



HSBC Gold Token

Principal Brochure

The Hongkong and Shanghai Banking Corporation Limited (the "Bank")

(Incorporated in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong" or the "Hong Kong SAR") with limited liability and a licensed bank regulated by the Hong Kong Monetary Authority and registered with the Securities and Futures Commission for Types 1, 2, 4, 5, 6 and 9 regulated activities under the Securities and Futures Ordinance)

Last Updated Date: 27 March 2024

The Securities and Futures Commission (the "SFC") has authorized the issue of this Principal Brochure as part of the Offering Documents for HSBC Gold Token (the "Product").

The Bank accepts full responsibility for the accuracy of the information contained in the Offering Documents and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief the facts stated and the opinions expressed in the Offering Documents are fair and accurate in all material respects as of the date of the Offering Documents, and there are no other facts the omission of which would make any statement in the Offering Documents misleading.

An investment in physical gold under the Product which utilises distributed ledger technology carries risks of a different nature from other types of paper gold schemes, and it may not be suitable for persons who are averse to such risks. PLEASE REFER TO SECTION 2 OF THIS PRINCIPAL BROCHURE FOR A DISCLOSURE OF THE RISKS THAT MAY BE APPLICABLE TO AN INVESTMENT IN THE PRODUCT. An investment in the Product is not intended to be a complete investment programme for any investor.

You should note that an investment in the Product is not the same as acquiring a physical gold bar. In particular, under the Product, investors acquire only fractional ownership of the Gold (as defined in section 1.1 (*What is this Product?*) below). When compared to directly acquiring a physical gold bar, investors holding only fractional ownership of the Gold represented by HSBC Gold Tokens ("Fractional Ownership") will be subject to certain limitations, including but not limited to the following (the "Limitations"):

- (a) Investors will not have the ability to take physical possession or delivery of the Gold at any point, even in the case of insolvency of the Bank (in which an appointed Disposal Agent (as defined in section 1.1(c) (*Utility of the Ledger and regulatory nature of the Product*) below) will be obligated under the Disposal Agent Appointment Agreement (as defined in section 3.2(a) (*The Bank and the Issuer*) below) to liquidate the Gold and distribute the proceeds to the investors).



- (b) Investors can only trade the Gold represented by the HSBC Gold Token via the Bank, subject to the below:
- (i) the price of the Gold represented by HSBC Gold Tokens is determined by the Bank according to the pricing mechanism of the Product;
 - (ii) any trading outside the Gold Trading Hours (as defined in section 1.7 (*What is the pricing mechanism?*) below) will be subject to a higher Bank Margin (as defined in section 1.7 (*What is the pricing mechanism?*) below) of 5% at maximum; and
 - (iii) suspension of dealing may be imposed by the Bank.

The HSBC Gold Tokens utilised in the context of the Product are operational tools for recording Fractional Ownership¹ in the Gold. The HSBC Gold Tokens do not of themselves embody any rights or value other than being a record representing Fractional Ownership* in the underlying Gold; the HSBC Gold Tokens are therefore evidential only and not subject to custody. None of the HSBC Gold Tokens are expected to fall within the definition of "virtual asset" in the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong). As a prospective investor, you should carefully consider whether an investment in the Product is suitable for you, taking into account your investment objectives, risk appetite and the potential price movements. You are responsible for your own investment choices.

The SFC does not take any responsibility for the contents of the Offering Documents, makes no representation as to their accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Offering Documents.

The SFC's authorization is not an endorsement or recommendation of the Product nor does it guarantee the commercial merits of the Product or its performance. It does not mean the Product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

IMPORTANT – If you are in any doubt about the contents of this Principal Brochure, you should seek independent professional financial advice.

¹ When compared to directly acquiring a physical gold bar, investors will acquire only fractional ownership of the Gold represented by HSBC Gold Tokens. Investors should note that the nature of fractional ownership means that their ability to deal with the Gold will be subject to the Limitations.

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.

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1. SECTION 1 – THE KEY FEATURES OF THE PRODUCT

This Principal Brochure should be read in conjunction with the Key Facts Statement published as part of the Offering Documents (as defined in section 3.1 (*What are the offering documents?*) below) for the Product. You should read and understand all the key features before deciding whether or not to invest in the Product.

