

Dear Valued Client

## CHANGES TO ACCREDITED INVESTOR REGIME

We are writing to you in connection with your account(s), transactions booked with us, and the relevant services and products offered to you.

As you may be aware, the regime for “accredited investors” as defined under the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”) has been amended to enhance investor protection. The amendments include changes to the definition of “accredited investor” (“**AI**”) and with effect from 8 April 2019, will involve an opt-in/opt-out process for AIs. Details of the new AI criteria and the regulatory requirements that HSBC Bank (Singapore) Limited (“**HSBC**”) will be exempt from when serving AIs (“**consent provisions**”) are available at [www.hsbc.com.sg/ai](http://www.hsbc.com.sg/ai) assessed and as follows:

- **Schedule 1** – new criteria for qualification as AI<sup>1</sup>
- **Schedule 2** – explanation of effects of being treated as an AI under all the consent provisions<sup>2</sup>
- **FAQs.**
- **Opt-in and Opt-out Forms**

### Your Accredited Investor Status

Based on the supporting documents you have provided to us, we have assessed you to be an individual that qualifies as an AI under section 4A(1)(a)(i) of the SFA. This means that you are eligible to opt-in to the AI status. At HSBC, AIs are able to have access to a range of more complex investment range of products<sup>3</sup>.

### What you need to do next

Under the new AI regime, you will be required to opt-in to the AI status in order for us to treat you as an AI. The opt-in form can be found in the above weblink. Once you have opted-in, your AI status will apply to all your accounts with us where you act as principal solely for your own account.

We encourage you to contact your relationship manager to arrange for a convenient time to give us the signed opt-in confirmation. If you have any questions, please refer to the FAQs in the above weblink or call your relationship manager.

<sup>1</sup> For your ease of reference, you may also refer to Annex 1 of this letter.

<sup>2</sup> We have provided a summary version of Schedule 2 in Annex 2 of this letter. We also encourage you to refer to the full document through the weblink.

<sup>3</sup> In HSBC, restricted scheme funds and complex investment products such as structured notes, equity linked notes and selected bonds can only be offered to AIs.

**General Warning:** 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. For example, issuers of securities are exempted from issuing a full prospectus registered with the Monetary Authority of Singapore in respect of offers that are made only to AIs, and intermediaries are exempted from a number of business conduct requirements when dealing with AIs. Investors should consult a professional adviser if they do not understand any consequence of being treated as an AI.

### **What happens if I do not provide the opt-in confirmation?**

If you do not provide the opt-in confirmation to us, HSBC will need to treat you as a **retail client**. This means that *we would not be able to offer or provide certain services and products to you and/or execute certain transactions for you.*

### **Opting Out**

If you wish to opt-out of your AI status, you can do so at any time so by completing and returning to us the signed opt-out form that can be found at the weblink above. You can return the signed form to your relationship manager.

We will need up to 14 working days after receipt of your opt-out notice to update our records. We will notify you once your request has been processed by us. To assist you in deciding whether to provide such opt-out notification, we have provided a summary of the effects of being treated as an AI in Annex 2 of this letter. Further details can be found in **Schedule 2** (see weblink above).

If you choose to opt out of AI status, *we would need to treat you as a retail customer. This means that we would no longer be able to offer or provide certain services and products to you and/or execute certain transactions for you.* We will still be able to provide services to you for your existing investments subject to any regulatory restrictions applying to a retail investor.

### **Joint Accounts**

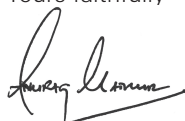
To the extent that you have a joint account opened/to be opened with us (the "**Joint Account(s)**"), then each of the other holder(s) of the Joint Account(s) (the "**Other Holder(s)**") is also required to provide to HSBC the documents set out under the section "What you need to do next". If any one of the Other Holder of a Joint Account:

- does not provide the documentation requested for AI assessment;
- does not provide the opt-in confirmation; or
- opts out from his/her AI status,

HSBC's internal requirements require us to treat the Joint Account as a retail client account. Please refer to the sections above for the effect of a change from AI status to retail customer status.

