HSBC

GENERIC KEY FEATURES DOCUMENT FOR BONDS

For Resident Indian and NRI customers of
The Hongkong and Shanghai Banking Corporation Limited, India

Purpose of this document

Before you invest in bonds of various issuers/issuing companies, we want to ensure that you have sufficient information to enable you to fully understand the investments that you are about to undertake. This document is designed to highlight what The Hongkong and Shanghai Banking Corporation Limited, India (referred to as HSBC India or the Bank), believes to be key information about various bond issuances distributed by its referral partners.

However, this is generic information only and you should still refer to the specific documents relating to the actual bond issuance that you are considering.

Key things you should know

1. This document seeks to help you in understanding key information about various bonds referred by the Bank.
2. This document is generic information only and you should still refer to all offer specific documents by the issuing company.
3. Bonds are not a guaranteed investment, which means the value of your investment may be less than what you originally invested.
4. The Bank may not be able to facilitate the sale of bonds in the Secondary market.
5. There are a number of risks you must be aware of before you decide to invest. Do refer to all product specific documents for a full explanation of such risks.
6. This bond investment is intended to be held to maturity. Bonds referred by HSBC India are mainly for medium to long-term (with tenors usually up to 30 years) investments and not for short-term/speculation.
7. HSBC India is merely executing your transaction in order to facilitate your investments in to bonds. Bonds are independently managed by the respective issuer/issuing company.
8. To invest in bonds through us, you must have an HSBC Demat account. Additionally, the linked savings bank account should also be a HSBC Savings account.
9. There are costs (brokerage, placement fees, etc.) associated with investing in a bond. Investors should carefully consider the costs when making an investment decision.
10. HSBC India does not give tax advice and we propose you consult your usual tax adviser for complete details as to how you will be personally affected. The tax benefits and implications mentioned in any marketing material provided by the bond issuer are as per currently applicable tax laws and are subject to change in future.

What are Bonds?

Bonds are credit notes issued by governments, corporations or other issuers/issuing companies to bondholders. As a bondholder, you are extending credit to these issuers/issuing companies and they are obligated to repay the redemption value of the bond upon maturity, as well as a rate of interest, generally referred to as the coupon, during the life of the bond. There are many types of bonds from different issuers/issuing companies that vary in their terms. Some examples include the fixed rate bonds, floating rate bonds, zero coupon bonds, callable/extendable bonds and convertible bonds as well as certificates of deposit. Bonds can be either privately or publicly issued, secured or unsecured and convertible (into equity) or non-convertible. The bonds that you will have access to through HSBC India will be publicly issued tax free bonds. You will only be able to buy these bonds from the issuer during the issuer period. The Bank will not facilitate the purchase or sale of bonds in the Secondary market.

What other documents should I read?

This document is only a generic guide to the key features of bonds. You should not rely solely on it to make a decision to invest, but you should also read the specific documents – Subscription agreement, prospectus, term sheet and any other document released by the issuer/issuing company in relation to the specific bond issuance you are considering. These documents are available on the website of the issuer/issuing company or you can also request your HSBC Relationship Manager to provide you the details.

How can I redeem/sell my Bonds bought through HSBC?

Bonds unlike mutual fund units, cannot be redeemed. Bonds however, can be sold in the Secondary market with the help of a bond broker. However, the sale of bonds in the Secondary market is subject to liquidity available at the time of sale (the availability of enough buyers for the bond). It is also subject to a number of risks especially Market Risk (please refer section on Key Risk Considerations below). Market Risk is the risk you face of selling your bond in the Secondary market at a price substantially lower than the Face Value. HSBC India can help facilitate the sale of only a select set of bonds in the Secondary market and subject to the above considerations.

What do I need to invest in Bonds through HSBC?

It is mandatory to have a Demat account with HSBC in order to invest in bonds through HSBC. Additionally, the HSBC Demat account must be linked to an HSBC Savings account and investment in these bonds must come through this account. Problems may arise if you wish to invest in a bond issuance in a holding pattern different to that of your Demat account. Please consult your HSBC RM prior to investing.

For physical applications, you must provide the HSBC Savings account number linked to your HSBC Demat account to ensure that the coupon and maturity proceeds can be monitored by you through the HSBC Savings account statement.

Do all Bonds carry the same investment risk?

No, they do not. You therefore need to decide what level of investment risk you are willing to accept and then choose the issuance, which matches your appetite for risk.

In order to ascertain the appropriateness of the investment based on one's own risk profile a Product Risk Rating (PRR) document is available for reference for the various investment offerings. The Product Risk Rating document is available with the RM and is also displayed on the Bank's website www.hsbc.co.in

Each bond issuance shall carry a Product Risk Rating that will help determine its suitability to your risk appetite.

