

Securities Margin Financing

Product Nature

- Securities Margin Financing offers the option to use a Loan that may be provided by us to you to invest in selected investment products. As this product involves leverage, it bears a high level of risk.
- The eligible investment products subscribed/purchased will be assigned to us as security for the Loan.

Margin Ratio and Eligible Investment Products

- The Margin Ratio is the pre-defined loan ratio assigned to each eligible investment product. It is different for each eligible investment products.
- We will provide you with the latest list of eligible investment products and their Margin Ratios for your information and we can, at our discretion, modify the list of eligible investment products from time to time without prior notice.

Eligibility Requirements

Elements	Details
Age	21-61
Eligible Customers	HSBC Jade Customers
Risk Tolerance	You must have speculative risk tolerance and (if applicable) the result of your Risk Profile Questionnaire must be level 5.
Residency/Citizenship	You must not be a (1) resident, citizen or green card holder of the United States of America ("US") or (2) tax payer of the US or (3) resident of Canada or (4) national of South Korea who is also a resident of South Korea or (5) national of Sri Lanka who is also a resident of Sri Lanka or (6) national of Vietnam who is also a resident of Vietnam or (7) national of India who is also a resident of India or (8) national of Bangladesh who is also a resident of Bangladesh, whether for US, Canadian, South Korean, Sri Lankan Vietnamese, Indian or Bangladeshi foreign exchange or foreign investment transactions or laws or tax laws or for any other purposes.
Securities Margin Financing Knowledge & Experience	You must have Securities Margin Financing knowledge or experience.
Valid mode of communication	You must have a valid mobile phone number and a valid email address as notifications will be sent via SMS and/or email when there is a Margin Call.

Customer(s) initial

Loan

- A Loan is a revolving loan provided by the Bank to you to purchase eligible investment products.
- The Loan Amount depends on the credit limit generated by the eligible investment products subscribed/purchased and the available cash in your Securities Margin Account (SMA) in the relevant currency.
- If the investment product subscribed/purchased has a margin ratio of X, the credit limit would be the market value of this particular product multiplied by X. Subject always to the ceiling limit, the Loan Amount will be equal to the aggregation of the credit limit generated by all the eligible investment products subscribed minus all available cash balance of your Securities Margin Account (SMA) in the relevant currency.
- Your liabilities to the Bank in relation to the Securities Margin Financing will be secured by all cash and assets (investments) held with us in connection with the Securities Margin Financing.

Ceiling Limit

- The Maximum Principal Amount is the maximum aggregate principal amount to be made available by us to you as Loan (s) is in the relevant currency being the lesser of the aggregate amount of the Securities Values of each specific Eligible Securities deposited in the relevant Securities Margin Investment Account in that currency multiplied by their applicable Margin Ratio; and the applicable ceiling limit.
- The aggregate Ceiling Limit for both SGD and USD Loans combined is USD4million.

Product Currency

- SGD and USD
- The currency of each Loan should be the same as the currency of the underlying eligible investment product to be purchased using that Loan.

Account Structure

- Two accounts should be opened for Securities Margin Financing in a particular currency:
 - **Securities Margin Investment Account (SMIA):** account for holding your investments; and
 - **Securities Margin Account (SMA):** the related cash account for (i) crediting your cash and Loans and (ii) other cash operations in connection with the Securities Margin Financing.

For example, if you want to purchase eligible investment products in SGD using a Loan, you will need to open a SGD Securities Margin Account (SMA) (CA7) and a SGD Securities Margin Investment Account (SMIA) (-878).

Investment Channel

- HSBC Jade centre, HSBC Premier Branch and HSBC Branches

Minimum Loan Amount and Available operations for Investments secured for Securities Margin Financing.

