

# CORPORATE FIXED RATE BONDS : Key Features Document

*This document is designed to highlight what HSBC considers the general key points you should know about Corporate Bonds (the "Bonds"). It does not constitute an offer to sell or distribute securities and is made available for information purposes only. For investments to the specific Bond, please ensure you read the full text of the Preliminary Offering Circular relating to the Bond offering.*

- Corporate Bonds are debt obligations issued by corporations to fund specific requirements of the company.
- These bonds are classified as unsecured senior debt of the company.
  - Unsecured Bonds are referred to as such since the Bond is not secured by a collateral. For this reason, unsecured debt carries more risk to the lender (ie. the bondholder) and the loan more expensive. The rate of interest at which the borrower (ie. the issuer) must pay is usually subject to higher rates.
  - In the case of liquidation (e.g. the issuer winds up its affairs and dissolves), holders of these unsecured senior debts will be paid after the secured bondholders and depositors and just before unsecured subordinated debt holders and shareholders
- A fixed rate bond has a specific rate of interest payable at specific interest periods.
- The Bonds are usually redeemed at par or 100% of face value on the specified maturity date.
- Interest income/gains derived from corporate bond issues are generally considered income subject to tax under Philippine law. The Offering Circular relating to the bond offer should be referred to for guidance on the specific tax implications of interest income/gains derived by investors from the bond issue.
- The Bonds are not deposits and are not guaranteed nor insured by the Issuer or any party related to the Issuer, such as its subsidiaries and affiliates, or the Philippine Depositary Insurance Corporation, or any other person/entity.

## Unsecured Senior Bonds Advantages:

- Generally pays higher fixed-income payments than same tenor sovereign bonds
- Interest income is guaranteed and committed by the Issuer, unless the Issuer declares bankruptcy
- Priority over unsecured subordinated debt holders and shareholders for liquidation proceeds
- Possible capital appreciation in the secondary market

## What Are The Risks Involved?

- **Market Risk** : The Bondholder's return will depend on the prevailing benchmark rate and whether the Bondholder holds the investment until maturity. If the Bondholder opts to sell the Bonds in the secondary market, granting that there is a ready secondary market available, prior to maturity, he will be subject to price risk depending on the prevailing market bid price.
- **Liquidity Risk**: The Bondholder should be prepared to hold the bonds until maturity; he cannot terminate the bonds before maturity date. The bonds may, however, be negotiated or transferred in the secondary market, subject to the requirements of the issuer and registrar.
- **Credit Risk**: The Bondholder bears the credit risk of the issuer of the Bond. This investment is not an obligation, nor is it guaranteed, nor issued, nor insured by HSBC, its head office, affiliates or subsidiaries. Investors should evaluate the creditworthiness of the issuer independent of any information that you may receive from the issuer or HSBC.
- **Reinvestment Risk**: The investor faces the risk that interest received may be invested at yields lower than the yield at time of purchase.
- **Return Risk** : There is no guarantee that the fixed rate from the issue will always be higher than returns available from traditional bank deposits.

## RISK DISCLOSURE STATEMENT

Gentlemen:

Similar to other financial transactions, investments in securities, such as these **Corporate Bonds**, may provide considerable benefits and involve a variety of significant risks.

Before entering into any investment, you should carefully consider whether the transaction is appropriate for you in light of your financial objectives and resources, investment experience, attitude to risk and other relevant circumstances. Moreover, you should ensure that you fully understand the nature and extend of your exposure to risk and loss.

In general, all investment activities involve risks, which include, among others, unanticipated adverse market developments (financial, economic or political), credit and enforcement risks (counterparty / issuer default or changes in legislature), and liquidity risk.

As in any financial transaction, you should ensure that you understand the inherent risks and investor requirements applicable to you. You should also consider the legal and tax implications before you invest.

In entering into any investment activity with, or arranged by, us or any of our subsidiaries / affiliates, you should also understand that **HSBC** is acting solely in the capacity of an arm's length contractual counterparty and not in the capacity of your financial adviser or fiduciary unless **HSBC** has so agreed in writing and then only to the extent so provided.