Terms associated with Bond investing

Issue Period	Initial Public Offering (IPO) dates indicate the time period within which investors can apply for the bond (acceptance of application forms).
Coupon	Coupon or Coupon Rate is the interest rate offered by the bond. It is usually expressed as an annualised interest rate. This is the rate of interest that the bond issuer/issuing company will pay the bondholder.
Tax Free Bonds	Bonds may be called Tax Free when the coupon offered is exempt from income tax. There shall be no deduction of tax at source from the interest, which accrues to the bondholders in these bonds irrespective of the amount of the interest or the status of the investors. The relevant section under the IT Act of 1961 is provided as evidence of tax exemption. As per provisions under section 2 (29A) of the I.T. Act, read with section 2 (42A) of the I.T. Act, a listed bond is treated as a long-term capital asset if the same is held for more than 36 months immediately preceding the date of its transfer. Under section 112 of the I.T. Act, long-term capital gains arising on the transfer of listed bonds shall be taxed @ 20% with indexation while short-term capital gains shall be taxed at the marginal rate of taxation; Wealth Tax is not levied on investment in bond under section 2(ea) of the Wealth-tax Act, 1957.
Credit Rating	Bonds carry a credit rating assigned by a Credit Rating agency. An example of a rating is CRISIL has rated the bonds 'CRISIL AAA/Stable'.
Investor Categories	Bond issuances offer different coupons for different class of investors across different tenors. Categories normally classify applicants as Retail Investors, High Networth Individuals and Corporate/Institutional Investors. This classification can differentiate on the basis of Minimum Subscription amount and can carry different coupon rates. Bonds may also have allotment restrictions across categories. The differentiation between investor categories may or may not be recognised by the issuer/issuing company after a Secondary market transaction. For example, the differential coupon rate for a category B investor shall be applicable only to the first allottee. In the event of Sale/Transfer by the original allottee of the bond, the subsequent allottee will get the rates applicable to the investor A category.
Primary and Secondary Markets for Bonds	The Primary market for bonds is where investors are the first to buy the bond directly from the issuer/issuing company. The Secondary market for bonds is where investors can buy bonds from other investors instead of the issuer/issuing company directly. Bondholders can sell their bonds in Secondary market prior to maturity subject to market liquidity.
Market Liquidity	Market liquidity refers to the availability of buyers/sellers for the bond in the Secondary market. This is indicated by trade volumes for the bond and spread between the bid and ask price. Higher spread between bid and ask price indicates low liquidity and vice versa.
Holding Type	Investors can apply for and hold bonds in both physical and dematerialised form provided the issuer/issuing company offers both options (which may not always be the case).
Face Value and Minimum Subscription	Face Value is the price of each bond. Minimum Subscription is the minimum application size that will be accepted. For example, if each bond has a face value of ₹1,000 and the Minimum Subscription is ₹5,000, the investor has to apply for at least 5 bonds.
Bond Listing	This provides the market exchanges on which the bond will be listed.
Basis of allocation	This describes the priority of allocation in case of oversubscription. First-come-first-serve or pro rata are both examples of a basis of allocation.

Tradability	Listed bonds can be traded through the exchange at the prevailing listed price on the exchanges. However, the Secondary market for such bonds in India may be illiquid therefore there is no assurance that the bonds will be traded on the exchange on an ongoing/active basis. In other words, the investor may be unable to sell bonds in the Secondary market or may have to sell at a significant discount to value.
Time Period of Investment	Bonds normally have duration ranging from 1 year to up to 30 years. Usually no redemption or repurchase is available during this period.
Security	It defines the collateral available in case of default. It also describes the right or order in which different class of investors can attach the security to recover their investments. For example, bonds issued by a company can be secured by way of first **pari passu** charge on the identified immovable property(ies) of the company and first **pari passu** charge on the book debts of the company, other than those that are exclusively charged/earmarked to any other lender(s) of the company, as may be agreed between the company and the Debenture Trustee, pursuant to the terms of the Debenture Trust Deed with a minimum security cover of one time of the Face Value of bonds outstanding at all times. In this example, **pari passu** refers to treating all creditors equally.
Permissible Frequency and Amount(s) of Subsequent Investments	Investments in bonds are usually permissible only during the initial public offer period. The investor may, however, be able to purchase the same bonds in the Secondary market depending on availability.
Issue Size	Indicates the value of bonds that the issuer/issuing company has offered to sell.
Buyback Option	Some issuers/issuing companies retain the option to buy the bonds back from the bondholder at a pre-designated time in the future. For example, an investor can buy a 15 year bond where the bonds can be bought back by the issuer/issuing company exactly after 5 year or 10 year from the date of issue.
Green Shoe Option	It is the choice available to the issuer/issuing company to retain oversubscription up to a pre-specified amount.

What about tax?

