Key Features of the HSBC Child Trust Fund (”HSBC CTF”)
Key Features of the HSBC CTF

The purpose of this document is to provide you with important information to help you decide whether our HSBC CTF is right for you.

The Financial Conduct Authority is a financial services regulator. It requires us, HSBC Trust Company (UK) Limited, to give you this important information to help you to decide whether our HSBC CTF is right for you. You should read this document carefully along with the Key Investor Information Document for the HSBC UK Growth & Income Fund – CTF Accumulation share class ("KIID"), in which the HSBC CTF invests, and the Terms and Conditions, so that you understand what you are buying, and then keep it safe for future reference.

*The KIID is provided for your information by HSBC Global Asset Management (UK) Limited, the Authorised Corporate Director ("ACD") of the Fund. HSBC Global Asset Management (UK) Limited is responsible for the reliability and accuracy of the KIID.

How to contact us

If you have any questions or need to contact us at any time, you can phone or write to us.

Call us on 0845 606 6241 (textphone 0845 766 0391).

Lines are open 8am to 6pm Monday to Friday (excluding public holidays). To help us continually improve our services and in the interests of security, we may monitor and/or record your communications with us.

Write to us at:
HSBC Trust Company (UK) Limited, PO Box 6189, Coventry CV3 9HS.

Please refer back to these contact details.

Its aims

- To help you save for your child’s future through the Government’s Child Trust Fund scheme.
- To provide a tax-free lump sum for your child when they reach the age of 18, by investing in the HSBC UK Growth & Income Fund - CTF Accumulation share class (the “Fund”).
- To help teach children about savings and investments.

Your investment

- You use the details from your Government voucher to open the HSBC CTF. You do not need to send your voucher to us.

- You become the Registered Contact and make all the decisions regarding the HSBC CTF until the child reaches age 16.

- Although you don’t have to make additional payments to your child’s HSBC CTF, it could help build up the fund if you do contribute in addition to the Government payments. Minimum payments are £10 lump sum or £10 per month. The maximum amount you can pay into a Child Trust Fund is currently £3,840. From 1 July 2014 this will increase to £4,000 per Birthday Year.

- All payments to the HSBC CTF by yourself or anyone else are gifts to the Child and cannot be returned, except as permitted by the Child Trust Fund Regulations. Further details can be found in “Withdrawals from the Child Trust Fund” in the HSBC Child Trust Fund Terms and Conditions.

- The value of the HSBC CTF will be paid to the Child when they reach the age of 18.

Risk Factors

- The HSBC CTF invests in a fund which invests in stocks and shares. This means the value of the investment and any income from it can go down as well as up and may fall below the amount put in.

- The total amount payable when the Child reaches the age of 18 will depend on investment performance.

- The favourable tax treatment of CTFs may not continue in the future, for example when there is a change in Government.

- In addition, risks that apply to the Fund can be found in the KIID and relevant Prospectus.
Questions and answers

What is a CTF?

- The CTF is a Government scheme which aims to provide children with a long term savings account to access at age 18 and to help them to understand the benefits of saving and investing.
- Eligible children born on or between 1 September 2002 and 2 January 2011 will have received their Government voucher shortly after Child Benefit has been claimed and has started being paid.
- As well as the voucher, children in families with lower incomes will get an additional payment from the Government.
- The Government announced the following changes to CTFs in May 2010:
  - Government contributions into CTF accounts were reduced to £50 for children born on or after 2 August 2010. The Government also reduced the additional Government contribution for children born on or after 2 August 2010 to £50 for those children in lower income families.
  - Children born on or after 3 January 2011 are not eligible for a CTF.
  - Children entitled to Disability Living Allowance will not be entitled to CTF disability payments for the tax year 2011-12 or later years.
- For full details of the Government announcements and how CTF accounts are affected, please refer to the dedicated Government website www.childtrustfund.gov.uk.

There are two types of CTF: Stakeholder, and non-Stakeholder. The HSBC CTF is a Stakeholder CTF and invests in the HSBC UK Growth & Income Fund – CTF Accumulation Share Class (the “Fund”). A Stakeholder CTF needs to follow certain rules defined by the Government, for example:

- A Stakeholder CTF must invest in the shares from a range of different types of companies.
- A CTF manager cannot ask parents (or friends and family) to pay more than £10 at a time or charge more than 1.5% of the value of the CTF each year.
- When the Child reaches the age of 13 the investments must gradually be moved to lower risk investments such as cash or Government Bonds. This is known as Lifestyling.