Please note our requirements indicated below:

Investment product	Minimum Loan Amount	Minimum investment	Available operations with the investment product
Unit Trusts (Fixed Maturity Product)	SGD10,000 or USD10,000	Please refer to Fund Factsheet	Subscription and redemption (switching and forward-dated payment instruction are not allowed)

Interest Rate

Loan Currency	Annual Interest Rate
SGD	VLR+0.60%
USD	VLR+0.60%

Note:

- VLR refers to the Bank's Variable Lending Rate for [SGD/USD] on a daily reset basis, as determined by the Bank and takes into consideration various factors including, but not limited to cost of borrowing, internal business costs and market conditions. You can obtain a copy of the historical interest rate chart for SGD and USD from your Relationship Manager.
- Interest is calculated daily based on the unpaid amount of your facility limit and debited from your relevant account on the 24th of each month. If that date falls on a Sunday or public holiday, interest will be debited on the preceding business day.
- For SGD Loans, interest is calculated on the basis of actual number of days elapsed and 365 days in a year (or 366 days in a leap year).
- For USD Loans, interest is calculated on the basis of actual number of days elapsed and 360 days in a year.
- Interest will continue to accrue until all your Loans are repaid in full.

Customer(s) initial

Other Fees and Charges

No fees and charges for Loans set up. Other fees and charges for subscribing/purchasing the eligible investment products are set out in the relevant subscription documents that will be provided to you before entering into a Securities Margin Financing transaction and are subject to the corresponding pricing policy of those eligible investment products defined for HSBC Jade customers.

Portfolio Margin Ratio (PMR)

The Total Loan Amount in a certain currency ÷ the Maximum Principal Amount for that currency. Please refer to illustration analysis below.

Margin Call

A Margin Call is a notification that may be dispatched by the Bank to you if:

- the PMR reaches or exceeds 105%; or
- the Total Loan Amount in any currency exceeds the applicable Maximum Principal Amount.

You must satisfy the Margin Call within 5 business days. You can satisfy a Margin Call by depositing additional cash in your SMA to be applied towards repayment of the Loans.

Forced Liquidation

Forced Liquidation is the Bank's right to force liquidate (redeem) your investment holdings with a subsequent notice to you if:

- the PMR reaches or exceeds 110%; or
- you do not satisfy a Margin Call within 5 business days; or
- we consider, in good faith, that the market conditions are likely to expose you to unacceptable risk or heavy losses, including unstable, unfavorable and abnormal market conditions which the PMR may not be timely reflected ("Adverse Market Conditions").

- **Margin Call and Forced Liquidation Notification**

Type of notification you may receive and actions required from you:

105% <= PMR < 110% | Margin Call

- A SMS message about the Margin Call.
- You must satisfy the Margin Call within 5 business days.
- You can satisfy a Margin Call by settling the excess amount or depositing additional cash in your Securities Margin Account (SMA) to be applied towards repayment of the Loans.
- The Bank would not normally (but still may) give a Margin Call if the PMR has reached the Forced Liquidation level.

Please note that the Bank may still force liquidate your investment holdings if a Margin Call has been dispatched by the Bank but for some reason has not been received by you. You should regularly check your compliance with the margin requirements under the Terms and Conditions for Securities Margin Financing and whether you have received any Margin Call.

PMR >= 110%:

or

Margin Call not satisfied within the required timeline:

or

Under Adverse Market Conditions | Forced Liquidation

- Investment holdings may be force liquidated by the Bank. A Notification letter will be sent after the Forced Liquidation.

Statements

You will receive a transaction statement after a Loan is granted to you and monthly statements summarizing details on your relevant accounts in connection with the Securities Margin Financing.

Illustration Analysis

How does HSBC's Securities Margin Financing work?

Below are some examples showing certain possible scenarios when using Securities Margin Financing.

These examples are for illustration only, are not exhaustive and do not represent all possible real-life scenarios and associated risks.

In particular, the examples illustrating the calculation of the Loan amount and maximum subscription/purchase amount take into account various factors but do not cover all the factors that may be taken into account by the Bank for this purpose (for example, subscription fees and charges are excluded in the calculation) and the Bank has absolute discretion to refuse granting a Loan or to reduce a Loan amount.

Each example below is stand-alone and assumes no other Loans have been made and the Maximum Principal Amount requirement detailed above in this factsheet is complied with.

Customer(s) initial

Determining the Loan Amount

1.1 Own cash and Margin Ratio are taken into account when determining the Loan amount and the maximum subscription amount.