Should you wish to discuss any of the above, please do not hesitate to contact your relationship manager.

Yours faithfully



**Anurag Mathur**

Head of Wealth and Personal Banking

## ANNEX 1

### **Definition of Accredited Investor (for individuals)**

An individual mentioned in section 4A(1)(a)(i) of the SFA is an individual:

- (A) whose net personal assets<sup>4</sup> exceed in value S\$2 million (or its equivalent in a foreign currency);
- (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:
  - (BA) a deposit as defined in section 4B of the Banking Act, Chapter 19 of Singapore;
  - (BB) an investment product<sup>5</sup> 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
- (C) whose income in the preceding 12 months is not less than S\$300,000 (or its equivalent in a foreign currency).

<sup>4</sup>In determining the value of an individual's net personal assets, 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.

<sup>5</sup>Including securities, securities-based and other derivatives contracts, collective investment schemes, and life policies.

## ANNEX 2 – EXPLANATION OF EFFECT OF BEING TREATED AS AN ACCREDITED INVESTOR UNDER THE CONSENT PROVISIONS

*The following sets out a summary of the effect under the consent provisions of you being treated by us as an accredited investor. Where we deal with you as an accredited investor, we would be exempt from complying with certain requirements under the Financial Advisers Act, Chapter 110 of Singapore (the “FAA”) and certain regulations, notices and guidelines issued thereunder, as well as certain requirements under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”) and certain regulations and notices issued thereunder. For more detailed information on the consent provisions and how they do not apply to accredited investors, please refer to/ visit [www.hsbc.com.sg/ai](http://www.hsbc.com.sg/ai)*

*Please note that the regulatory requirements that we are exempted from when dealing with you as an accredited investor may be amended and updated from time to time due to regulatory changes or otherwise. Whilst we have set out the consent provisions under the Securities and Futures (Licensing and Conduct of Business) Regulations, some of these provisions may not be in force yet and may only come into force vis-à-vis us at a later date.*

**Under the SFA and the regulations and notices issued thereunder:**

**1. Compensation from fidelity fund under Section 186(1) of the SFA.** Section 186(1) of the SFA provides for a fidelity fund to be held and applied for the purposes of compensating persons who suffer pecuniary loss because of certain defaults. You would not be entitled to be compensated from the fidelity fund, even if you have suffered pecuniary loss in the manner contemplated under Section 186(1) of the SFA.

**2. Prospectus Exemptions under Sections 275 and 305 of the SFA.** Sections 275 and 305 of the SFA exempt the offeror from registering a prospectus when the offer of securities and securities-based derivatives contracts, and units of collective investment schemes is made to relevant persons (including accredited investors). In addition, secondary sales made to institutional investors and relevant persons remain exempt from the prospectus registration requirement provided that certain requirements are met.

You can be offered certain products that cannot be offered to retail investors. The issuer and/or offeror is not subject to the statutory prospectus liability under the SFA. Subsequent sales of securities, securities-based derivative contracts and collective investment schemes first sold under inter alia Section 275 and 305 can also be made to you, as well as transfers of securities of certain corporations and interests in certain trusts.

**3. Restrictions on Advertisements under Sections 251 and 300 of the SFA.** Sections 251 and 300 of the SFA prohibit any advertisement or publication referring to an offer or intended offer of securities and securities-based derivatives contracts, and units of collective investment schemes from being made, except in certain circumstances. These restrictions do not apply to certain communications containing material on matters in a preliminary document lodged with the MAS. You may receive such communications and are therefore not protected by the requirements in Sections 251 and 300 of the SFA.

**4. Part III of the Securities and Futures (Licensing and Conduct of Business) Regulations (“SFR”).**

Part III of the SFR stipulates the requirements imposed on us in relation to the treatment of customers’ assets. We are exempt from treating you as a “retail investor” in relation to certain requirements pertaining to the treatment of a retail customer’s assets, as summarised below.