Although Stakeholder CTFs have to meet these requirements it doesn’t mean they are more suitable for you than any other type of CTF or that they are recommended by the Government or guaranteed in any way. You may not be able to invest in the type of investments you would like. If you want a cash deposit or to invest only in the shares of one company a Stakeholder CTF would not be suitable for you.

A non-Stakeholder CTF may allow you to invest in any type of investment. However, it is possible that the charges may be higher than 1.5% per year or the minimum investment level may be higher than £10.

What is Lifestyling?

- A Stakeholder CTF must invest in stocks and shares but the value of these can go down, sometimes quite suddenly. Lifestyling can limit the impact of this by gradually moving money from the existing Fund into lower risk investments such as cash deposits, gifts or funds that invest in these.
- By changing the investment in this way over the last five years of the CTF, it helps to ensure that the value of the CTF is not significantly reduced by a sudden fall in share values towards the Child’s 18th birthday.
- We will send a reminder about Lifestyling and further details, including all relevant charges for any funds used, near to the Child’s 12th birthday. If you do not want Lifestyling to apply to your Child’s CTF you can write and tell us at any time after that.

Who can open an HSBC CTF?

- Anyone aged 16 years or over who has ‘parental responsibility’ for an eligible Child can open an HSBC CTF using details from the Government voucher. This will normally be one of the Child’s parents but it could be a step parent or a guardian, for example. The person who opens the HSBC CTF is known as a “Registered Contact”.
- We can only accept instructions about the HSBC CTF from the Registered Contact. If the Registered Contact needs to be changed please download and print an Application for a Change of Registered Contact Form from our website – www.hsbc.co.uk, by clicking on the Investing tab and selecting “All products and services”.
- We will categorise you, the Registered Contact, as a retail customer and treat you as such in all our dealings with you in respect of this investment. This means you will get the highest level of protection available within the rules and guidance set out by the Financial Conduct Authority.
- When the Child is 16 you will no longer be the Registered Contact. At that time the Child will need to apply to become the Registered Contact.
Who is the HSBC CTF suitable for?

- A typical investor in our product is a Registered Contact who is looking to provide a tax-free lump sum for their Child by investing in a wide ranging portfolio of shares.
- This product is offered without advice and, as such, we are not required to assess the suitability of this product for you. This means that the protection offered by the Financial Conduct Authority’s rules on assessing suitability will not apply to this transaction.

How can I open an HSBC CTF?

- You can apply through our website, www.hsbc.co.uk, by clicking on the Investing tab and selecting “All products and services”. You can apply for an HSBC CTF by downloading and printing an application form.
- We can only accept an application on or before the Government voucher expiry date.
- You can also transfer a CTF from another provider to us. If you wish to transfer a CTF to us, please download and print a Child Trust Fund Transfer Application Form from our website.
- From 1 July 2012, we are required to ensure that you have received the latest version of the KIID before accepting your application (this includes applications to transfer an existing Child Trust Fund to us). On your application form you will be asked to declare that you have received, and read, the latest version of the KIID. Your application will only be accepted if you have signed the declaration.

Can I change my mind about the HSBC CTF?

- Yes, once we accept your application you have 14 days, from the date we accept your application, in which to cancel. You should do this by writing to us. We will not open your HSBC CTF until the cancellation period has expired.
- If you cancel your HSBC CTF within the 14 day cancellation period we will return any money paid by yourself or friends and family as a cheque payable to the Child. If you choose not to exercise your right to cancel, you will be subject to all investment risks and charges as detailed in this document.
- A 14 day cancellation period also applies if you transfer your CTF to us from another provider. We will not ask your existing provider to transfer your CTF to us until the cancellation period has expired.
- If you do not cancel within the 14 day cancellation period but change your mind later, you can only terminate your HSBC CTF by transferring it to another CTF provider. There will be no charge for this.

When will my CTF be opened?