Securities Margin Account with cash holdings	
Existing cash balance:	S\$10,000
Purchase an eligible unit trust fund with a Margin Ratio of 60%*	
Maximum amount of eligible investment products to be subscribed for:	S\$25,000 (S\$10,000 ÷ (1-60%))
Possible Loan amount**:	S\$15,000

1.2 Own cash, existing eligible investment holdings (with no outstanding Loan) and Margin Ratio are taken into account when determining the Loan amount and the maximum subscription amount.

Securities Margin Account and Investment Account with Cash and Investment Holdings	
Market value of investment holding:	S\$50,000
Margin Ratio of the investment holding:	50%
Credit limit generated by the investment holding:	S\$25,000 (S\$50,000 x 50%)
Existing cash balance:	S\$10,000
Purchase an eligible unit trust fund with a Margin Ratio of 60%*	
Maximum amount of the eligible investment products to be subscribed for:	S\$87,500 ((S\$10,000 + S\$25,000) ÷ (1-60%))
Possible Loan amount**:	S\$77,500 (S\$87,500 – S\$10,000)

*In the above illustrations the Margin Ratio is only used for the purposes of the Maximum Principal Amount calculation.

**The above illustrations do not include the calculation of interest charges which depends on the length of the loan.

2. How to calculate the Portfolio Margin Ratio for investment holdings of different margin ratios?

Example (for illustration only)	Margin Ratio:	Market Value of the Investment Holdings (S\$)	Facility Limit (S\$)
Asset A	60%	\$10,000	\$6,000
Asset B	50%	\$10,000	\$5,000
Asset C	40%	\$10,000	\$4,000
Total		\$30,000	\$15,000

Assuming that the current loan amount taken is \$15,000 in the Securities Margin Account (SMA) and the ceiling limit has not been exceeded, the Portfolio Margin Ratio would be calculated as below:

$$\begin{aligned}
 \text{Portfolio Margin Ratio (PMR)} &= \text{Total Loan Amount} \div \text{Maximum Principal Amount (being in this case the aggregate amount of the market values of each specific eligible investment product held in the SGD Securities Margin Account (SMA) multiplied by their applicable Margin Ratios)} \\
 &= \$15,000 \div [(\$10,000 \times 60\%) + (\$10,000 \times 50\%) + (\$10,000 \times 40\%)] \\
 &= 100\%
 \end{aligned}$$

3. Comparing Securities Margin Financing and own cash-only transactions.

Below are the two examples assuming that:

- you purchase a unit trust with a Margin Ratio of 60% and the current **interest rate charged at 2.48%** ; and
- Own cash and Margin Ratio are taken into account when determining the Loan amount and the maximum subscription amount.

3.1. What is the benefit of using Securities Margin Financing over regular investment in favorable market conditions?

	HSBC's Securities Margin Financing	Own cash investment
Your own cash	S\$10,000	S\$10,000
Current unit price of the eligible unit trust fund	S\$1.00	S\$1.00
Total value of the eligible unit trust fund you can purchase	S\$25,000 (10,000 ÷ (1- 60%))	S\$10,000
Number of units purchased	25,000	10,000

***Interest rate based on VLR. Please refer to page 2 for more details.

Customer(s) initial

Possible Loan amount	S\$15,000 (S\$25,000 - S\$10,000)	N/A
Portfolio Margin Ratio (PMR)	100% ((S\$25,000 - S\$10,000) ÷ (S\$25,000 x 60%))	N/A
Assume that the market value of the unit trust fund increases by 20%		
Latest unit price of the eligible unit trust fund	S\$1.20	S\$1.20
Total value of your purchased unit trust fund	S\$30,000 (25,000 x S\$1.20)	S\$12,000 (10,000 x S\$1.20)
Profit after redemption	S\$5,000 (S\$30,000 - S\$25,000)	S\$2,000 (S\$12,000 - S\$10,000)
Interest cost (one year)	S\$372.00 (S\$15,000 x 2.48%)*	N/A
Portfolio Margin Ratio (PMR)	85.4% ((S\$15,000 + S\$372) ÷ (S\$30,000 x 60%))	N/A
Return on investment (One Year)	46.3% ((S\$5,000 - S\$372) ÷ S\$10,000))	20% (S\$2,000 ÷ S\$10,000)

