

Frequently Asked Questions

Regulatory Changes relating to Accredited Investor Regime

1. What are the regulatory changes to the “Accredited Investor” (“AI”) regime and how will these affect me?

The Monetary Authority of Singapore has recently implemented legislative amendments aimed at enhancing regulatory safeguards for investors. The criteria for an investor to qualify as an AI has been refined with effect from 8 October 2018 and from 8 April 2019, an opt-in regime will provide investors the option of electing for AI status.

The Bank is required to independently assess the AI eligibility of its clients. For the criteria and supporting documents to qualify as an AI, please refer to Questions 2 and 3 respectively.

2. How do I qualify for an AI status?

The prescribed AI wealth or income thresholds are as follows:

| Qualification for Accredited Investors (AI) Status |
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| <p>For individuals</p> <ul style="list-style-type: none">• (A) Net personal assets exceeds SGD 2 million (or its equivalent in foreign currency), of which the net equity of the primary residence can only contribute up to SGD 1 million; or• (B) Financial assets (net of any related liabilities) exceeds SGD 1 million (or its equivalent in foreign currency); or• (C) Income in the preceding 12 months is not less than SGD 300,000 (or its equivalent in a foreign currency); |
| <p>For joint account holders: Please refer to question 11</p> |
| <p>Individual mentioned in section 4A(1)(a)(i) of the Securities and Futures Act, Chapter 289 (“SFA”)</p> <p>An individual mentioned in section 4A(1)(a)(i) of the SFA is an individual:</p> <p>(A) whose net personal assets exceed in value S\$2 million (or its equivalent in a foreign currency);</p> <p>(B) whose financial assets (net of any related liabilities) exceed in value S\$1 million (or its equivalent in a foreign currency), where “financial asset” means:</p> <ul style="list-style-type: none">(BA) a deposit as defined in section 4B of the Banking Act, Chapter 19 of Singapore;(BB) an investment product¹ as defined in section 2(1) of the Financial Advisers Act, Chapter 110 of Singapore; or(BC) any other asset as may be prescribed by regulations made under section 341 of the SFA; or <p>(C) whose income in the preceding 12 months is not less than S\$300,000 (or its equivalent in a foreign currency).</p> |

In determining the value of an individual's net personal assets for the purposes of subsection (1)(a)(i)(A), the value of the individual's primary residence:

(a) is to be calculated by deducting any outstanding amounts in respect of any credit facility that is secured by the residence from the estimated fair market value of the residence; and (b) is taken to be the lower of the following:

- (i) the value calculated under paragraph (a);
- (ii) S\$1 million.

¹ Including securities, securities-based and other derivatives contracts, collective investment schemes, and life policies.

3. What supporting documents should I submit for AI eligibility assessment?

The supporting documents required may include the following:

| Examples of supporting documents | |
|---|---|
| Individuals | <p>For Net Personal Assets / Net Financial Assets:</p> <ul style="list-style-type: none"> • Latest bank statement, • Latest statement from the Central Depository (Pte) Ltd (CDP) showing personal assets <p>Latest statement from brokerage houses showing net personal assets</p> <p>For net equity of property:</p> <ul style="list-style-type: none"> • Title deeds free of encumbrances • Latest housing loan statement <p>For income:</p> <ul style="list-style-type: none"> • Salary Slip • Latest Notice of Assessment or overseas tax authorities' returns • Letter from employer certifying individual's income in the preceding 12 months |

4. What does it mean to be an AI?

An accredited investor is a customer who has provided consent to being treated as an AI by the Bank.

AIs are assumed to be better informed, and better able to access resources to protect their own interests, and therefore require less regulatory protection. Investors who agree to be treated as AIs therefore forgo the benefit of certain regulatory safeguards. When the bank deals with AIs, we are exempt from complying with certain regulatory requirements of FAA, the SFA and related regulations which are meant to provide regulatory safeguards to retail customers. An AI generally has access to a wider range of financial products and services which regular non AI investors are not. These include restricted products like structured notes, equity linked notes and selected bonds. With a wider investment options, it would also present you greater opportunities for your investments.

For details on the relevant regulatory requirements which we will be exempted from when serving you as an AI, please refer to <https://www.hsbc.com.sg/aichanges>

Some examples for RM to quote if client ask:

| | Retail customer | Accredited Investor |
|--|---|---|
| Disclosure requirement | The bank to make certain disclosures (such as whether the assets will be commingled with other customers and the risks of commingling, consequences if the institution which maintains the custody account becomes insolvent) in writing prior to depositing assets in custody account | No such requirement |
| Prohibition on transferring title of assets received from customer to the bank or any other person | Prohibited unless transferred in connection with borrowing or lending of specified products in accordance with Regulation 45 of the SFR. | No such requirement |
| Withdrawals from custody account to transfer the asset to any other person or account in accordance with the written direction of the customer | Not permitted to transfer retail customer's assets, to meet any obligation of the bank in relation to any transaction entered into by the bank for the benefit of the bank. | No such prohibition |
| Customer Assets | <p>Deposit into a custody account maintained in accordance with Regulation 27 of the SFR (requires the custody account to be maintained with certain specified institutions only); or</p> <p>Deposit into account directed by retail customer to which retail customer has legal and beneficial title and maintained with, inter alia, licensed banks, merchant banks or finance companies or banks</p> | <p>Deposit into a custody account maintained in accordance with Regulation 27 of the SFR (requires the custody account to be maintained with certain specified institutions only); or</p> <p>Deposit into account directed by Accredited Investor</p> |

