

FAQ – Structured Investment

1. What is Structured Investment?

Structured Investments can come in many forms, but it is typically a funded investment product which is a combination of a deposit (or other similar fixed income instrument, such as a bond, debt security or negotiable instrument of deposit) and an embedded derivative element, which gives a risk exposure to a class of assets, to deliver the enhanced return (relative to ordinary time deposit products) for that Structured Investment.

The return to investors is dependent on the performance of the chosen asset class, such as equity indices, equities, interest rates, fixed-income instruments, foreign exchange rates, commodities or combinations of these. If the asset class performs in the way expected under the terms of the embedded derivative, it will deliver the payoff which brings the enhanced return intended for that Structured Investment.

2. What is the purpose of investing in Structured Investments?

The purpose of Structured Investments is to provide investors with the potential opportunity to earn a higher return, as explained above. Structured Investments come with different risk levels and can be principal guaranteed (where the design of the Investment seeks to prevent the Investor from losing any principal amount invested) as well as non-principal guaranteed (where the design of the Investment does not necessarily prevent the Investor from losing any principal amount invested, usually in return for enhanced return for taking on a higher risk factor). In some structures, the design may include loss mitigation barriers to cap the potential loss of principal to give a balance between risk and potential higher return – these are usually termed as “Partially Principal Guaranteed” by HSBC Malaysia Berhad (“HSBC”).

3. What should I consider before investing in a Structured Investment?

You should consider the suitability of the specific structure of the product based on your financial goals, risk appetite and liquidity needs. When choosing a Structured Investment, you need to consider the following:

- **Liquidity** - Consider your liquidity needs as your money will be tied up for a period of time and early withdrawal (if permitted, as some may not permit withdrawal, or only if subject to conditions) may result in loss of part of your return and/or principal. Make sure that you have no urgent needs of the monies throughout the investment tenor and have sufficient liquid savings in your portfolio.
- **Risks** - Structured Investments are riskier than normal fixed deposits. You should understand the risks involved and what will happen in a worst-case scenario. You must make sure that you are comfortable with the risk involved

and if you are unsure, seek help from your Persona Banker / Relationship Manager to better understand the risk. However, your Personal Banker / Relationship Manager is not there to advise you on any specific investment decision. Whether you should enter into any particular Structured Investment ultimately must be your own decision, with the help of your own independent financial advisors if you feel necessary.

- Returns- As Structured Investments are tied to the performance of the underlying financial instruments such as equities indices, equities, interest rates, fixed-income instruments, foreign exchange rate, Exchange Traded Funds, commodities or a combination of these, you should understand how the performance of these instruments affect the return on your investment. You should also take note that past performance or the back-testing is not necessarily indicative of future performance.

4. What are the different underlying (ie asset class or type) used in Structured Investments?

HSBC offers Structured Investments with underlyings from different asset classes such as equity indices, equities, interest rates, foreign exchange rates, Exchange Traded Fund, commodities etc.

5. Is Structured Investment eligible for protection by the Perbadanan Insurans Deposit Malaysia (PIDM)?

Not all Structured Investment are eligible for PIDM protection. You should refer to the Investment Agreement for details on the eligibility for PIDM protection.

6. Can I invest in Structured Investment?

Structured Investment can only be offered to an “eligible investor” within the meaning of Schedule 6 item 13, Section 229 of the Capital Markets and Services Act 2007 (as amended from time to time), where to qualify as an “eligible investor”, at least one of the following below must be true as at the investment date :

- An individual whose total net personal assets, not inclusive of the value of his or her primary residence, exceeds Three Million Ringgit (MYR3,000,000) or its equivalent in foreign currencies; OR
- An individual whose total net joint assets with his or her spouse, not inclusive of the value of their primary residence, exceeds Three Million Ringgit (MYR3,000,000) or its equivalent in foreign currencies; OR
- An individual who has a gross annual income exceeding MYR300,000 or its equivalent in foreign currencies in the last 12 months; OR
- An individual who, jointly with his or her spouse has a gross annual income exceeding MYR400,000 or its equivalent in foreign currencies in the last 12 months

Selling restrictions / tradability – not intended for distribution in the United States of America and Canada or for sales to US citizens and residents (which, for purposes of this Investment, shall include US taxpayers) and Canadian citizens and residents.