3.2 What is the consequence of using Securities Margin Financing over regular investment in adverse market conditions?

	HSBC's Securities Margin Financing	Own cash investment
Your own cash	S\$10,000	S\$10,000
Current unit price of the eligible unit trust fund	S\$1.00	S\$1.00
Total value of the eligible unit trust fund you can purchase	S\$25,000 (10,000 ÷ (1 - 60%))	S\$10,000
Number of units purchased	25,000	10,000
Possible Loan amount	S\$15,000 (S\$25,000 - S\$10,000)	N/A
Portfolio Margin Ratio (PMR)	100% ((S\$25,000 - S\$10,000) ÷ (S\$25,000 x 60%))	N/A
Assume that market value of the unit trust fund decreases by 40%		
Latest unit price of the eligible unit trust fund	S\$0.60	S\$0.60
Total value of your purchased unit trust fund	S\$15,000 (25,000 x S\$0.60)	S\$6,000 (10,000 x S\$0.60)
Loss after redemption	S\$10,000 (S\$25,000 - S\$15,000)	S\$4,000 (S\$10,000 - S\$6,000)
Interest cost (Yearly)	S\$372 (S\$15,000 x 2.48%)*	N/A
Portfolio Margin Ratio (PMR)	171% ((S\$15,000 + S\$372) ÷ (S\$15,000 x 60%))	N/A
Return on investment (One Year)	-104% ((-S\$10,000 - S\$372) ÷ S\$10,000))	-40% (-S\$4,000 ÷ S\$10,000)

In order to bring down the PMR to 100% or less, the unit trusts will be force liquidated. After the unit trusts have been sold with entire redemption proceeds to repay the Loan, there is still an outstanding loan position of S\$372 (S\$15,000 of Loan amount + S\$372 of interest cost - S\$15,000 of redemption proceeds) and to ensure repayment of this amount by you to us, we will have the right to sell, enforce and/or set-off any other asset or properties deposited in your various Accounts with us as defined in the HSBC's Premier Terms and Conditions or Jade Terms and Conditions and take any other legal action we consider appropriate.

***Interest rate based on VLR. Please refer to page 2 for more details.

Customer(s) initial

3.3 What is the benefit of using Securities Margin Financing over regular investment in favorable market conditions with interest rate increase of 1.00%?

Below are the two examples assuming that:

- you purchase a unit trust with a Margin Ratio of 60% and the current Interest rate increased to 3.48%* ; and
- Own cash and Margin Ratio are taken into account when determining the Loan amount and the maximum subscription amount.

	HSBC's Securities Margin Financing	Own cash investment
Your own cash	S\$10,000	S\$10,000
Current unit price of the eligible unit trust fund	S\$1.00	S\$1.00
Total value of the eligible unit trust fund you can purchase	S\$25,000 (10,000 ÷ (1- 60%))	S\$10,000
Number of units purchased	25,000	10,000
Possible Loan amount	S\$15,000 (S\$25,000 - S\$10,000)	N/A
Portfolio Margin Ratio (PMR)	100% ((S\$25,000 - S\$10,000) ÷ (S\$25,000 × 60%))	N/A
Assume that the market value of the unit trust fund increases by 20%		
Latest unit price of the eligible unit trust fund	S\$1.20	S\$1.20
Total value of your purchased unit trust fund	S\$30,000 (25,000 × S\$1.20)	S\$12,000 (10,000 × S\$1.20)
Profit after redemption	S\$5,000 (S\$30,000 - S\$25,000)	S\$2,000 (S\$12,000 - S\$10,000)
	HSBC's Securities Margin Financing	Own cash investment
Interest cost (one year)	S\$522 (S\$15,000 × 3.48%)***	N/A
Portfolio Margin Ratio (PMR)	86% ((S\$15,000 + S\$522) ÷ (S\$30,000 × 60%))	N/A
Return on investment (one year)	44.8% ((S\$5,000 - S\$522) ÷ S\$10,000)	20% (S\$2,000 ÷ S\$10,000)

3.4 What is the consequence of using Securities Margin Financing over regular investment in adverse market conditions with interest rate increase to 1.00%?