**THIS BRIEF STATEMENT DOES NOT PURPORT TO DISCLOSE ALL OF THE RISKS OR OTHER RELEVANT CONSIDERATIONS OF ENTERING INTO ANY INVESTMENT ACTIVITIES. YOU SHOULD REFRAIN FROM ENTERING INTO SUCH ACTIVITY UNLESS YOU FULLY UNDERSTAND ALL SUCH RISKS AND HAVE INDEPENDENTLY DETERMINED THAT THE ACTIVITY IS APPROPRIATE FOR YOU.**

**THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED-Trust Department  
Philippine Branch**

**Disclaimer:**

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**THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED - TRUST DEPARTMENT**  
7<sup>th</sup> HSBC Centre 3058 Fifth Avenue, West Bonifacio Global City 1634, Taguig City

Gentlemen:

**RE: LETTER OF INSTRUCTION for CORPORATE NOTES**

In the exercise of the reserved power vested in the TRUSTOR/PRINCIPAL to direct investments of the trust/investment management account funds, pursuant to the FIRST item of the Directional Trust Agreement / Investment Management Agreement executed between myself/ourselves under TA No. \_\_\_\_\_, you are hereby authorised and directed to execute the following instructions for my/our account and risk, as much of the corpus that could be reasonably accommodated in the transaction specified below, subject to the following terms and conditions:

BUYING :			
SELLING :			
AMOUNT of INVESTMENT :	PHP	TRUST FEE RATE :	_____ % per annum to be deducted every interest payment date
SOURCE of FUNDS :	Customer Number:	Debit Account Number :	
MATURITY/INTEREST/PROCEEDS :	Credit Account Number:		
OTHER FEES:	Account Opening Fee of the Registrar :	Maintenance Fee :	

- I/We accept that the order I/we placed for investment into a Primary Issuance (i.e. Bonds, LTNCDs and Lower Tier 2 Capital Notes) is subject to an allocation or book building process among Lead Arrangers/ Selling Agent Banks and is subject to the risk of being awarded a lower amount depending on the total received orders and the issue size of the issuance.
- Fr instructions to invest in primary fixed-income issuances including, but not limited to LTNCDs, Lower Tier 2 Notes and Corporate Bonds, I/We give you the authority to provide information to the issuer or their designated representatives, as may be necessary to perform its functions and obligations under the appropriate laws and regulations including those against money-laundering, terrorist financing, and relating to international and country sanctions
- I/We acknowledge that the above mentioned TF/MF is specific to the investment made pursuant to these instructions and may not be the same as those charged for the other funds in my/our account, if any, or for those charged other accounts. Further, early redemption penalties, as indicated in the underlying Key Features Document, may also be levied against the market value of my fund in case I/we redeem the investment prior to completing the minimum holding period required for this particular investment.  
  
