

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

This is an important document.

You need to read this before you invest
in the HSBC CTF.

Effective from 29 June 2020

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Key Features of the HSBC CTF

The Financial Conduct Authority is a financial services regulator. It requires us, HSBC UK Bank plc, 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 Global Strategy Balanced Portfolio – CTF Accumulation Share Class (“KIID”)¹, in which the HSBC CTF invests, and the Terms and Conditions, so that you understand what you are buying, and then keep them safe for future reference.

¹ 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 0345 606 6241 (textphone 0345 766 0391).

Lines are open 08:00 to 18:00 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. All calls relating to purchases of shares will be recorded. We will keep records of these calls for seven years. You may ask for a copy of these records at any time.

Write to us at: Customer Service Centre, BX8 6HB.

If you're sending from outside the UK or by courier, please send to HSBC, 51 Saffron Road, Wigston, Leicester LE18 4AG.

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 Global Strategy Balanced Portfolio – CTF Accumulation Share Class (the "Fund").
- To help teach children about savings and investments.

Your investment

- You are 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. There's no minimum amount for payments into your Child's HSBC CTF. **The maximum amount you can pay into a Child Trust Fund is currently £9,000 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 set out in the HSBC Child Trust Fund Terms and Conditions.**
- The HSBC CTF will mature when the Child reaches the age of 18. Please see the question "What happens to the HSBC CTF on the Child's 18th Birthday?" on page 11 of this document for further information about the options available to the Child at this time.

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 are entitled to a CTF.
- Children born before 1 September 2002 and on or after 3 January 2011 are not eligible for a CTF. However, they are eligible for a Junior ISA. HSBC doesn't currently offer a Junior ISA.
- There are two types of CTF: Stakeholder, and non-Stakeholder. The HSBC CTF is a Stakeholder CTF and invests in the HSBC Global Strategy Balanced Portfolio – CTF Accumulation Share Class (the "Fund"). A Stakeholder CTF needs to follow certain rules defined by the Government, for example:
 - Stakeholder CTFs 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 1.50% of the value of the CTF each year.
- 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 1.50% per year or the minimum investment level may be higher than £10.

Another requirement of Stakeholder CTFs was to introduce “lifestyling” from the Child’s 13th birthday. This meant gradually reducing the risk of holding a CTF in investments in the last few years before maturity, by moving the money into lower risk investments, for example bonds or cash-based funds. However, following changes to the regulations governing the provision of CTFs which came into effect from 6 April 2017, we no longer offer a lifestyling process for the HSBC CTF.

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 by transferring an existing CTF to us from another provider. 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”. It can also be the eligible Child if they have applied to become Registered Contact for their own CTF after they reach age 16.
- 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 hsbc.co.uk/investments/products-and-services/child-trust-fund.
- 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 turns 16, the Child has the right to choose to become the Registered Contact. At that time the Child will need to apply to become the Registered Contact and may do so without consent from the Registered Contact. Where the Child does not choose to become Registered Contact, the existing Registered Contact will remain until the Child turns 18. Please see the question “What happens to the HSBC CTF on the Child’s 18th Birthday?” on page 11 of this document for further information.

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 appropriateness of this product for you. This means that the protection offered by the Financial Conduct Authority’s rules on assessing appropriateness will not apply to this transaction.

How can I open an HSBC CTF?

- You can apply to 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 [hsbc.co.uk/investments/products-and-services/child-trust-fund](https://www.hsbc.co.uk/investments/products-and-services/child-trust-fund).
- We are required to ensure that you have received the latest version of the KIID before accepting your application. On your application form you will be asked to declare that you have received, and read, the latest version of the KIID.

Can I change my mind about the HSBC CTF?

- Yes, once we accept your application to transfer an existing CTF to us you have 14 days, from the date we accept your application, in which to cancel. You should do this by writing to us.
- 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.
- 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 or Junior ISA 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 proceeds of your CTF from your existing provider. This may be a few weeks after the HSBC CTF is opened. We won't be able to accept Subscriptions into the HSBC CTF until the transfer from your existing provider has been completed. 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 your transfer request and when your account will be opened. We will also write to confirm when we have received the proceeds from your existing provider and how many shares have been purchased.

Who can make payments into the HSBC CTF?

- Anyone can add money to the HSBC CTF at any time 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 or direct debit. You can obtain a direct debit form from us by visiting our website or by calling us.
- We are unable to accept a standing order by way of the Faster Payments Service for the HSBC CTF.
- 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 the 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.
- Fund providers must produce a KIID for their funds and make them available to customers before they invest. This requirement applies 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. You can find the KIID on our website [hsbc.co.uk/investments/products-and-services/child-trust-fund](https://www.hsbc.co.uk/investments/products-and-services/child-trust-fund), if you are happy to obtain it online. Alternatively you can call us and request the most recent version.
- 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 Global Strategy Balanced Portfolio – 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, [hsbc.co.uk/investments/products-and-services/child-trust-fund](https://www.hsbc.co.uk/investments/products-and-services/child-trust-fund), if you are happy to obtain it online.
- 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 into a CTF?