You should refer to the specific bond documentation for a detailed understanding of the tax consequences. HSBC India does not give tax advice and we propose you consult your usual tax advisor for further details as to how you will be personally affected. The tax benefits and implications mentioned in any marketing material provided by the issuer/issuing company are as per currently applicable tax laws and are subject to change in the future.

Key Risk Considerations

For full risk disclosures, refer to the offer document for the specific bond under consideration.

Market Risk	This risk is inherent to investing in bonds. It may expose the bond to capital erosion. The price of the bond could be affected by corporate performance, macroeconomic factors, changes in Government policies, general levels of interest rates and risk associated with trading volumes, liquidity and settlement systems in the bond market. This risk arises due to price volatility due to various factors such as interest sensitivity, market perception or the credit worthiness of the issuer and general market liquidity, change in interest rate expectations and liquidity flows.
Return Risk	Coupons paid on a bond are fixed at the time of issuance and paid as per terms and conditions of the particular bond product subscribed. There is no guarantee that a bond will yield better returns than prevailing interest rates throughout the term of the bond. This is because market interest rates are variable and may rise above the fixed coupon offered by the bond subscribed for.
Interest Rate Risk	This risk results from changes in demand and supply for money and other macroeconomic factors and creates price changes in the value of debt instruments. Changes in the interest rates affect bond prices and the relationship is inversely proportional. Prices of long-term bonds generally fluctuate more in response to the interest changes than those of short-term bonds.
Issuer/ Issuing Company Risk or Credit Risk	Bonds are debt or borrowings of the issuer/issuing company. When an investor purchases a bond, he/she is effectively lending money to the bond issuer/issuing company. It is the issuer/issuing company who pays the coupon and repays principal of bonds. The investor is therefore relying on the ability of the issuer/issuing company to meet the debt obligations under the bonds, i.e. the repayment of principal amount at maturity date and regular coupon payment if any. It should be noted that bonds are not deposits of the issuer/issuing company. In this regard, prospective investors should be aware that receipt of the periodic coupon payment and any sums due at maturity by investors are not guaranteed and are subject to the credit risk of the issuer/issuing company. There is no assurance of protection against default by the bond issuer/

	issuing company in respect of their repayment obligations and there is always risk of the bond issuer/issuing company defaulting on its obligations or becoming insolvent. Investors must understand and accept the risk that the issuer/issuing company will not be able to satisfy their obligations under the investment and that the investor may not receive any periodic coupon payment and any repayment sums at maturity. If the issuer/issuing company defaults, bondholders may not receive coupons or repayment of the principal. Bondholders bear the credit risk of the issuer/issuing company and have no recourse to HSBC India or its referral partners. Some bonds may be guaranteed by third parties, but the risk remains that a guarantor may also fail or be unable to honour its obligations.
Inflation Risk	If the rate of inflation for the period of investment is higher than the yield to maturity of the bond, the real rate of return and investment value will be less than the amount originally invested. Inflation also erodes the real value of the fixed coupon and also the Face Value of the bond at maturity.
Re-investment Risk	Some bonds have the option of being bought back by the company before the tenor of the bond is complete. In such cases, if the bond is early-redeemed or called, the investor may not be able to enjoy the same rates of return when he/she re-invests the proceeds in other investments if prevailing market rates are lower. Investors need to consider their ability to re-invest the principal amount plus the coupon payment (if any paid) in other suitable products with similar returns and tenors at the time of investing in issues with such embedded options.
Tax Risk	Tax burden, if any, imposed by Indian tax law or regulatory requirements or arising from Indian tax law or regulatory requirement changes, will be borne by the investors. Income from tax free bonds would be exempt in the hands of investor and as per the existing provisions of the Income Tax Act, 1961 there may be disallowance of expenses incurred (if claimed as deductible) in relation to earning tax free income.
Valuation Risk	It refers to the risk that a bond may be overvalued and could be worth-less at the time of selling the bond. This is particularly true for assets that have low liquidity and are not easily tradable in public exchanges.
Liquidity Risk	The investor should be prepared to hold the chosen bonds for the full investment tenor. The investor should ensure that he/she has sufficient liquid emergency funds to meet any unforeseen circumstances. An inactive or illiquid Secondary market may cause difficulty in readily trading or selling the bonds. Additionally, the Bank can only offer the opportunity to buy certain bonds from the issuer during the issue period. The Bank may not be able to facilitate the sale of bonds in the Secondary market. In India, the Secondary bond market is largely a wholesale market for institutional investors which means bonds held by individual bondholders may not be sold during the tenor of the bond (even with the help of a bond broker) and therefore must be held until maturity. Where it is possible to sell your bond during the bond tenor, market movements are unpredictable and unless the bond is held to maturity it may not be possible to dispose of the bond either at a reasonable price or at all. You could lose a substantial part of your investment if you choose to sell bonds prior to maturity. A feature of some bonds is that there may be an early redemption offer made by the issuer/issuing company, where applicable this feature will be explained in the specific offering documents.