- If you haven’t cancelled after 14 days from the date we accept your application, we will open the HSBC CTF.
- The first investment into the Fund will be made once we have received the initial Government payment. This may be a few weeks after the HSBC CTF is opened. After this, where there is money available in the Cash Account, investments will normally be made within two Business Days.
- We will write to you to confirm receipt of the initial Government payment and how many shares have been purchased in the Fund.

Who can make payments into the HSBC CTF?

- Anyone can add money to the HSBC CTF at anytime by sending it to us or by going into their local branch. We accept payments by cheque (payable to the Child and quote the HSBC CTF account details on the back of the cheque), Standing Order, Direct Credit and Direct Debit. You can obtain a Direct Debit Form from us by visiting our website or by calling us.
- If other people want to make payments into your Child’s HSBC CTF you will need to give them the account details that we will send to you once we have opened the HSBC CTF.
- We do not accept cash payments.
- Before you make any payments into the HSBC CTF you should make sure you read the KIID.

What is a KIID?

- The KIID is a two page pre-sale document produced for each fund containing clear descriptions of key fund information. The information in the KIID is prescribed by the Financial Conduct Authority rules and is intended to assist customers in making an informed investment decision.
- By 1 July 2012, fund providers must produce a KIID for their funds and make them available to customers before they invest. This requirement will apply to the vast majority of funds for sale across Europe.
- You should make sure you have received and read the latest version of the KIID before making a final decision to invest and the KIID should be read in conjunction with the HSBC CTF Key Features Document and Terms and Conditions.
- The KIID is provided for your information by HSBC Global Asset Management (UK) Limited. HSBC Global Asset Management (UK) Limited is responsible for the reliability and accuracy of the KIID.
How do I get a KIID for the HSBC UK Growth & Income Fund – CTF Accumulation share class?

- You can obtain a copy of the most recent version of the KIID at any time by calling us. The most recent version of the KIID will always be available on our website, www.hsbc.co.uk, if you are happy to obtain it online.
- As the registered contact, you should ensure that you read the latest KIID before investing in the HSBC CTF. The KIID will be updated on an annual basis no later than 35 days after 31 December. If you are making, or are aware that a third party is making, an additional investment into your HSBC CTF and you have not received the most recent version of the KIID, you should obtain and read a copy of the most recent version of the KIID so that you can make an informed investment decision.

How much can be paid in to a CTF?

- The most that can be added to a CTF in a Birthday Year is currently £3,840 (excluding any Government payments). This will increase from 1 July 2014 to £4,000 per Birthday Year. A Birthday Year starts on the Child’s birthday and ends on the day before his or her next birthday each year. The first Birthday Year starts on the day the account is opened and ends on the day before the Child’s next birthday.

What happens to this money?

- The HSBC CTF makes the most of all the money given to the Child by using three accounts – the Cash Account, the Investment Account and the Overflow Account.
- The Cash Account – all the CTF payments up to £3,840 each Birthday Year, from whatever source, are paid into this account. This will increase from 1 July 2014 to £4,000 per Birthday Year.
- The Investment Account – once the payments have cleared in the Cash Account, the cash will be moved into the Investment Account to buy shares in the Fund – this will normally take place within two Business Days after the payments have cleared.
- The Overflow Account – any payments we receive over the annual limit of £3,840 (£4,000 from 1 July 2014) in each Birthday Year will automatically be paid into this account and held as cash. On the Child’s next birthday up to £3,840 (£4,000 from 1 July 2014) from the Overflow Account is paid into the Cash Account and treated like any other payment.
- Interest on money in the Cash Account and the Overflow Account is accrued daily and paid annually, normally the day before the Child’s next birthday, into the appropriate account. Interest is paid at a rate of 1% below the Bank of England base rate. If the Bank of England base rate is 1% or lower, interest will not be accrued.

All payments into the HSBC CTF (which includes the Overflow Account) by yourself or anyone else are gifts to the Child and cannot be returned, except as permitted by the Child Trust Fund Regulations. Further details can be found in “Withdrawals from the Child Trust Fund” in the HSBC Child Trust Fund Terms and Conditions.

What will I receive from you?

- Once we have accepted your application we will write to you confirming when we will open your HSBC CTF.
- We will write to you again once the first investments have been purchased for your Child’s HSBC CTF. No share certificates will be issued but we will provide you with annual statements, approximately one month before the Child’s birthday, showing any additional payments invested over the last year and the current value of the HSBC CTF.

