Dual Currency Investment Product Sheet

This Product Sheet must be read in conjunction with the Dual Currency Investment Terms and Conditions and the Dual Currency Investment Mandate which contains a Product Checklist to ensure that a Dual Currency Investment (DCI) is an appropriate investment for you. The DCI is likely to be appropriate for you if you:

- Understand how foreign exchange markets work
- Understand that DCI has foreign exchange risk
- Understand how a DCI works
- Understand that you might be able to generate a better return by investing directly into the currency
- Are aware of and accept the risks associated with a DCI
- Accept that you could get back less than the amount you invest.

This DCI is provided without advice. If you have any questions about the suitability of this product for you or you have any tax concerns, we strongly recommend you seek financial and tax advice from your professional advisers.

This Product Sheet forms part of the Terms and Conditions and your agreement with us. Please refer to the DCI Terms and Conditions for a full list of defined terms. The DCI Terms and Conditions shall prevail over this Product Sheet in respect of any inconsistency.

The HSBC Expat DCI provides an enhanced yield. By investing in a DCI, you invest in a product that is linked to the exchange rate movement of a currency pair that you select. An enhanced yield is offered in return for you accepting foreign exchange risks. Your investment and return may be paid in the weaker currency within your currency pair at maturity, at an exchange rate selected by you at the time the investment is made, and that this could result in you getting back less than the amount you invested. A detailed list of the risks associated with a DCI is included at the end of this Product Sheet.

You have:

1. A choice of terms – Terms range from 1 week to 12 months although a typical term is less than 3 months.

2. DCI is available in the following currencies – United Arab Emirates Dirham (AED), Australian dollar (AUD), Canadian dollar (CAD), Danish kroner (DKK), Euro (EUR), Hong Kong dollar (HKD), Japanese yen (JPY), New Zealand dollar (NZD), Norwegian kroner (NOK), Polish Zloty (PLN), Singapore dollar (SGD), South African rand (ZAR), Sterling (GBP), Swedish kroner (SEK), Swiss franc (CHF) and US dollar (USD).

3. The following currency pairs are available:

Currency pairs are always quoted as shown above. Other currencies pairs may be offered in the future.

4. A choice of investment amount – Minimum amount USD50,000; maximum amount USD2,500,000 or the equivalent in one of the currencies above.

5. Access to Market Information – Our FX team can provide you with up-to-date information on currency markets, which could help you make informed decisions and take advantage of any potential opportunities that may arise.

A Dual Currency Investment is a high risk investment which could result in you getting back significantly less than the amount you invested. By investing in a Dual Currency Investment you are investing in a product that is linked to the exchange rate movement of a currency pair that you select. An enhanced yield is offered in return for you accepting the foreign exchange risks. At maturity, your investment and return may be paid in the weaker currency within your currency pair and at the exchange rate you agreed when you made the investment. A Dual Currency Investment is provided without advice. If you have any questions about the suitability of this product for you, or you have any tax concerns, we strongly recommend you seek financial and tax advice from your professional advisers. When you invest in a Dual Currency Investment, there is no cooling off period and you can’t withdraw your money until the end of the investment term.

Our Dual Currency Investments are not available in every country. Dual Currency Investments are not available to residents of Australia, Canada, France, Luxembourg, Netherlands, New Zealand, Poland or the United States of America.

To find out if Dual Currency Investments are available in your country of residence please call us on +44 1534 616 313 if you are a Premier customer or +44 1534 616 212 if you are an Advance customer.

How a Dual Currency Investment Works

Step 1. You must complete and return the DCI Mandate.

Step 2. You must be an existing customer of HSBC Bank International Limited (the Bank) and be registered for Personal Internet Banking.

Step 3. Premier customers call +44 1534 616313 and Advance customers please call +44 1534 616212 on Mondays to Fridays (8am to 5pm, excluding public holidays) to contact the FX Team to place your DCI.

To help us continually improve our service and in the interest of security we may monitor and/or record your communication with us.

Step 4: Choose a currency pair from those available. You must have accounts with the Bank in both currencies.
Step 5. Decide the investment amount and which of the two currencies you would like to make your investment in. This will be your Base Currency. The other currency will be the Alternate Currency.

