option, rights, stock split, consolidation, reorganisation, capital reduction or otherwise in relation to or in substitution for any Secured Assets).

Investment Account

As defined in clause 2.6.

Lending Account

As defined in clause 2.6.

Margin Call

Is when we give you notice because your Net Margin Ratio is less than 100% (or any other percentages we tell you). This notice means you must restore the margin to a level of no less than 100% within the time period we tell you. If you don't respond to a Margin Call we can exercise our rights over your Secured Assets as set out in section 3 above.

Operating Accounts

As defined in clause 2.6.

POA

As defined in clause 2.4.

Related Securities

All rights, title, assets, rights, powers, benefits, interest and proceed at any time in or attaching to, or arising out of or in respect of:

- ♦ Funds deposited, paid or held by any custodian, broker, banker, or other intermediary or person for the purpose of acquiring any of the abovementioned securities; and
- ♦ Any of the abovementioned securities (including securities in substitution for or in addition to any of the abovementioned securities and any securities issued pursuant to any bonus or rights issue, conversion, consolidation, reclassification, reconstruction, amalgamation or subdivision of the Secured Assets or other rights arising from any interest in any of the abovementioned securities).

This includes, without limitation, any rights against any custodian, broker, banker or other intermediary or person).

Scriptless Securities

Selected scripless securities that are owned or will be owned by you (directly or indirectly) which are now transferred to or otherwise held by HSBC's nominees for HSBC's benefit or which are securities in respect of which any prescribed forms are lodged with any depository, dealer, or agent bank or other institution indicating the intention to create security over such securities in favour of HSBC.

For the purpose of this Agreement, scripless security include, but are not limited to all book entry government securities and all shares, stocks, bonds, warrant bonds, debentures, units in units trusts, certificate of deposits, debt securities and other securities of any kind whatsoever the trading transactions of which are or will be cleared and settled through any book entry or similar system established or to be established for the trading, clearance or settlement of scripless securities in Singapore (which include but is not limited to the system set up by Central Depository Pte Ltd and its successor or any other corporation approved as a depository company or corporation for the purpose of the Companies Act 1967 or any other depository outside of Singapore or elsewhere).

Secured Assets

As defined in clause 2.2.

SMS

As defined in clause 2.9.

Time Deposits

Eligible time deposits as collateral.

Unit Trusts

Eligible unit trusts as collateral.

Structured Products

Eligible structured products (including but not limited to both structured investments and structured notes) as collateral.

We, us, our or HSBC

Eligible unit trusts as collateral.

You or your

Means the main applicant and any joint applicant listed in the Application Form.

Appendix 1:

Examples describing how the Facility works

1. Key Concepts

Examples in this Appendix are for illustration purposes only. It isn't exhaustive and doesn't represent all possible real-life scenarios and associated risks.

The below definitions are important terms that are used in the description of how the Facility works.

Market Value

is the price an asset would sell for in the open market.

Advance Ratio (AR)

is the maximum lending value against a Secured Asset's market value, expressed as a percentage and calculated in accordance with the following formula:

$(\text{lending value}/\text{market value}) \times 100$

Concentrated AR

is the advance ratio assigned to an asset when it's deemed to be concentrated in the portfolio. It gives you the floor Collateral Value of the individual asset when multiply by the asset's Market Value.

Residual AR

is the advance ratio assigned to an Eligible Asset. The value is computed using the AR multiplied by the asset's Market Value and it provides additional value to other Secured Assets within the portfolio to help the asset achieves its collateral value at Diversified AR.

Diversified AR

is the advance ratio assigned to an asset when it's deemed to be diversified in the portfolio. It gives you the ceiling Collateral Value of the individual asset when multiply by the asset's market value.

Collateral Value

is the maximum credit amount you can borrow against a Secured Asset, determined by multiplying the market value (MV) of a Secured Asset by the applicable set of Advance Ratio(s).