Can I transfer my HSBC CTF to another provider?

- Yes. CTFs can be transferred from one provider to another.
- If you wish to transfer the HSBC CTF to another CTF provider, you should obtain a transfer application form from them. Once we receive instructions from your new provider we will sell any shares in the Investment Account and transfer the proceeds, along with any money in the Cash Account and the Overflow Account, to the new provider.
- You can only transfer any money in the Overflow Account if the new provider specifically agrees to this, otherwise we will send you a cheque made payable to the Child for the amount of money held in the Overflow Account.
- When CTFs are transferred, the investment can be out of the market for up to 30 days. This means that there will be no potential for capital growth during that period.

How can I find out how much the HSBC CTF is worth?

- We will send you a statement approximately 30 days before the Child’s birthday each year which will show the value of the HSBC CTF.
- Share prices can be found on www.assetmanagement.hsbc.com/uk by selecting Individual Investors then selecting Funds and Prices, OEIC Funds and scrolling down to “HSBC UK Growth & Income Fund – CTF Share Class.” You can calculate the value of your HSBC CTF by multiplying the number of shares held in the HSBC CTF by the Fund share price.
- You can also call us for an up-to-date valuation of the HSBC CTF.
How will charges and expenses affect the HSBC CTF?

- A charge will be made within the Fund. This is called an Annual Management Charge (AMC) and is 1.5% per year.
- As the charge is taken from the Fund the effect of this is seen in the share price. There are no other charges.
- The following tables are based on an initial payment from the Government of £250 plus monthly payments of £20; and an initial payment from the Government of £50 plus monthly payments of £20. This assumes that the investment will grow by 7% each year. The tables cover the first 13 years of the CTF until Lifestyling starts.

£250 initial payment from the Government plus monthly payments of £20 – for children born on or before 1st August 2010

<table>
<thead>
<tr>
<th>At end of year</th>
<th>Investment to date</th>
<th>Effect of deductions to date</th>
<th>What you might get back at 7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>1</td>
<td>490</td>
<td>6</td>
<td>510</td>
</tr>
<tr>
<td>2</td>
<td>730</td>
<td>16</td>
<td>785</td>
</tr>
<tr>
<td>3</td>
<td>970</td>
<td>32</td>
<td>1,070</td>
</tr>
<tr>
<td>4</td>
<td>1,210</td>
<td>51</td>
<td>1,380</td>
</tr>
<tr>
<td>5</td>
<td>1,450</td>
<td>76</td>
<td>1,700</td>
</tr>
<tr>
<td>10</td>
<td>2,650</td>
<td>309</td>
<td>3,620</td>
</tr>
<tr>
<td>13</td>
<td>3,370</td>
<td>569</td>
<td>5,040</td>
</tr>
</tbody>
</table>

The last line in the table shows that over thirteen years the effect of the total charges and expenses could amount to £569. Putting it another way, this would have the same effect as bringing investment growth from 7% a year down to 5.6% a year.

£50 initial payment from the Government plus monthly payments of £20 – for children born on or between 2nd August 2010 and 2nd January 2011

<table>
<thead>
<tr>
<th>At end of year</th>
<th>Investment to date</th>
<th>Effect of deductions to date</th>
<th>What you might get back at 7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>1</td>
<td>290</td>
<td>2</td>
<td>299</td>
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<tr>
<td>2</td>
<td>530</td>
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<tr>
<td>3</td>
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<tr>
<td>5</td>
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<td>56</td>
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<tr>
<td>10</td>
<td>2,450</td>
<td>254</td>
<td>3,280</td>
</tr>
<tr>
<td>13</td>
<td>3,170</td>
<td>484</td>
<td>4,650</td>
</tr>
</tbody>
</table>

The last line in the table shows that over thirteen years the effect of the total charges and expenses could amount to £484. Putting it another way, this would have the same effect as bringing investment growth from 7% a year down to 5.6% a year.

Will tax be paid on the HSBC CTF?

- During the course of the investment, no UK Income Tax or Capital Gains Tax in respect of the HSBC CTF* will be paid by you or the Child.
- At maturity, the Child will not pay any UK Income Tax or Capital Gains Tax in respect of the HSBC CTF. Any cash in the Overflow Account will be treated in accordance with the Child’s tax status at that time.