Step 6. Your investment amount must be made available as cleared funds in your nominated Base Currency account to be debited by the Bank and transferred into the DCI on the date that your DCI commences (the DCI Date). This will be two Business Days after you enter into your DCI. A hold will be placed on the funds in your new account from when you enter into the investment until the DCI Date.

Step 7. Choose the term for your investment, ie how long you would like your DCI to run for.

Step 8. Choose the exchange rate for your currency pair. This will be your Strike Rate:

- Where the currency in which you are investing (your Base Currency) is the first currency in your currency pair you must select a Strike Rate, equal to or higher than the current exchange rate (the spot rate), which the DCI could be converted at; or
- Where the currency in which you are investing (your Base Currency) is the second currency in your currency pair you must select a Strike Rate, equal to or lower than the current exchange rate (the spot rate), which the DCI could be converted at.

Step 9. Confirming the Yield. The Strike Rate you select, along with the term, will determine the yield that you earn. Generally the closer your Strike Rate is to the current exchange rate (the spot rate) the higher the yield.

Yields offered by the Bank could change from day to day and also during the course of a day. The FX Team will advise you of the applicable yield before you confirm your investment. The date on which you confirm your investment will be the Instruction Date.

Confirmation of your DCI, the investment parameters you selected, the yield and the key dates will be sent to you electronically via Personal Internet Banking.

Determining the Currency of the Proceeds

Two business days before the maturity date of your DCI (the Decision Date) the Bank will determine whether your proceeds will be paid to you in the Base Currency or Alternate Currency.

A comparison of your Strike Rate against the Decision Rate will determine whether you will be paid the proceeds in your Base Currency or the Alternate Currency (converted at the Strike Rate) at the Maturity Date. Decision Rate is the exchange rate (the spot rate) at 10am New York time on the Decision Date.

If the Base Currency is second in your currency pair and it has strengthened against the Alternate Currency such that the Decision Rate is equal to or less than the Strike Rate, the Bank will ordinarily convert your proceeds to the Alternate Currency at the Strike Rate.

In any other case, your proceeds will be paid to you in the Base Currency.

The following table explains how this determination is made:

<table>
<thead>
<tr>
<th>Base Currency selected</th>
<th>Decision Rate</th>
<th>Proceeds paid in:</th>
</tr>
</thead>
<tbody>
<tr>
<td>First currency in the Currency Pair</td>
<td>Greater than or equal to the Strike Rate</td>
<td>Alternate Currency</td>
</tr>
<tr>
<td></td>
<td>Less than the Strike Rate</td>
<td>Base Currency</td>
</tr>
<tr>
<td>Second currency in the Currency Pair</td>
<td>Greater than the Strike Rate</td>
<td>Base Currency</td>
</tr>
<tr>
<td></td>
<td>Less than or equal to the Strike Rate</td>
<td>Alternate Currency</td>
</tr>
</tbody>
</table>

Hypothetical Examples

The four examples in this Product Sheet show which currency your Proceeds will be paid in as exchange rates move. They are not intended to be indicative of the past or future performance of any exchange rate or the Investment or any yield the Bank will offer. The rates used are not indicative of current or expected exchange rates or yields.

Investment Parameters for Scenarios 1 and 2

Both Scenarios 1 and 2 use the following Investment Parameters:

- Instruction Date: 29 September
- DCI Date (2 business days after Instruction Date): 1 October
- Currency Pair: GBP/USD
- Base Currency: GBP
- Alternate Currency: USD
- Investment Amount: GBP 100,000
- Investment Term: 31 calendar days
- Strike Rate: 1.5701
- Yield: 10.37% per annum
- Decision Date: Tuesday, 30 October
- Maturity Date: 1 November.

For both Scenarios 1 and 2 the Base Currency is GBP which is first in the Currency Pair.

The Spot Rate at the time the DCI was entered into was 1.5601.

