

UK Ring-fencing legislation

The UK government requires certain UK banks to keep their retail and commercial arms separate from their wholesale and investment banking operations (this is sometimes called 'ring-fencing'). We have created a ring-fenced bank in the UK for our retail and commercial clients, called HSBC UK. Our Global Banking and Markets clients, Relevant Financial Institution (RFI) clients, and some of our larger corporate clients are unaffected by ring-fencing and will be banked by HSBC Bank plc. If we have contacted you separately in relation to HSBC France, those plans remain unchanged.

To be a client of HSBC Bank plc, HSBC's non-ring-fenced bank, we are required to determine that you, or a member of your Group, are eligible. The latest records that we've seen confirm that you are eligible as either an RFI (as defined overleaf) or that you, or a member of your Group, meet one of the criteria in the legislation:

| Criteria | Threshold | Definition |
|---------------------|--|--|
| Turnover | Equal to or greater than £6.5 million | Revenue from the provision of goods/services as part of the organisation's ordinary activities, less trade discounts, VAT and other taxes. |
| Balance sheet total | Equal to or greater than £3.26 million | Total assets in the balance sheet in your most recent available set of annual accounts. |
| Number of employees | Equal to or greater than 50 | The average number of persons employed full-time or part-time. |

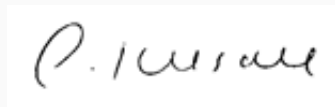
Do I need to do anything?

No, you don't need to do anything unless you think we've incorrectly classified you. If this is the case, please email us at uk.banking.reform.support@hsbc.com within **14 days after the date of this communication**.

To find out more

If you have any questions about this or any other potential impact of ring-fencing, please contact your Relationship Manager.

Yours sincerely,



Chris Kelsall
COO, Global Banking, Europe



Relevant Financial Institution Definition

For the purposes of ring-fencing, a “relevant financial institution” is an institution which falls within one of the categories listed below:

- credit institutions;
- investment firms;
- structured finance vehicles;
- global systemically important insurers;
- UCITS (wherever established) and alternative investment funds;
- management companies or alternative investment fund managers; and
- financial holding companies and mixed financial holding companies.

Summary of Exceptions

Exceptions to the definition above include¹:

- ring-fenced bodies;
- building societies;
- bodies corporate, incorporated in an EEA state (other than the UK), whose primary purpose is making loans which are secured on residential property and which are funded substantially by their members;
- credit unions and other institutions referred to in article 2.5 of the Credit Institutions Directive (other than investment firms);
- recognised clearing houses;
- EEA central counterparties;
- third country central counterparties;
- investment firms which are not authorised to carry on by way of business (in the UK or EEA) either ‘dealing in investments as principal’ or ‘dealing in investments as agent’²;
- a credit institution which is a UK institution or an EEA firm, and not permitted to carry on any excluded activities or do anything that a ring-fenced body is prohibited from doing by reason of requirements, limitations or other conditions imposed on the credit institution by the regulators or other laws as described in the legislation; and
- each of the institutions listed in the Schedule to the Financial Services and Markets Act 2000 (Excluded Activities and Prohibitions) Order 2014.³

For specific details on the RFI criteria please visit: <http://www.legislation.gov.uk/uksi/2014/2080/article/2/m>

¹ If you require more information or are in doubt whether you fall under any of these exceptions please see article 2 of [Financial Services and Markets Act 2000 \(Excluded Activities and Prohibitions\) Order 2014](#).

² Please visit http://www.legislation.gov.uk/uksi/2001/544/pdfs/ukxi_20010544_en.pdf.

³ Please visit <http://www.legislation.gov.uk/uksi/2014/2080/schedule/made>.