Bank	Retail customer	Accredited investor
<b>Disclosure requirement<sup>6</sup></b>	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>No such requirement</li> </ul>
<b>Prohibition on transferring title of assets received from customer to bank or any other person<sup>7</sup></b>	<ul style="list-style-type: none"> <li>Prohibited unless transferred in connection with borrowing or lending of specified products in accordance with Regulation 45 of the SFR</li> </ul>	<ul style="list-style-type: none"> <li>No such requirement</li> </ul>
<b>Withdrawals from custody account to transfer the asset to any other person or account in accordance with the written direction of the customer<sup>8</sup></b>	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>No such prohibition</li> </ul>

<sup>6</sup> Regulation 27A

<sup>7</sup> Regulation 34A

<sup>8</sup> Regulation 35(2)

<b>Customer Assets<sup>9</sup></b>	<ul style="list-style-type: none"> <li>• 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</li> <li>• Deposit into account directed by retail customer to which retail customer has legal and beneficial title and maintained with, <i>inter alia</i>, licensed banks, merchant banks or finance companies or banks established and regulated as banks outside Singapore</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> <li>• Deposit into account directed by accredited investor</li> </ul>
<b>Mortgage of customer's assets – bank may mortgage, charge, pledge or hypothecate customer's assets for a sum not exceeding the amount owed by the customer to the bank<sup>10</sup></b>	<ul style="list-style-type: none"> <li>• Prior to doing so, bank must inform the retail customer of this right, explain the risks and obtain written consent of the retail customer</li> </ul>	<ul style="list-style-type: none"> <li>• No equivalent requirement to inform, explain risks or obtain written consent of accredited investor</li> </ul>

- 5. Regulation 47BA of the SFR.** Regulation 47BA of the SFR provides that a bank must not deal with a retail customer as an agent when dealing in certain capital markets products. We are not subject to this prohibition if you are an accredited investor and may deal with you as an agent in relation to over-the-counter derivatives contracts and/or spot foreign exchange contracts, for the purposes of leveraged foreign exchange trading.
- 6. Regulation 47E of the SFR.** We are not under any obligation under Regulation 47E(1) and (2) of the SFR to provide for certain risk disclosure requirements for (a) trading in futures contracts, spot FX contracts for the purposes of leveraged FX trading and FX OTC derivatives (the "Products"), (b) soliciting or entering into fund management agreements to manage Products for you.
- 7. Section 99H(1)(c) of the SFA read with Regulations 3A(5)(c), (d), (e) and (7) of the SFR.** If we appoint a provisional representative or temporary representative in respect of any SFA regulated activity, we would undertake certain responsibilities in relation to the representative's interactions with any client or member of the public. We are not under any statutory obligation to restrict the interactions with you that may be undertaken by such representatives.
- 8. Regulation 33 of the SFR.** We are not under any statutory obligation under Regulation 33(2)(a) of the SFR to explain the risks involved to you prior to us lending or arranging for a custodian to lend your specified products.
- 9. Regulation 40 of the SFR.** Provided: (a) we have made available to you (on a real-time basis) with your consent monthly and quarterly statements of account containing prescribed particulars electronically; or (b) you have requested in writing not to receive the statement of account, we are not under any statutory obligation under Regulation 40(1) of the SFR to furnish a monthly or quarterly statement of account to you.
- 10. Regulation 45 of the SFR.** We are not under any statutory obligation to provide collateral to you under Regulation 45 of the SFR when we borrow specified products from you. Where we provide assets to you as collateral for the borrowing, unlike for retail investors, the agreement does not have to include the requirement to mark-to-market on every business day the specified products that are borrowed nor the minimum collateral comprising specified products nor procedures for calculating the margins.
- 11. Regulation 47DA of the SFR.** We are not required to provide certain general risk disclosures or disclose to you the capacity in which we act when opening a trading account for entering into transactions of any products that are not futures contracts, spot FX contracts and FX OTC derivatives.