Calculating the Return for Scenarios 1 and 2

The DCI will pay a return of GBP 880.74 on the Maturity Date, as per the following calculation:

\[
\text{GBP 100,000} \times 10.37\% \times \frac{31 \text{ days}}{365 \text{ days}} = \text{GBP 880.74}
\]

* 365 days is used as this is the day count convention used for GBP.
Scenario 1 – Decision Rate is above Strike Rate
The diagram shows a situation where the Decision Rate for the GBP/USD is above the Strike Rate on the Decision Date.

**Base Currency: GBP**

**Investment Amount:** GBP 100,000

Decision Rate (spot rate at 10am New York time on Decision Date) is GBP/USD 1.5782.
As Decision Rate (1.5782) is above the Strike Rate (1.5701), the Proceeds are converted to U.S. Dollars at the Strike Rate and credited to the nominated Alternate Currency account.

Proceeds = GBP 100,000 + GBP 880.74
= GBP 100,880.74

x Strike Rate

1.5701

= USD 158,392.85

**NOTE:**
In Scenario 1, the Proceeds have been converted into the Alternate Currency at the Strike Rate (ie 1.5701). If the Proceeds are converted back to the Base Currency and the market exchange rate (spot rate) is GBP/USD 1.5900 at the time of re-conversion, the Proceeds converted back to the Base Currency (GBP) will be:


A loss of GBP 381.86 calculated as:

GBP 100,000 – GBP 99,618.14 = GBP 381.86

This example highlights that you may receive less than your Investment Amount if the exchange rate for the Currency Pair remains above the Strike Rate at the time you convert back to GBP.

Scenario 2 – Decision Rate is below Strike Rate
The diagram shows a situation where the Decision Rate for the GBP/USD is below the Strike Rate on the Decision Date.

**Base Currency: GBP**

**Investment Amount:** GBP 100,000

Decision Rate (spot rate at 10am New York time on Decision Date) is GBP/USD 1.5526.
As Decision Rate (1.5526) is below the Strike Rate (1.5701), the Proceeds are credited to the Base Currency account in Pound Sterling.

Proceeds = GBP 100,000 + GBP 880.74
= GBP 100,880.74

Investment Parameters for Scenarios 3 and 4
Scenarios 3 and 4 use the following Investment Parameters:
- **Instruction Date:** 29 September
- **DCI Date (2 business days after Instruction Date):** 1 October
- **Currency Pair:** GBP/USD
- **Base Currency:** USD
- **Alternate Currency:** GBP
- **Investment Amount:** USD 100,000
- **Investment Term:** 31 calendar days
- **Strike Rate:** 1.6772
- **Yield:** 9.19% per annum
- **Decision Date:** Tuesday, 30 October
- **Maturity Date:** 1 November.

The spot rate at the time the Investment was entered into was 1.6872.

*For both Scenarios 3 and 4 the Base Currency is USD which is second in the Currency Pair.*

Calculating the Return for Scenarios 3 and 4
The DCI will pay a return of USD 791.36 on the Maturity Date, as per the following calculation:

USD 100,000 x 9.19% x \( \frac{31}{360} \) days = USD 791.36

* 360 days is used as this is the day count convention used for USD.
Scenario 3 – Decision Rate is above Strike Rate
The diagram shows a situation where the Decision Rate for the GBP/USD is above the Strike Rate on the Decision Date.

**Base Currency: USD**
Investment Amount: USD 100,000

Decision Rate (spot rate at 10am New York time on Decision Date) is GBP/USD 1.6949.
As Decision Rate (1.6949) is above the Strike Rate (1.6772), the Proceeds are credited to the nominated Base Currency Account in U.S. Dollars.

Proceeds = USD 100,000 + USD 791.36
= USD 100,791.36

Scenario 4 – Decision Rate is below Strike Rate
The diagram shows a situation where the Decision Rate for the GBP/USD is below the Strike Rate on the Decision Date.

**Base Currency: USD**
Investment Amount: USD 100,000

The Decision Rate (spot rate at 10am New York time on Decision Date) is GBP/USD 1.6693.
As the Decision Rate (1.6693) is below the Strike Rate (1.6672), the Proceeds are converted to Pound Sterling at the Strike Rate and credited to the nominated Alternate Currency account.