	HSBC's Securities Margin Financing	Own cash investment
Your own cash	S\$10,000	S\$10,000
Current unit price of the eligible unit trust fund	S\$1.00	S\$1.00
Total value of the eligible unit trust fund you can purchase	S\$25,000 (10,000 ÷ (1- 60%))	S\$10,000
Number of units purchased	25,000	10,000
Possible Loan amount	S\$15,000 (S\$25,000 - S\$10,000)	N/A
Portfolio Margin Ratio (PMR)	100% ((S\$25,000 - S\$10,000) ÷ (S\$25,000 × 60%))	N/A
Assume that market value of the unit trust fund decreases by 40%		
Latest unit price of the eligible unit trust fund	\$0.60	S\$0.60
Total value of your purchased unit trust fund	S\$15,000 (25,000 × S\$0.60)	S\$6,000 (10,000 × S\$0.60)
Loss after redemption	S\$10,000 (S\$25,000 - S\$15,000)	S\$4,000 (S\$10,000 - S\$6,000)

***Interest rate based on VLR. Please refer to page 2 for more details.

Customer(s) initial

Interest cost (one year)	S\$522 (S\$15,000 x 3.48%)*	N/A
Portfolio Margin Ratio (PMR)	172% ((S\$15,000 + S\$522) ÷ (S\$15,000 x 60%))	N/A
Return on investment (one year)	-105% ((-S\$10,000 – S\$522) ÷ S\$10,000))	-40% (-S\$4,000 ÷ S\$10,000)

In order to bring down the PMR to 100% or less, the unit trust will be force liquidated. After the unit trusts have been sold with entire redemption proceeds to repay the Loan, there is still an outstanding loan position of S\$522 (S\$15,000 of Loan amount + S\$522 of interest cost - S\$15,000 of redemption proceeds) and to ensure repayment of this amount by you to us, we will have the right to sell, enforce and/or set-off any other asset or properties deposited in your various Accounts with us as defined in the HSBC's Premier Account Terms and Conditions or Jade Account Terms and Conditions and take any other legal action we consider appropriate.

What are the Key Risks?

Price volatility, the liquidity of the assets in the account and of the underlying investments financed by your Loan, the risk of using leverage.

Below is a non-exhaustive list of the key risks associated with Securities Margin Financing. Prior to subscribing to our Securities Margin Financing services you should read the risk disclosure below, ask questions and take independent advice if you so wish.

1. General risk of securities trading

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

2. Risks associated with margin requirements

You must provide us with initial cash amount before subscribing for your investment. The required amount of initial cash is determined by us and can be varied by us from time to time, in our absolute discretion. Any cash and assets (investments) deposited with us will be charged, pledged and/or assigned to us. If the Portfolio Margin Ratio for your investment drops below a certain level (e.g. because of a decrease of value of your investment), we may request you to provide additional cash on short notice or sell securities to repay all or part of the Loan ("margin call"). The amount of additional cash that we may request you to provide us may be substantial and exceed the amount of initial cash deposited with us. While any Loan provided by us to you remains outstanding, you may be restricted from selling or otherwise dealing with any cash or assets (investments) deposited with us.

If you do not act promptly upon receiving of a margin call notice and do not take the required actions (such as selling securities and/or repaying the Loans) within the prescribed time, we may have various rights, including the right to sell part or all of your investments, as well as to exercise set-off in relation to any cash that you have deposited with us in connection with your investments ("forced sale"), even in adverse market conditions. You will bear all losses and may remain liable to repay us any resulting deficit in your account (including interests) and any other amounts due from you to us.

Financing your investment with a Loan could expose you to significant losses. As a result of adverse market movements, you may incur losses in excess of your own initial funds and your investments, and you may be required to repay the Loans in full.

We may have the right to sell, at our absolute discretion, part or all of any of your investments and/or appropriate and/or dispose of part or all of the cash or other assets (investments) deposited with us and take any other legal action, without notice or demand. For example, we may have such right when due to adverse market conditions the market value of your investments drops significantly and/or your investments cease to be eligible for Securities Margin Financing and/or we need to cover any shortfall and/or reduce your potential exposure to unacceptable risks or heavy losses and/or where you have not complied with your obligations in relation to Securities Margin Financing.

3. Risk of using leverage

The high degree of leverage in connection with Securities Margin Financing transactions can lead to large losses (e.g. in the event we have to force sell your investment, even in adverse market conditions) as well as gains. The higher your leverage is, the bigger your losses can be in adverse market conditions.