How do I keep track of my Bond investment?

For dematerialised investments, your HSBC Demat account statement will provide you details of your holdings. Additionally, your HSBC Savings account linked to your HSBC Demat account will be credited with the coupon payout and the maturity proceeds of your bond investment. Your HSBC Bank statement shall provide you details of such credits and will help you keep track of your payouts.

The price of listed bonds is provided by the relevant exchange but their price availability is a function of their liquidity.

What if I have reason to complain?

If you feel that our service levels are not up to your expectations, our grievance redressal procedure is displayed on our website www.hsbc.co.in, as also at all our branches. We will do all we can to resolve your complaint.

Investor Commitments

- I am aware that investments in bonds involve risk. The risk of loss in respect of bond investments can be substantial. In the event of default by the issuer/issuing company and the guarantor (if applicable), I may lose both the coupon income and the principal amount invested
- I am willing to assume the credit risk of the issuer/issuing company and the guarantor (if applicable) knowing the possibility of default by the issuer/issuing company and the guarantor (if applicable)
- As the investment in a bond may not be able to be divested with ease before maturity, I am confident that I will not need access to the amount invested during the investment period
- I am satisfied that I have sufficient liquid emergency funds to meet unforeseen circumstances and that the amounts I wish to invest now does not represent part of these emergency funds

- I am advised to consult a professional adviser if considered necessary before making a commitment to invest in bond products. In the event that I choose not to seek professional advice, I should examine the risk profile of the bond product carefully and consider whether it is suitable in light of my risk appetite, financial position, investment experience and objectives
- I should avoid excessive investment in a single type of investment, in regards to its total proportion of my overall portfolio, in order to guard against over-exposure to any investment risks
- I should be aware that as bond products are not principal protected I may lose part or whole of the principal amount invested
- I accept that the potential yield of a bond is not guaranteed to be higher than traditional bank deposits or any other interest bearing instrument

Important Information

HSBC India is merely executing your transaction in order to facilitate your investments into bonds. Bonds are independently managed by the respective issuer/issuing company.

Confirmation

I/We hereby declare the following:

I/We have read and understood this Key Features Document and have fully understood all the features and associated risks of bonds and have agreed to invest in bonds.

I/We understand and agree that investment of monies in bonds shall be exclusively at my/our own risk and HSBC India or its referral partner shall not be responsible for any loss, costs or damages that I/we may incur in relation to such investment of monies.

I/We also understand and agree that the Bank does not in any manner warrant, certify or endorse any bond or its features.

Customer’s Signature				
Customer’s Name				

Date:

For HSBC India office use only

I have briefed the above investor on the description, benefits and limitations of the product in the KFD and the above declaration has been signed by the investor in my presence.

Signature:

Staff Name:

Designation:

Date:

HSBC India does not give tax advice and we propose you consult your usual tax advisor for further details as to how you will be personally affected. The tax benefits and implications mentioned in any marketing material provided by the issuer/issuing company are as per currently applicable tax laws and are subject to change in the future.

52/60, Mahatma Gandhi Road, Mumbai - 400 001.

This publication has been issued by The Hongkong and Shanghai Banking Corporation Limited (HSBC India) in India, for the information of its customers only. This publication does not constitute investment advice or an offer to sell, or a solicitation of an offer to purchase or subscribe for any investment. The information herein is derived from publicly available sources that HSBC India considers reliable but which has not been independently verified. Whilst every care has been taken in compiling the information, HSBC India makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. Expressions of opinion are those of HSBC India only and are subject to change without notice. Opinions expressed herein do not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this publication. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may have been discussed in this publication and should understand that the views regarding future prospects may or may not be realised. Past performance is not indicative of future results. This document is for HSBC India customers only. HSBC India makes no representations that the products or services mentioned in this document are available to persons of any other country or are necessarily suitable for any particular person or appropriate in accordance with their local law. Among other things, this means that the disclosures set forth in this document may not conform to rules of the regulatory bodies of any other country and investment in the products discussed will not afford the protection offered by the local regulatory regime in any other country. HSBC India or its affiliates or their officers, directors and employees may have investments in any of the products mentioned in this publication (or in any related products) and may from time to time, add to or dispose of any such investment. Please read the Prospectus, Offer Document and other key material documents provided by the Issuer carefully before investing.

For private circulation only. The information contained herein is confidential to the recipients thereof and may not be reproduced or otherwise disseminated.

Issued by The Hongkong and Shanghai Banking Corporation Limited, India.
Incorporated in Hong Kong SAR with limited liability.