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| | established and regulated as banks outside Singapore | |
| Mortgage of customer's assets – The bank may mortgage, charge, pledge or hypothecate customer's assets for a sum not exceeding the amount owed by the customer to the bank | Prior to doing so, the bank must inform the retail customer of this right, explain the risks and obtain written consent of the retail customer | No equivalent requirement |

5. What does it mean to be a non-AI?

Generally, a non-AI (ie, a retail customer) has access to a limited range of financial products and services as compared to those available to an AI. Products typically available to retail customers include most mutual funds, life insurance and dual currency investments.

If you do not opt in for AI status or if you opt out from AI status, the Bank will be required to treat you as a retail customer and there may be limitations on new investment products that we may offer to you. If you were previously regarded as an AI but subsequently opt out, we will still be able to provide services to you for your existing investments subject to any regulatory restrictions applying to a retail investor.

6. Can I elect to have a different status for each of my accounts with HSBC?

AI status is held on a per financial institution basis. If you opt in for AI status, this will be applied to all account(s) which are held in your name with HSBC Bank (Singapore) Limited. AI status cannot be at a transaction or specific product holding level.

7. How do I opt-in to be treated as an AI?

If you meet the pre-requisites to qualify as an AI and would like to opt in to be treated as an AI for your account(s), please:

- (a) Provide us with supporting documents to qualify for AI (refer to Question 3);
- (b) Allow the Bank to assess that you qualify to be an AI (based on the documentary evidence provided by you); and
- (c) Complete and return the Opt-In confirmation.

Alternatively, you may contact your Relationship Manager who would be able to assist you with the opt-in request. HSBC will assess your AI-eligibility and notify you when your opt-in request has been successfully processed.

For joint accounts, please see Question 12 below.

8. How do I opt out of the AI status?

Existing AI clients may opt out of the AI status at any time. If you are an existing AI and wish to opt out of the AI status, please complete and return the **Opt-Out Confirmation**. Your opt out confirmation will apply to all your sole accounts and to any joint account you may have. For further information on joint accounts, please see Question 12 below.

Do note the Bank may take approximately 14 days to process your request. We will notify you once your request has been processed and your investor status has been updated in our records. Until such time, you would still be considered an AI.

If you were previously regarded as an AI but subsequently opt-out, we will still be able to provide services to you for your existing investments subject to any regulatory restrictions applying to a retail investor.

9. HSBC Bank (Singapore) Limited has informed me that I have been assessed to be an AI. What else am I required to do?

Unless you opt out of AI status, HSBC may continue treat you as an AI until 8 July 2020. For HSBC to continue serving you as an AI after 8 July 2020, please inform your Relationship Manager who would be able to assist you with the opt-in request or complete and return the accompanying Application to Opt-In to Accredited Investor status before 8 July 2020

If you are a new customer of the Bank and our letter/notice confirms you have been assessed on or after 8 April 2019 to qualify for AI status, you will be required to sign an opt-in confirmation before we can start treating you as an AI.

10. How will I know if my opt-in / opt -out request has been processed? How long will the Bank take to process my request?

The Bank may take approximately 14 days to process your request. HSBC will notify you once your request has been processed and your investor status has been updated in HSBC records.

11. What is the criteria for my joint account to qualify for AI status?

In order for a joint account to qualify for AI status:

- (a) at least one joint account holder must have been assessed as qualifying as an AI and that joint account holder has opted in for AI status; **and**
- (b) all other joint account holders who do not qualify for AI status (in their individual capacity) must have opted in for AI status in respect of the joint account.

If any one of the joint account holders has **not** opted in for AI status, the joint account will be designated as a retail joint account and none of the joint account holders will be able to transact through that joint account as an AI.

Likewise, if **any one** joint account holder opts out of AI status, the joint account will be redesignated as a retail joint account and none of the joint account holders will be able to transact through that joint account as an AI.

12. Will my existing investments which I have entered into as an AI be subject to the regulatory safeguards accorded to a non-AI after I have successfully Opt-out as an AI?

As your existing investments were entered into when you were an AI, they would not benefit from regulatory safeguards accorded to a non-AI. All investments entered into with the Bank after we have notified you that your Opt Out has been processed will be subject to the regulatory safeguards accorded to a non-AI.

13. For a joint account with AI status, will I be notified if my other joint account holder(s) Opts Out?

The notification will only be sent to the account holder who opts out of that account.

14. Can you withdraw your consent to be treated as an AI after you have signed the Opt-in Form, and what are the consequences?

Yes, in the event that you have signed an Opt-In Form and consented to being treated as an AI by HSBC for the purpose of all the Consent Provisions and in connection with your accounts, investments and holdings with HSBC, you have a right to withdraw your consent at any time.

In the event that you withdraw your consent, HSBC will not be able to treat you as an AI.