Structured Investments are also (i) non-tradeable/non-assignable and (ii) non-chargeable by the Investor, except to the Bank itself. Any purported third-party rights sought to be conferred by the Investor by agreement or transfer without the prior concurrence of the Bank of any kind shall not be recognised. Investments in the form of FRNID/FRINI will have different transferability characteristics from the aforesaid but will also have other conditions related thereto before a transfer can be effected.

7. Can I invest in Floating Rates Negotiable Instrument of Deposit (FRNID)/ Floating Rates Islamic Negotiable Instrument (FRINI)?

There is no minimum net worth requirement for investment in FRNID/ FRINI. However, you must not be a US citizen and/ or resident (which, for purposes of this Investment, shall include US taxpayers) and Canadian citizen and resident.

8. What is the minimum investment amount?

The minimum investment amount for Structured Investment is MYR 50,000 thereafter in multiples of MYR 1,000. The minimum investment amount for FRNID/ FRINI is MYR 65,000 thereafter in the multiples of MYR 1,000.

9. What are the risks involved when investing in Structured Investment products?

There are different risks associated with Structured Investment. They are Principal Risk, Early Redemption By Customer Risk, Credit Risk, Legal Risk, Liquidity Risk, Early Call Risk, Return risk, Operational Risk, Early Termination/Redemption by the Bank Risk, Options Risk, Settlement Risk, Tax Risk, Inflation Risk, Force Majeure Event Risk, Counterparty Risk, Reinvestment Risk, Compound of Risk, Interbank Rates Risk, Market Risk, Market Disruption Risk and Adjustment/Substitution Risk.

You are advised to read the Investment Agreement and other documents for detailed descriptions of the risks. You are also advised to carefully consider all risk factors before making an investment decision.

10. Is my Structured Investment principal guaranteed?

There are two categories of structured investments: Non-principal Guaranteed and 100% Principal Guaranteed. If you invest in a non-principal guaranteed investment, you may suffer a loss or partial loss of your principal. If you invest in a 100% principal guaranteed investment, the principal will be guaranteed if you hold the investment till maturity, regardless of the performance of the underlying.

11. What are the charges/ fees I have to pay?

There are no charges or fees for Structured Investments.

12. Are there any penalties or charges if I redeem my Structured Investment prior to the maturity date?

Any early redemption of the Structured Investment prior to the maturity date will be at a buyback price that will be quoted by the Bank and may result in a partial loss of the principal amount invested. The actual amount that you will be paid depends on the market value of the investment at the time of early redemption, adjusted for the Bank's unwinding costs, if any.

13. What documents will I receive from the Bank if I invest into Structured Investments?

You will be given a set of Investment Agreement, Product Highlight Sheet or Product Disclosure Sheet and Risk Disclosure Statement.

14. What is Pre-Investment Cooling-off Period?

You are allowed to terminate the contract and obtain a refund of the monies paid within 3 Kuala Lumpur banking days after signing the Investment Agreement or upon the Trade Date being reached, whichever is earlier.

15. What is Post-Sale Cooling-off Period?

There is no Post Sale Cooling-off Period. If the contract is terminated after the Pre-Investment Cooling-off Period, it will be regarded as an early redemption.

16. Will the Bank provide me with regular statements of my investment?

An annual investment performance report will be sent to you if the Structured Investment tenor is more than 1 year. The mark-to-market value will also be provided in your monthly statement for your reference and you may also access your investment portfolio via Personal Internet Banking under the Wealth Dashboard section.

17. How are these Structured Investments regulated by local authorities?

Structured Investments are regulated in Malaysia by the Securities Commission and Bank Negara Malaysia.