*Interest paid on the money in the Overflow Account will be paid after the deduction of basic rate tax unless we hold a fully completed Form R85 for the Child. A Form R85 should be completed so that interest can be paid without tax being taken off. So as long as the Child doesn’t become a taxpayer, a Form R85 will apply until the 5 April following the Child’s 16th birthday. The relevant form will be sent to you when we switch money to the Overflow Account. If the Child is a higher rate taxpayer, any additional Income Tax due over and above the amount deducted at source will need to be paid to HMRC via the Child’s own tax return.

What happens to the HSBC CTF on the Child’s 18th birthday?

- On the Child’s 18th birthday the HSBC CTF will mature and the Child can have the proceeds paid out to them or transferred to a bank account of their choice. Alternatively the proceeds can be rolled over into an Individual Savings Account (ISA) in their name.
- For further details on maturity, please see “Maturity of the Child Trust Fund” in the HSBC CTF Terms and Conditions.
Further information

CTF Provider
The HSBC CTF is provided by HSBC Trust Company (UK) Limited. Its main business is the provision of trustee services and administering investments. Address: PO Box 6189, Coventry CV3 9HS. Registered Office: 8 Canada Square, London E14 5HQ. HSBC Trust Company (UK) Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Our firm reference number is 119297. You can check this on the Financial Services Register by visiting the Financial Conduct Authority website www.fca.org.uk or by contacting the Financial Conduct Authority on 0800 111 6768.

How to complain
If you are unhappy in any way with our products and services then please let us know. On receipt of your complaint, we will send you a copy of our leaflet ‘Listening to your comments’ which explains how we will handle your complaint. A written copy of our complaint procedures is available on request.
If we cannot resolve your complaint in the first instance, you can refer it to:
Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London
E14 9SR
Telephone: 0800 023 4567 - calls to this number are normally free for people ringing from a “fixed line” phone – but charges may apply if you call from a mobile phone.
0300 123 9123 - calls to this number are charged at the same rate as 01 or 02 numbers on mobile phone tariffs.
Email: complaint.info@financial-ombudsman.org.uk
The Financial Ombudsman Service will generally review complaints from retail customers. However, their criteria for reviewing complaints may mean that even if you have been categorised by a provider of products and services as a retail customer they may not regard you as an eligible complainant.
Complaining to the ombudsman will not affect your legal rights.

Compensation
HSBC Trust Company (UK) Limited and HSBC Bank plc are covered by the Financial Services Compensation Scheme (FSCS). The FSCS can pay compensation to the Child if we cannot meet our financial obligations.

Cash Account and Overflow Account
These accounts are held with HSBC Bank plc which is covered by the FSCS. The FSCS can pay compensation to depositors if a bank is unable to meet its financial obligations. Most depositors – including most individuals and small businesses – are covered by the scheme.

An eligible depositor is entitled to claim up to £85,000.
The £85,000 limit relates to the combined amount in all the Child’s accounts with HSBC and first direct including their share of any joint account, and not to each separate account.

Investment Account
The investment in the Investment Account is held within a fund. If HSBC became insolvent these fund investments would still be held by an independent depositary for the benefit of the Child. However, if at the time of the insolvency you had a claim against us in respect of the Child’s Investment Account, you may be eligible to claim from the FSCS. For any such claim there is a limit of £50,000 per investor. The £50,000 limit relates to the combined amount in all the Child’s accounts with HSBC Trust Company (UK) Limited that hold investments, including any share of any joint account, and not to each separate account.

For further information about the compensation provided by the FSCS (including the amounts covered and eligibility to claim) please refer to the FSCS website FSCS.org.uk or call the FSCS on 0800 678 1100 or 0207 741 4100. Please note only compensation related queries should be directed to the FSCS.

Voting
You are entitled to vote and/or attend Shareholder meetings of the Fund.
If you wish to vote and/or attend any shareholder meetings you will need to send a written request to us. We may make a charge for this service.

Law
This contract and any proceedings, as well as our dealings with you up until you enter into a contract, will be governed by the law of England and Wales. The contract and all communication during the course of the contract will be in English.