Collateral Value = (MV of a Secured Asset x Concentrated AR) +(MV of other Secured Assets in Portfolio x Residual AR) capped at max of MV of a Secured Asset x Diversified AR

Net Margin Ratio (NMR)

is calculated as the ratio of the Available Margin to the Required Margin expressed as a percentage. The NMR is used to determine your margin status.

Net Margin Ratio= Available Margin / Required Margin

Required Margin

is the required buffer equal to the difference between the aggregate market value (MV) of Secured Assets and the aggregate Collateral Value calculated in accordance to the following formula:

Required Margin = Latest Market Value of Secured Assets x (1- AR)

Available Margin

is the aggregate market value (MV) of Secured Assets minus the outstanding sums under the Facility (principal and interests)

Available Margin= MV – loan outstanding

2. Illustration(s)

How to determine your Collateral Value and Effective Credit Limit

The Effective Credit Limit is determined as follows based on the aggregate Collateral Value of the Secured Assets.

Security	Secured Assets	Market Value (in SGD equivalent)	Advance Ratio			Collateral Value (in SGD equivalent)
			Concentrated	Residual	Diversified	
1	SGD time deposit	100,000 (MV ¹)	95% (C ¹)	0% (R ¹)	95% (D ¹)	95,000 (CV ¹)
2	Government Bonds	100,000 (MV ²)	90% (C ²)	10% (R ²)	90% (D ²)	90,000 (CV ²)
3	SG Listed Securities	100,000 (MV ³)	30% (C ³)	15% (R ³)	70% (D ³)	55,000 (CV ³)
4	Unit Trust (High Yield)	100,000 (MV ⁴)	40% (C ⁴)	15% (R ⁴)	70% (D ⁴)	65,000 (CV ⁴)
Total		400,000				305,000

The Collateral Value is calculated for each Secured Asset and not at portfolio level. In this example, your Effective Credit Limit is SGD305,000.

Here are examples of the computed collateral value:

The collateral value of SGD time deposit

is computed as such:

Collateral Value =

[(MV of a Secured Asset x Concentrated AR) +
(MV of other Secured Assets in Portfolio x Residual AR)]
capped at max of MV of a Secured Asset x Diversified AR

CV¹ = [(MV¹ x C¹) + (MV² x R²) + (MV³ x R³) + (MV⁴ x R⁴)] capped at max of (MV¹ x D¹)

CV¹ = [(\$100,000 x 95%) + (\$100,000 x 10%) + (\$100,000 x 15%) + (\$100,000 x 15%)]
capped at max of (\$100,000 x 95%)

CV¹ = [\$95,000 + \$10,000 + \$15,000 + \$15,000] capped at max of \$95,000

CV¹ = [\$135,000]

CV¹ = \$95,000

The above is an example of the computed collateral value exceeding the value cap at Diversified AR but takes the value at Diversified AR.

The collateral value of SG Listed Securities

is computed as such:

Collateral Value =

[(MV of a Secured Asset x Concentrated AR) +
(MV of other Secured Assets in Portfolio x Residual AR)]
capped at max of MV of a Secured Asset x Diversified AR

$$CV^3 = [(MV^3 \times C^3) + (MV^1 \times R^1) + (MV^2 \times R^2) + (MV^4 \times R^4)] \text{ capped at max of } (MV^3 \times D^3)$$

$$CV^3 = [(\$100,000 \times 30\%) + (\$100,000 \times 0\%) + (\$100,000 \times 10\%) + (\$100,000 \times 15\%)] \\ \text{capped at max of } (\$100,000 \times 70\%)$$

$$CV^3 = [\$30,000 + \$0 + \$10,000 + \$15,000] \text{ capped at max of } \$70,000$$

$$CV^3 = [\$55,000] \text{ capped at max of } \$70,000$$

$$CV^3 = \$55,000$$

The above is an example of the computed collateral value not reaching the value cap at Diversified AR and takes the lower collateral value.

Below are examples of Margin Call, liquidation / force sale of collateral and how we work out the Net Margin Ratio (NMR).