In the worst case scenario with Securities Margin Financing, it could expose you to significant losses; you may incur losses in excess of your own initial funds and your investments, and you may be required to repay the Loans in full.

4. Interest rate risk

Interest rate fluctuations may have an adverse impact on the value of your investments. In addition, where the interest rates by reference to which interests on your Loan are calculated fluctuate, this may adversely affect the return on your investments. In particular, the cost of borrowing may be equal to or exceed the actual return on your investments.

5. Liquidity risk

Investing in certain products may present liquidity risk as under certain market conditions you may have difficulties to sell your investments. In the event we have to force sell your investments, the price at which such sale is concluded may also be affected where there is no or little liquidity in the market for your investments and/or collateral.

***Interest rate based on VLR. Please refer to page 2 for more details.

Customer(s) initial

6. **Commissions, Fees and Charges**
 You should familiarize yourself with commissions, fees and charges for which you will be liable under the underlying investment transactions which are funded by Securities Margin Financing as they may affect your net profit (if any) or increase your loss.
7. **Uncommitted facility**
 Securities Margin Financing is uncommitted and HSBC may from time to time at our absolute discretion, cancel, review and/or alter the terms of the facility. Upon demand, the facility shall cease to be available and all monies under the facility shall be repaid in full.
8. **Restricted access to cash deposits/assets (investments)**
 Cash and/or assets (investments) deposited, and held in the Securities Margin Account and Securities Margin 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, and you shall provide a suitably updated Self-Certification Form within 90 days, of such change.
 You are responsible for ensuring compliance with the laws and regulations of your nationality and country of residence to allow the acceptance of the Securities Margin Financing facility and the continuation of the Securities Margin Financing facility throughout the term of such Facility.
 The Bank does not accept liability of any tax implications that may arise in this connection under the laws of any country other than Singapore. If there is any change in your tax residency such that it no longer becomes prudent, lawful or commercially viable for the Bank to continue to make the Securities Margin Facility available to you, it constitutes an Event of Default under such Facility.
10. **Unit Trust**
 Unit Trusts are investment products and some may involve derivatives. The investment decision is yours but you should not invest in the Unit Trusts unless the product is suitable for you having regard to your financial situation, investment experience and investment objectives. Unit Trusts are NOT equivalent to time deposits.
11. **Other Risks**
 If there is at any time in our opinion any material adverse change in your financial condition, or if we consider the security presently pledged to us for the Securities Margin Financing facility to be unsatisfactory or inadequate, we shall without prejudice to our right to repayment upon demand have the right to reduce the facility limit or require you to provide additional cash and assets (investments) to us (in form and substance satisfactory to us) on demand or proceed to sell the securities pledged, apply and set off the proceeds of such sale towards the settlement of any outstanding amounts owing to the Bank under the facility.

Disclaimers:

This factsheet provides you with certain information about the key features of the Securities Margin Financing services described below (the "Securities Margin Financing") provided by HSBC Bank (Singapore) Limited (the "Bank") and forms part of the product information documents. However, this factsheet is not binding. It is intended for general reference only and does not form part of the Bank's Terms and Conditions for Securities Margin Financing or any agreement with the Bank and is not a comprehensive summary thereof. You should not use Securities Margin Financing based on this factsheet alone. You should read this factsheet in conjunction with the Terms and Conditions for Securities Margin Financing (including the risk disclosure statement in Appendix 1 thereto) and other documents referred to therein.

Please refer to the Terms and Conditions for Securities Margin Financing and other documents referred to therein for the exact terms and conditions of the Securities Margin Financing.

Any terms used in this factsheet have the same meaning as defined in the Terms and Conditions for Securities Margin Financing.

All terms of the Securities Margin Financing, including the Margin Ratios, Portfolio Margin Ratio, ceiling limits, thresholds relating to Margin Calls and Forced Liquidation, and eligible investment products, are subject to the Bank's ongoing review and may change from time to time.

Remarks:

"We" / "us" are defined as HSBC Bank (Singapore) Limited.

Signature

SV

Full name _____

Date _____

Signature

SV

Full name _____

Date _____

For Bank use only

Signature verified by _____

Name _____

Date _____