

Securities Margin Financing Knowledge & Experience Questionnaire

 Name:

 Customer Number:

 Staff Name:

1. Experience in investment products

Have you transacted (buy/sell) in Unit Trust in the last 3 years?

Yes No

2. Knowledge and Experience for financing

a. In the past 5 years, have you used financing [at least once] to acquire or trade in investment products (which include one or more of the following: stocks, unit trust, foreign currencies, commodities, structured investment products, warrants, options, futures, bonds and/or insurance plans).

Yes No

b. Do you have relevant educational background (such as finance-related diploma/degree or professional finance-related qualification) or professional knowledge in using financing to acquire or trade in investment products? If **yes**, tick the qualification that applies to you below:

Accountancy	
Actuarial science	
Business/business administration/business management/business studies	
Capital markets	
Commerce	
Economics	
Finance	
Financial engineering	
Financial planning	
Computational finance	
Chartered Financial Analyst Examination conducted by the CFA institute , USA	
Association of Chartered Certified Accountants Qualifications	

No, I don't have any educational background in the use of, and I have not used, financing to acquire or trade in investment products.

3. Knowledge in Securities Margin Financing

Securities Margin Financing is a form of leverage financing.

- a. Are you aware that the use of such leverage financing can increase the impact of price fluctuation on your investment such that when the price moves favorably, you may gain more from your investment but when the price falls, your investment can suffer much greater losses?

Yes No

Please find below, for your reference, an example to illustrate the impact of using Securities Margin Financing for investments in different market environments. Please note that this example does not take into account transaction costs.

Investment purchase	Purchase of investment	Using your own cash	Using HSBC's Securities Margin Financing
	Investment amount	\$ 100,000	\$ 100,000
	Your cash contribution	\$ 100,000	\$ 30,000
	Loan amount	Nil	\$ 70,000
Increase in price of Investment	Increase in price after 1 year	10%	10%
	Value of investment	\$ 110,000	\$ 110,000
	Capital gain after redemption of unit trust	\$ 10,000	\$ 10,000
	Less cost of finance	Nil	\$ (2,100)
	Total gain/loss	\$ 10,000	\$ 7,900
	Return on your capital	10%	26%
Decrease in price of Investment	Decrease in price after 1 year	-10%	-10%
	Value of investment	\$ 90,000	\$ 90,000
	Capital loss after redemption of unit trust	\$ (10,000)	\$ (10,000)
	Less cost of finance	Nil	\$ (2,100)
	Total gain/loss	\$ (10,000)	\$ (12,100)
	Return on your capital	-10%	-40%

- b. Do you understand that in extreme cases, you may potentially lose 100% of your investment capital before covering the outstanding loan position, the loan interest and the transaction costs incurred?

Yes No

- c. Are you aware that you will have to top up cash into your loan account in the event of a margin call due to a drop in value of your underlying collateral?

Yes No

- d. Are you aware that if you do not settle the loan shortfall or provide additional collateral in cash, the Bank will proceed to sell all or part of your investment holdings (even if below cost)?

Yes No

Customer signature _____

Date _____