

## **CSDR Article 38(6) CSD Participant Costs Disclosure – The Hong Kong Shanghai Banking Corporation Limited - Philippine Branch**

### **1. Introduction**

The purpose of this document is to disclose the potential costs associated with the different levels of segregation that The Hong Kong Shanghai Banking Corporation Limited - Philippine Branch (“**we**”, “**us**”, “**our**” or “**HSBC**”) provides in respect of securities that we hold directly for clients with Central Securities Depositories (“**CSDs**”) within the European Economic Area (“**EEA**”). This disclosure is required under Article 38(6) of the Central Securities Depositories Regulation (“**CSDR**”) in relation to CSDs in the EEA. Under CSDR, the CSDs of which we are a direct participant (see glossary below) have their own disclosure obligations.

This document should be read in conjunction with HSBC’s CSDR Article 38(6) CSD Participant Risks Disclosure (the “**Risk Disclosure**”) as made available on our website.

This document is not intended to constitute legal, tax, investment, accounting, financial or other advice and should not be relied upon as such. Clients should seek their own legal, tax, investment, accounting, financial or other appropriate advice based on their own particular circumstances if they require any guidance on the matters discussed in this document.

This document may be updated from time to time, with the most recent version being made available on our website. You should ensure that you consider the most recent version of this document on our website, which will supersede and override any previous version.

Additionally, the disclosures included in this document are for information purposes only and do not constitute part of any agreement between you and us.

### **2. General Information**

As explained further in the Risk Disclosure, we record each client’s individual entitlement to securities that we hold for that client in a separate client account in our own books and records. We also open accounts with CSDs in our own (or in our nominee’s name) in which we hold client securities. We currently make two types of accounts with CSDs available to clients: Individual Client Segregated Accounts (“**ISAs**”) and Omnibus Client Segregated Accounts (“**OSAs**”).

An ISA is used to hold the securities of a single client and therefore the client’s securities are held separately from the securities of other clients and our own proprietary securities.

An OSA is used to hold the securities of a number of clients on a collective basis. However, we do not hold our own proprietary securities in OSAs.

This document provides a high level overview of the potential costs associated with the ISA and OSA account structures with CSDs we make available to clients, which could include HSBC costs and third party fees and costs (such as those charged by CSDs) and how such costs could vary between ISAs and OSAs.

This costs disclosure is based on the CSD charging structures as of the date of this document. CSDs may change their charging structure from time to time. For up to date CSD fees and charges, please visit the websites of the relevant CSD.

This cost disclosure is for information purposes. The actual costs to you associated with any CSD account structure will vary depending on individual circumstances and requirements.

Please contact your HSBC relationship manager to discuss any fees and other costs for establishing and running various account structures at relevant EEA CSDs.

### **3. Overview**

The following factors could impact the costs of setting up and maintaining an account at CSD level:

- CSD account type (e.g., ISA vs OSA);
- the number of markets in which a CSD account is required and the number of accounts required at each CSD;
- technical set-up at the CSD (i.e. set-up and maintenance fees, if any, charged by the CSD);
- the types of services required in relation to each account at the CSD; and
- any operational overhead HSBC incurs in supporting the chosen CSD account structures.

Typically, the set up and maintenance costs for ISAs are greater than for OSAs. This is due to the additional operational complexity and costs involved in setting and maintaining an ISA.

### **4. Potential HSBC costs**

HSBC account fees may apply in relation to the separate client account(s) that HSBC opens on its books and records. The client account(s) opened on HSBC's books and records correspond to the relevant CSD account in which the client's securities are held, whether that be an ISA or OSA. HSBC's account fees would typically consist of:

- (a) A fixed one-off account opening fee charged per account; and
- (b) A fixed monthly account maintenance fee charged per account.

In addition to these HSBC account fees, there are a number of other fees and costs and charges that HSBC may charge its clients for the provision of securities services irrespective as to whether the client elects to hold its securities in an ISA or OSA at the CSD. These may include:

- (a) custody and safekeeping fees;
- (b) asset servicing fees;
- (c) transaction fees;
- (d) fails management fees;
- (e) special transaction fees (such as cancellation and amendment fees);
- (f) out of pocket expenses;
- (g) tax reclaims fees; and
- (h) Transaction specific taxes or registration charges.

Furthermore, client relationship specific HSBC fees, charges or discounts may apply which would be dependent on a number of variable factors, including any of those summarised in the overview section above.

Please note that discounts may not be available for all HSBC products. Additionally, given that the setup, maintenance and funding costs for ISAs are typically higher than for OSAs, it is possible that the range of discounts available at any given time for OSAs might be greater than for ISAs.

## 5. Potential Third Party Costs

CSDs may charge account fees and other service fees and clients could be subject to any of the following fees imposed by the CSD on each ISA or OSA:

- (a) a fixed one off account opening fee;
- (b) a fixed monthly account maintenance fee; and
- (c) other service fees as detailed on the CSD's website or in its standard terms and conditions including, but not limited to, connectivity fees, safekeeping fees, settlement fees, registration fees, corporation action and asset servicing fees.

These CSD fees may vary depending on the type of CSD account chosen and the specific CSD. Clients are encouraged to review the CSD fee schedule published on the applicable CSD website. For a list of the CSDs in which HSBC is a participant, please see our Risk Disclosure.

## 6. Application of HSBC and Third-Party Fees

The manner in which any fees and costs are applied to HSBC clients is likely to vary.

With respect to CSD fees imposed on ISAs, HSBC will either pass on such CSD fees at cost, separate from and in addition to any HSBC fees, or the CSD fees will be included in the HSBC fees charges to the client. With respect to CSD fees imposed on OSAs, such CSD fees typically will be included in any HSBC fees.

## 7. Glossary

**Central Securities Depository** or **CSD** is an entity which records legal entitlements to dematerialised securities and operates a system for the settlement of transactions in those securities for the purposes of the CSDR.

**Central Securities Depositories Regulation** or **CSDR** refers to EU Regulation 909/2014 which sets out rules applicable to CSDs and their participants.

**Direct participant** means an entity that holds securities in an account with a CSD and is responsible for settling transactions in securities that take place within a CSD. A direct participant should be distinguished from an indirect participant, which is an entity, such as a global custodian, which appoints a direct participant to hold securities for it with a CSD.

**EEA** means the European Economic Area.

## 8. Disclaimer

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