The most that can be added to a CTF is currently £9,000 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. No Subscriptions can be made after the Child turns 18 years old.

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 the annual limit for each Birthday Year, from whatever source, are paid into this account.
- The Investment Account – once the payments have cleared in the Cash Account, the cash will be used to buy shares in the Fund and these shares are held in the Investment Account – 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 in each Birthday Year will automatically be paid into this account and held as cash. On the Child's next birthday, subject to the annual limit for that Birthday Year, the cash 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 or the Overflow Account by yourself or anyone else are gifts to the Child and cannot be returned, except in exceptional circumstances as set out in the HSBC Child Trust Fund.

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 CTF provider to another. A CTF can be transferred to a Junior ISA but a Junior ISA cannot be transferred to a CTF.
- If you wish to transfer the HSBC CTF to another CTF or Junior ISA 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 assetmanagement.hsbc.co.uk/en/individual-investor, and by clicking on Fund Centre. Select "Global Strategy Balanced Portfolio" and then "CTF Acc" to change the 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 ongoing charge and will be around 0.43% per year. This may change so it is important that you review the KIID which can be found at [hsbc.co.uk/investments/products-and-services/child-trust-fund](https://www.hsbc.co.uk/investments/products-and-services/child-trust-fund), if you are happy to obtain it online. Alternatively you can call us and request the most recent version.
- The ongoing charge is a percentage of the value of each fund and is reflected in the price of the shares. The ongoing charge is made up of the annual management charge, which is payable to the investment company for managing the fund and other expenses which cover the costs that must be met to ensure the fund is appropriately governed and administered (including services such as depositary and audit fees).
- HSBC UK Bank plc will receive 0.25% per year of the value of the fund from the fund manager, paid monthly.
- As the charge is taken from the Fund, the effect of this is seen in the share price and isn't taken from an individual's investment. There are no other charges.
- Other charges may be applicable. Where this is the case we will let you know about them.

Will tax be paid on the HSBC CTF?

- Any income and/or gains arising on the Cash Account or Investment Account is exempt from UK income tax and capital gains tax.
- Any interest arising on the Overflow Account will be paid gross (without the deduction of tax). It is not exempt from UK income tax however, so depending on personal circumstances the Child or the Registered Contact may need to pay tax on this interest via their 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 into an ISA in their name, or a combination of both. We will write to the Child to seek their instructions shortly before their 18th birthday.
- 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 UK Bank plc. Its main business is the provision of retail banking services. Address: Customer Service Centre, BX8 6HB. If you're sending from outside the UK or by courier, please send to HSBC, 51 Saffron Road, Wigston, Leicester LE18 4AG. Registered Office: 1 Centenary Square, Birmingham B1 1HQ, United Kingdom. HSBC UK Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Our firm reference number is 765112. You can check this on the Financial Services Register by visiting the Financial Conduct Authority website 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:

The Financial Ombudsman Service
Exchange Tower
London E14 9SR

Telephone: 0800 0234 567 or 0300 1239 123.

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 UK Bank plc is 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 us and we are covered by the FSCS. The FSCS can pay compensation to depositors if a bank is unable to meet its financial obligations. Most depositors are covered by the scheme.

An eligible depositor is entitled to claim up to the current FSCS limit for deposits. The FSCS deposit limit relates to the combined amount in all the Child's accounts with HSBC UK Bank plc 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 separately from investments owned by us and protected under the CASS Rules. 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. Most types of investment business are covered by the FSCS and eligible investors can claim up to the current FSCS limit for investments. The current FSCS limit relates to the combined amount in all the Child's accounts with HSBC UK Bank plc 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](https://www.fscs.org.uk) or call the FSCS on 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.

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 communications with you during the course of the contract will be in English.

Accessibility

If you need any of this information in a different format, please let us know. **This includes large print, braille, or audio.** You can speak to us using the live chat on our website, visiting one of our branches, or by giving us a call.

There are also lots of other options available to help you communicate with us. Some of these are provided by third parties who are responsible for the service. These include a Text Relay Service and a British Sign Language (BSL) Video Relay Service. To find out more please get in touch. You can also visit: hsbc.co.uk/accessibility or: hsbc.co.uk/contact.

hsbc.co.uk

HSBC UK Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register No. 765112) and is registered in England and Wales under company number 09928412. HSBC UK Bank plc's registered office address is 1 Centenary Square, Birmingham B1 1HQ.