***Under the FAA and the regulations, notices and guidelines issued thereunder:***

- 12. Section 23F(1)(c) of the FAA read with Regulations 4A(4)(c), (d) and (e) of the Financial Advisers Regulations ("FAR").** If we appoint an individual as a provisional representative in respect of any financial advisory service, we undertake certain responsibilities in relation to the provisional representative's interactions with any client or member of the public. We are not under any statutory obligation to restrict the interactions with you that may be undertaken by our provisional representatives in the course of providing any financial advisory service.

<sup>9</sup> Regulation 26(1)(a)  
<sup>10</sup> Regulation 34(2)

- 13. Regulation 28 of the FAR.** Regulation 28 of the FAR exempts certain exempt financial advisers from having to comply with requirements set out in sections 26 to 29 and 36 of the FAA in respect of advising, or issuing or distributing research on bonds to an expert investor or accredited investor.

When we provide advice or analyses on bonds, we will not be required to comply with the requirements set out in sections 26 to 29 and 36 of the FAA. Briefly, these provide for: (a) under Section 26, the obligation not to make any false or misleading statement or to employ any device, scheme or artifice to defraud; (b) under Section 27, the obligation to have a reasonable basis for any recommendation on an investment product that is made to a client (see below); (c) under Section 28, requirements relating to dealing with client's money or property; (d) under Section 29, the obligation to furnish information to the MAS if required by the MAS for the discharge of its functions under the FAA; and (e) under Section 36, certain disclosure of interest requirements (see below).

- 14. Regulation 32C of the FAR.** Regulation 32C of the FAR exempts a foreign research house from having to hold a financial adviser's licence for research analysis or reports issued or distributed under an arrangement between the foreign research house and a financial adviser in Singapore, subject to certain conditions. We are not subject to the condition that such research analysis or reports must contain a statement that we accept legal responsibility for the contents of the analysis or report, and must not include a disclaimer limiting or otherwise curtailing such legal responsibility.

- 15. Section 25 of the FAA, MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03] and MAS Practice Note on the Disclosure of Remuneration by Financial Advisers [Practice Note No. FAA-PN01].** Section 25 of the FAA imposes an obligation on a financial adviser to disclose to its clients and prospective clients all material information relating to any designated investment product recommended by the financial adviser. The MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03] sets out the general principles and specific requirements as to the form and manner of disclosure for compliance with, among others, section 25 of the FAA. This is supplemented by the MAS Practice Note on the Disclosure of Remuneration by Financial Advisers, which provides guidance on the requirements imposed on a financial adviser in relation to disclosing certain remuneration.

We are not under any statutory obligation to provide you with all material information on any designated investment product in the prescribed form and manner, e.g. the benefits and risks of the designated investment product and the illustration of past and future performance of the designated investment product.

- 16. Section 27 of the FAA and MAS Notice on Recommendations on Investment Products [Notice No. FAA-N16].** Section 27 of the FAA requires a financial adviser to have a reasonable basis for any recommendation on an investment product, after considering the investment objectives, financial situation and particular needs of the client. The financial adviser must also conduct investigation on the investment product that is the subject matter of the recommendation, as is reasonable in all the circumstances. The MAS Notice on Recommendations on Investment Products [Notice No. FAA-N16] sets out requirements which apply to a financial adviser when it makes recommendations on investment products to its clients.

We are not under any statutory obligation to ensure that we have regard to the information possessed by us concerning your investment objectives, financial situation and particular needs and have given consideration to and conducted investigation of the subject matter of any recommendation, and that the recommendation is based on such consideration and investigation. We are also not statutorily required to conduct a Customer Knowledge Assessment or Customer Account Review to determine your investment experience and knowledge (which we would otherwise have been required to conduct if you are a natural person), nor are we required to comply with certain procedures, including furnishing certain risk warnings on overseas-listed investment products. Further, you will not be able to rely on section 27 of the FAA in any claim against us for losses that may be suffered in respect of any investment that we may have recommended to you.