Healthy situation

Assuming that you:

- ♦ Aggregate market value of Secured Assets is SGD150,000 with a blended Advance Ratio of 60%;
- ♦ Have then a Credit Limit (and an initial Effective Credit Limit) of SGD90,000; and
- ♦ Draw down SGD80,000,

the Net Margin Ratio would be calculated as below:

NMR Illustration		
Aggregate market value of your Secured Assets		S\$150,00
Aggregate Collateral Value	Aggregate market value x AR (S\$150,000 x 60%)	S\$90,000
Required Margin	Aggregate market value x AR (S\$150,000 x 1 – 60%)	S\$60,000
Loan Outstanding		S\$80,000
Interest Cost (yearly)	Outstanding Loan x interest rate (S\$80,000 x 2.5%)*	S\$2,000
Available Margin	Aggregate market value – outstanding sums under the Facility (principal and interests) (S\$150,000 – S\$82,000)	S\$68,000
Net Margin Ratio	Available Margin / Required Margin (S\$68,000/ S\$60,000)	113%

* Assuming the current interest rate is 2.50% p.a., the Loan holding period is 1 year.

Scenario of Margin Call in case of drop in market value

Assuming that the:

- ♦ Blended Advance Ratio of 60% remains unchanged;
- ♦ Outstanding principal is still SGD80,000; and
- ♦ Market value of your Secured Assets decreases by 20%.

NMR Illustration Drop in market value by 20%		
Aggregate market value of your Secured Assets	Initial market value x (1-decrease) S\$150,000 x (1-20%)	S\$120,000
Aggregate Collateral Value (S\$120,000 x 60%)	Aggregate market value x AR (S\$120,000 x 60%)	S\$72,000
Required Margin (S\$120,000 x (1-60%))	Aggregate market value x (1-AR) (S\$120,000 x (1-60%))	S\$48,000
Loan Outstanding		S\$80,000
Interest Cost (yearly)	Outstanding Loan x interest rate (S\$80,000 x 2.5%)*	S\$82,000
Available Margin	Aggregate market value – outstanding sums under the Facility (principal and interests) (S\$120,000 – S\$82,000)	S\$38,000
Net Margin Ratio	Available Margin / Required Margin (S\$38,000 / S\$48,000)	79%

* Assuming the current interest rate is 2.50% p.a., and you did not pay any interest for 1 year.

In this scenario, you may receive a Margin Call notice from us. This means you must reinstate an NMR of at least 100%. You can do this by taking by selling some of your Secured Assets or providing additional funds or Eligible Assets. If you fail to do so during the prescribed period, we can sell part or all of your Secured Assets and other Eligible Assets.

Scenario of automated force sale in case of sharp drop in market value

Assuming that the:

- ♦ Blended Advance Ratio of 60% remains unchanged;
- ♦ Outstanding principal is still SGD80,000; and
- ♦ Market value of your Eligible Assets decreases by 30%.

NMR Illustration Drop in market value by 30%		
Aggregate market value of your Secured Assets	Initial market value x (1-decrease) S\$150,000 x (1-30%)	S\$105,000
Aggregate Collateral Value	Aggregate market value x AR (S\$105,000 x 60%)	S\$63,000
Required Margin	Aggregate market value x (1- AR) (S\$105,000 x (1-60%))	S\$42,000
Loan Outstanding		S\$80,000
Interest Cost (yearly)	Outstanding Loan x interest rate (S\$80, 000 x 2.5%)*	S\$82,000
Available Margin	Aggregate market value – outstanding Loan (principal and interests) (S\$105,000 – S\$82,000)	S\$23,000
Net Margin Ratio	Available Margin / Required Margin (S\$38,000/ S\$48,000)	55%

* Assuming the current interest rate is 2.50% p.a., the Loan holding period is 1 year.

In this scenario, your Secured Assets (and if your Secured Assets have insufficient value, other Eligible Assets) will be automatically sold by us to restate a NMR of at least 100% and repay any outstanding sums under the Facility (principal and interest).