The TF/MF may be taken from the trust income, and if the income is not sufficient, from the principal, or from any amount that is delivered to you, or is in your possession, or from any rebate or discount which you are able to obtain or negotiate, on my/our behalf and benefit; provided that you shall advise me/us of any rebate or discount which you are able to obtain for my/our benefit upon applying the same in partial or full satisfaction of your fees.
- All sums payable to you under this Agreement/Contract shall be payable in cleared funds in the agreed currency on the due date of such amounts and without deduction for any taxes (including, but not limited to value added tax ["VAT"]), levies, imposts, duties, charges, fees, deductions, withholdings, restrictions or conditions of any nature now or hereafter imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof or therein. All such taxes, levies, imposts, duties, charges, and fees, including VAT shall be charged to and be for the account of the customer/counterparty to this Agreement/Contract.
- I/We acknowledge that I/we understand the concepts of the book value and the marked to market accounting methods and I/we fully understand the differences between the two as well as their implications on my/our investments.
- I/We acknowledge that I/we have been given an opportunity to complete a Risk Profiling Questionnaire to determine my/our general and specific risk attitude. I/We shall indemnify HSBC Trust from any liabilities which will arise from non-execution of said document or if there is a mismatch in risk tolerance against the suggested product risk category or does not agree to my/our current investment objectives.
- I/We confirm that I/we have not received any investment advice, suggestions or other guidance from HSBC relating to the investment detailed above. I/We acknowledge that I/we have made my/our own independent assessment of the above investment, after reading the Product Prospectus, Explanatory Memorandum, Plan Rules and/or other documents and contracts provided by the investment or fund manager for the purpose of making the investment, together with the underlying Key Features Document. Further, I/we fully understand the explanations given to me / us on the selected investment and that my/our queries and concerns have all been addressed satisfactorily. For investments with a maturity date, I am/we are comfortable on placing my/our funds for the entire duration of the investment. I/We also understand that I/we bear the risk of the Issuer of the underlying investment. Where necessary, I/we have sought independent/professional advice in making this assessment. Based on my/our assessment of the information provided, I am/we are satisfied that the investment is in my/our best interest and in consonance with the purpose of the trust that I/we have established. I/We acknowledge the risks and investor commitment associated with my/our investment.
- Upon redemption of the foregoing investment, you may cause payment of such redemption proceeds, net of all charges including agreed trust fees, via credit to my/our account with your banking department as designated above, and such payment or crediting, if not objected to by me/us within ten (10) business days from date of such crediting, shall be deemed binding and equivalent to a receipt and release in your favour.
- I/We give you the authority to disclose the details of my / our Directed Trust/ Investment Management Account investments to my/our HSBC Premier Relationship Manager / HSBC Personal Banking Officer.

**FOR BANK USE ONLY:**

I hereby declare that this document has been provided to the customer; and that customer has been advised to read the same, ask questions and to take independent advice if the customer so wishes. For PVC/HRS, I confirm that I offered the customer the opportunity to be accompanied by \_\_\_\_\_, \_\_\_\_\_ to assist them  
Name of Relative / Friend Relationship to the Customer  
in their investment decision on this product.

Subject PVC/HRS has declined the opportunity to be accompanied by someone close to him/her for the following reason/s:

Name and Signature of Staff:

Date (dd-mmm-yy):

**SIGNATURE over PRINTED NAME of TRUSTORS/PRINCIPALS**

## Execution Only Transactions Declaration

<b>Customer Number</b>		<b>Date (dd-mmm-yy)</b>	
<b>Account Name</b>			
<b>Product Name and ISIN (if applicable)</b>			
<b>Currency and Amount of Investment</b>			

I confirm that I have not received any investment advice, suggestions or other guidance from **The Hongkong and Shanghai Banking Corporation Limited-Philippine Branch (HSBC)** relating to the investment(s) detailed above. I further confirm that any transaction I have decided to make is being made at my own volition and at my own risk having read and understood all relevant product literature. I acknowledge and understand that the arrangement of any transaction by HSBC on my behalf is not in any way a confirmation or an endorsement from HSBC that it is suitable for me.

\_\_\_\_\_

**Customer Signature over Printed Name**



**To Be Completed by the Other Joint Accountholders:**

I/We confirm that I/we have agreed to appoint the above named co-jointaccountholder to complete the Execution Only Declaration form and conform to the terms stipulated herein.

\_\_\_\_\_

**Customer Signature over Printed Name**



\_\_\_\_\_

**Customer Signature over Printed Name**



\_\_\_\_\_

**Customer Signature over Printed Name**



\_\_\_\_\_

**Customer Signature over Printed Name**



**FOR BANK USE ONLY:**

I confirm that a copy of this form has been handed over to the customer.

Name of Sales Staff	Signature of Sales Staff	Branch	Date (dd-mmm-yy)
For referrals, NSC-ISS to complete cells to the right -->	Name and Signature of NSC-ISS Representative:	Name of Referrer:	Date (dd-mmm-yy)