- 17. Section 36 of the FAA.** We are not under any statutory obligation to include a statement of the nature of any interest in, or any interest in the acquisition or disposal of, specified products in any written recommendation or document that we may send to you.

- 18. Sections 38 and 39 of the FAA, and MAS Notice on Requirements for the Remuneration Framework for Representatives and Supervisors ("Balanced Scorecard Framework") and Independent Sales Audit Unit [Notice No. FAA-N20] ("BSC Notice") and MAS Guidelines on the Remuneration Framework for Representatives and Supervisors ("Balanced Scorecard Framework"), Reference Checks and Pre-Transaction Checks [Guideline No. FAA-G14] ("BSC Guidelines").**

We are not under any statutory obligation to either (a) establish or maintain such a remuneration framework, or to review and assess the performance, and determine and pay the remuneration, of our representatives and supervisors in accordance with such a remuneration framework, or (b) to have an independent sales audit unit to audit the quality of the financial advisory services provided by our representatives. We would otherwise have been required to put in place the above requirements if you are a natural person.

- 19. Regulation 18B of the FAR.** We are not under any statutory obligation to carry out a due diligence exercise to ascertain whether any new product we wish to sell or market is suitable for targeted clients.



Name of Client	
NRIC/Passport No.	

### CONFIRMATION AS ACCREDITED INVESTOR

Based on the supporting documents you have provided to us, we have assessed you to be an individual that qualifies as an accredited investor under section 4A(1)(a)(i) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA").

Please note that your accredited investor status will be in respect of all of your dealings with us as principal acting solely for your own account (including joint accounts).

For and on behalf of HSBC Bank (Singapore) Limited

Name of relationship manager	
Signature	
Date	

To: HSBC Bank (Singapore) Limited

### OPT-IN CONFIRMATION

Following the above confirmation that I have been assessed by you to be an accredited investor as defined in section 4A(1)(a)(i) of the SFA, I acknowledge that I am eligible to opt into the accredited investor status.

I confirm that I know and understand the consequences of consenting to being treated by you as an accredited investor and have been provided with a copy of all of the consent provisions which apply to me as an accredited investor ("consent provisions"). A copy of the consent provisions can be found at <https://www.hsbc.com.sg/ai>

I have noted that the consent provisions set out the regulatory requirements that HSBC will be exempt from when serving me as an accredited investor.

I hereby consent to being treated as an accredited investor for the purposes of all of the consent provisions with effect from 8 April 2019.

I further understand that my consent as set out above would apply to all my account(s) opened with you, my transaction(s) booked with you, and the relevant services and products offered by you to me where I act as principal solely for my own account (including joint accounts).

I understand that I may at any time withdraw my consent to be treated as an accredited investor for the purposes of all of the consent provisions, upon which you must not (after 14 working days) treat me as an accredited investor. I understand that I can withdraw my consent by notifying the bank in writing and that you will notify me once my withdrawal has been processed by you, upon which you will not treat me as an accredited investor. I acknowledge and agree that until such time, I would still be treated as an accredited investor.

### Consent to Disclosure

I consent to you disclosing the fact that I have consented to be treated as an accredited investor, as specified above, to any person that relies on my "accredited investor" status to be qualified as an accredited investor.

To the extent that I have a joint account opened / to be opened with you (the "**Joint Account(s)**"), you may disclose to all other joint accountholders of the Joint Account(s) that I have consented to be treated as an accredited investor, as specified above.

If I subsequently withdraw my consent to be treated as an accredited investor, you may disclose to any person that relies on my "accredited investor" status and to all other joint accountholders of the Joint Account(s) that I have withdrawn my consent to be treated as an accredited investor.

Signature	
Date	