Proceeds = USD 100,000 + USD 791.36
= USD 100,791.36 ÷ Strike Rate 1.6772
= GBP 60,095.02

**NOTE:**
In Scenario 4, the Proceeds have been converted into the Alternate Currency at the Strike Rate (i.e. 1.6772). If the Proceeds are converted back to the Base Currency and the market exchange rate (spot rate) is GBP/USD 1.6531 at the time of re-conversion, the Proceeds converted back to Base Currency (USD) will be:

GBP 60,095.02 x 1.6531 = USD 99,343.08

A loss of USD 656.92 calculated as:
USD 100,000 – USD 99,343.08 = USD 656.92

This example highlights the possibility that you may receive less than your Investment Amount if the exchange rate for this Currency Pair remains below the Strike Rate at the time you convert back to USD.
Costs, Fees and Charges
There is no application fee, establishment fee or any ongoing management fee charged to you in respect of your DCI. The cost of putting each DCI in place and the profit HSBC Expat expects to make in offering the DCI are incorporated as a margin into the yield quoted to you, and there are no additional fees or charges payable by you. You will be subject to the ordinary fees and charges in relation to your Base Currency account and your Alternate Currency account. Other general service fees or charges may apply please see the HSBC Tariff of Charges available from www.expat.hsbc.com.

Taxation
Your tax situation will depend on your personal circumstances and we recommend you obtain independent tax advice.

Risks Associated with DCI
- There are a number of factors and events which could affect the foreign exchange rates and the value of your investment. These include, but are not limited to, changes in:
  - Economic conditions (eg foreign debt levels)
  - Government and political factors
  - Capital markets
  - Interest rates.
- A DCI should be considered a risky investment and by investing, you are speculating on the future movement of the exchange rate of your Currency Pair. Although the yield is fixed for the life of the DCI, the Proceeds may be paid in the Alternate Currency.
- The future outcome of your DCI is directly linked to the performance of the exchange rate for your Currency Pair. At the Decision Date, if the Base Currency has strengthened against the Alternate Currency so that the Decision Rate is equal to or stronger than the Strike Rate you will be paid the Proceeds in the Alternate Currency.
- If your proceeds are converted into your Alternate Currency you may make a loss if you convert back to your Base Currency.
- A conversion of the Proceeds back into the Base Currency will need to be done at the prevailing exchange rate and may reduce the net return or result in a loss on your Investment. The loss may be substantial depending on the size of the movement in the exchange rate for your Currency Pair.
- By investing in a DCI, you will be subject to the risk that the Base Currency will appreciate against the Alternate Currency beyond your selected Strike Rate.
- Exchange rates are very difficult, if not impossible, to predict. Economic differences between countries – in such areas as national income, money growth, inflation and trade balances have long been considered critical determinants of currency values.
- There may be a loss incurred as a result of foreign exchange controls imposed by the country which issued the foreign currency. Payment of amounts due to you may be delayed or prevented by the exchange controls or other actions imposed by governmental or regulatory bodies.
- The DCI is not a protected deposit under the Deposit Protection Scheme in Hong Kong and is not protected by the scheme.
- The DCI will not benefit from the protection offered by the rules and regulations made under the UK’s Financial Services & Markets Act 2000, including the UK Financial Services Compensation Scheme.

Other Considerations
- Before you enter into a DCI, it is important you understand the forces that drive exchange rates. The future outcome of your DCI is directly linked to the performance of the exchange rate for your Currency Pair.
- There is no definitive evidence that any economic variable can forecast exchange rates for currencies of nations with similar inflation rates.
- There is limited scope to take advantage of views on future exchange rate movements under this product.
- You should avoid excessive investment in a single type of investment, in regards to its total proportion of your overall portfolio, in order to guard against over-exposure to any investment risks.
- You should make sure you have sufficient liquid emergency funds to meet any unforeseen circumstances.

HSBC Expat is the Deposit Taker for the Dual Currency Investment and is established at HSBC Expat, HSBC House, Esplanade, St Helier Jersey JE1 1HS, Channel Islands. HSBC Expat is based in Jersey (Channel Islands), HSBC Expat provides offshore banking and wealth management services to people living and working in countries across the world.


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