Notice

(In relation to Global Markets Products and associated risks)

This notice is provided to you, as (i) a professional client and/or eligible counterparty, or (ii) a retail client, in compliance with the Malta Financial Services Authority (MFSA) Rules.

This notice contains information about Global Markets (GM) Products, including guidance on and warnings of the risks associated with those Products. It has been provided to you so that you are able to understand better the nature and risks of the service and of the specific type of GM Products being offered and, consequently, take investment decisions on an informed basis.

HSBC Bank Malta plc is not providing you with advisory services and you should consider carefully whether or not the Product/s is are suitable for you in light of your circumstances and financial position, and if in any doubt please seek professional advice.

This notice cannot disclose all the risks and other significant aspects of the GM Products. You should not deal in these products unless you understand their nature and the extent of your exposure to risk and potential loss. Except where HSBC Bank Malta plc, HSBC Bank plc, HSBC Securities (USA) Inc., or HSBC Bank USA, National Association (hereinafter referred to collectively and individually as HSBC) has expressly agreed to provide you with personal recommendations, either upon your request or at the initiative of HSBC, in respect of one or more transactions relating to financial instruments (**Investment Advice**), you should also be satisfied that the GM Product is suitable for you in the light of your circumstances and financial position. Certain strategies, such as a 'spread' position or a 'straddle', may be as risky as a simple 'long' or 'short' position.

If a GM Product is composed of two or more different Investments or services, and the associated risks are likely to be greater than the risks associated with any of the components, HSBC will provide, at the time that it offers the Investment, an adequate description of the components of that Investment and the way in which its interaction increases the risks.

Although derivative instruments can be utilised for the management of investment risk, some of these products are unsuitable for many investors. Different Investments involve different levels of exposure to risk and in deciding whether to transact in such Investments you should be aware of the following points:

1. Options

An option is a financial derivative which represents a contract sold by one party (the one writing the option) to another (the one buying the option). The option buyer has the right, but not the obligation, to buy or sell a security or other financial asset at an agreed-upon price during a certain period of time or on a specific date.

There are many different types of options with different characteristics and risks subject to the following conditions.

Buying options: Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if you buy a call option on a futures contract and you later exercise the option, you will acquire the future. This will expose you to the risks described in this document under 'futures' and 'contingent liability investment transactions'.

Writing options: If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position (see paragraph 11 below) and a loss may be sustained well in excess of the premium received. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price. If you already own the underlying asset which you have contracted to sell (when the options will be known as 'covered call options') the risk is reduced. If you do not own the underlying asset ('uncovered call options') the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

Certain options markets operate on a margined basis (see paragraph 11 below), under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures position.

2. Off-exchange derivative transactions

It may not always be apparent whether or not a particular derivative is effected on exchange or in an off-exchange (over-the-counter) derivative transaction. HSBC will obtain your prior express consent, whether in the form of a general consent or in respect of individual transactions, before entering into an off-exchange transaction on your behalf. HSBC will make it clear to you if you are entering into an off-exchange derivative transaction.

While some off-exchange markets are highly liquid, transactions in off-exchange or 'non transferable' derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price.

3. Collateral

If you deposit collateral as security with HSBC, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of your collateral, depending on whether you are trading on a Recognised or Designated Investment Exchange, with the rules of that exchange (and the associated clearing house) applying, or trading off-exchange. Deposited collateral may lose its identity as your property once dealings on your behalf are undertaken. Even if your dealings should ultimately prove profitable, you may not get back the same assets which you deposited, and may have to accept payment in cash. You should ascertain from HSBC how your collateral will be dealt with.

4. Insolvency

In the event of HSBC's insolvency or default, or that of any other brokers involved with your transaction, positions may be liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payments in cash. On request, HSBC will provide an explanation of whether, and the extent to which it will accept liability for any insolvency of, or default by, other firms involved with your transactions.

You should only buy Products if you are prepared to sustain a total or substantial loss of the money that you have invested plus any commission or other transaction charges.