Appendix 2:

Risk disclosures specific to the Facility

Below is a non-exhaustive list of the key risks associated with the Facility. Prior to applying for the Facility, you should

- ♦ Read the risk disclosure below; and
- ♦ Ask questions and seek independent advice if you so wish.

1. General risk of securities trading

The prices of securities vary, sometimes quite dramatically. The price of a security may move up or down. It may also become valueless. It's as likely that you'll incur losses rather than making a profit when buying or selling securities.

2. Leverage Risks

The selected securities in the Investment Account are used as collateral for the Facility. When the outstanding balance exceeds the Effective Credit limit, for example, due to a decline in the value of such charged securities, you must take one or more of the following actions:

- ♦ Deposit additional funds in your Lending Account;
- ♦ Add additional Secured Assets in your Investment Account; or
- ♦ Provide instructions to sell your Secured Assets.

If you don't take any of these actions, we may sell any securities in your account immediately. We don't need your consent to do this. We don't have to tell you before we do this.

3. Interest rate risk

Interest rate fluctuations may have an adverse impact on the value of your investments. If the interest rates which are used as a reference for calculating on your Facility fluctuate, this may also adversely affect the return on your investments.

The cost of borrowing may be more than the actual return on your investments.

4. **Timely investment**

We may take up to 5 Business Days to transfer your cash to your HSBC account or your Secured Assets to or from your Investment Account. This means that such cash or assets won't be available for use during this period.

You can't instruct us to:

- ♦ Transfer or withdraw any money; or
- ♦ Sell any assets, which have not been credited into your HSBC account, your Investment Account or your investment account.

5. **Liquidity risk**

Investing in certain products may present liquidity risk because it may be difficult to sell your investments under certain market conditions. If we have to force sell your investments, the sale price may be affected where there is no or little liquidity in the market for your investments or collateral.

6. **Commissions, Fees and Charges**

There are no service fees or minimum monthly repayment requirements. You should familiarise yourself with the applicable commissions, fees and charges which may apply to you when you buy, sell or transfer your investments. These may affect your net profit (if any) or increase your loss.

7. **Uncommitted facility**

The Facility is uncommitted and repayable on demand. We may at our absolute discretion, review, cancel, convert, restructure, terminate, suspend, freeze or alter the terms of the facility at any time. Upon our demand, the facility will no longer be available and all monies under the facility must be repaid in full.

8. **Restricted access to cash deposits/assets (investments) for the Facility**

Cash or assets (investments) deposited and charged, pledged, subject to a lien and/or assigned in favour of or to HSBC and held in the Lending Account and/or Investment Account may only be withdrawn with HSBC's prior written approval.

9. Taxes, costs and indemnities

Any change in tax residency has to be informed within 30 days. You'll give us a suitably updated Self-Certification Form within 90 days of such change.

You're responsible for ensuring compliance with the laws and regulations of your nationality and country of residence to allow the acceptance of the Facility and the continuation of the Facility throughout the term of such Facility.

You are responsible for your own taxes arising from the Facility, irrespective of whether under Singapore tax law or overseas tax law. You are responsible for:

- ♦ Getting your own tax advice;
- ♦ The payment of any applicable taxes; and
- ♦ Any other tax obligations that you may have (such as filing requirements), in connection with the Facility.

We're not responsible for any of your tax or related reporting obligations.

If there is any change in your tax residency such that it no longer becomes prudent, lawful or commercially viable for us to continue to make the Facility available to you, it constitutes an Event of Default under the Facility

10. Other Risks

If at any time in our opinion:

- ♦ There is any material adverse change in your financial condition; or
- ♦ We consider the security we presently have for the Facility to be unsatisfactory or inadequate, we will, without prejudice to our right to repayment upon demand, have the right to reduce the Credit Limit, require you to provide additional cash and assets (investments) to us (in form and substance satisfactory to us) on demand, proceed to sell the assets (investments) charged and/or apply and set off the proceeds of such sale towards the settlement of any outstanding amounts owing to us under the Facility.