1.1 What is this Product?

The Product is a product issued by the Bank as the issuer (the "**Issuer**") which allows investors to acquire Fractional Ownership of physical gold represented by tokens ("**HSBC Gold Tokens**", each an "**HSBC Gold Token**") recorded on a distributed ledger, subject to the Limitations. Each HSBC Gold Token represents the Fractional Ownership* record of 0.001 troy ounce of Loco London² gold ("**Gold**") as specified by the London Bullion Market Association (the "**LBMA**") and is held by the Bank and stored in the vault premises (the "**Vault Premises**") of HSBC Bank plc (the "**Vault Operator**") in England and Wales.

(a) Gold bar specifications

When investors purchase or sell Gold represented by HSBC Gold Tokens, no physical delivery of the Gold to / from the investors is involved. The Gold is physically held by the Vault Operator and meets the specifications for weight, dimensions, fineness (or purity), identifying marks (including the assay stamp of an LBMA acceptable refiner) and appearance set forth in the LBMA good delivery rules, including with respect to the standards and specifications for physical gold, promulgated by the LBMA from time to time. **One Gold bar represented by HSBC Gold Tokens may be owned by more than one investor (who has the Fractional Ownership* in the relevant Gold) at the same time.** Gold bars meeting these requirements are known as "London Good Delivery Bars". The unit of trade is the troy ounce, the conversion of which into grams is approximately 32.151 troy ounces = 1,000 grams. Typically referred to as 400-ounce bars, a London Good Delivery Bar must contain between 350 and 430 fine troy ounces of gold, with a minimum fineness (or purity) of 995 parts per 1,000 (99.5%), be of good appearance and be easy to handle and stack.

(b) Currency denomination

Gold is denominated in United States dollars ("**USD**") per troy ounce. For the purposes of the Product offering, such price (in USD) is converted into Hong Kong dollars ("**HKD**") using the Bank's exchange rate between USD and HKD (such exchange rate will be determined by the Bank, acting in good faith and a commercially reasonable manner, with reference to the prevailing market exchange rates) and accordingly, the price of the Gold represented by HSBC Gold Tokens is denominated in HKD, reflecting the underlying USD value of the Gold while providing an HKD-denominated Product for investors.

(c) Utility of the Ledger and regulatory nature of the Product

All HSBC Gold Tokens will be recorded on an in-house private permissioned ledger (the "**Ledger**") utilising distributed ledger technology ("**DLT**") operated by the Bank (together with its affiliates) as an operator of the Ledger (the "**Platform Operator**"). For the avoidance of doubt, any reference to a sale and purchase of HSBC Gold Tokens in the Offering Documents of the Product is in fact (and should

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.

² "Loco London" represents the basis for international trading and settlement in gold of the London bullion market. It is a global over-the-counter gold trading market without geographical constraint. The fineness is not less than 99.5%.



also be read as) the sale and purchase of the underlying interests in a portion of the Gold. The HSBC Gold Tokens utilised in the context of the Product are operational tools for recording Fractional Ownership* in the Gold. The HSBC Gold Tokens do not of themselves embody any rights or value other than being a record representing Fractional Ownership* in the underlying Gold; the HSBC Gold Tokens are therefore evidential only and not subject to custody. None of the HSBC Gold Tokens are expected to fall within the definition of "virtual asset" in the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong).

The Bank is the Issuer of the Product, and, together with its affiliates, the Platform Operator of the Ledger. An appointed disposal agent (who may be an affiliate of the Issuer or a third party which is a reputable financial institution selected by the Issuer in good faith and a commercially reasonable manner) (the "**Disposal Agent**") will be obligated under the Disposal Agent Appointment Agreement to liquidate the Gold upon the occurrence of a Liquidation Event (as defined in section 1.11 (*What are the key features of the Product?*) below). The Product is governed by the terms and conditions of the Product (the "**Terms and Conditions**") and subject to the terms of a sale and purchase agreement, which governs the relationship between the investors and the Bank in relation to the Product and applies when an investor purchases and/or sells any Gold represented by HSBC Gold Tokens.

The Securities and Futures (Collective Investment Schemes) Notice (Cap. 571 sub. Leg. M of the Laws of Hong Kong) prescribes the arrangements for the purchase of gold with certain specified characteristics as "paper gold schemes". The Product is regarded as a collective investment scheme and is subject to the regime under Part IV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

(d) Illustrative diagrams of a transaction

Please also see below the diagrams illustrating the involvement of different parties for a transaction in respect of the Product.

Diagram 1 – Settlement of a Purchase Instruction

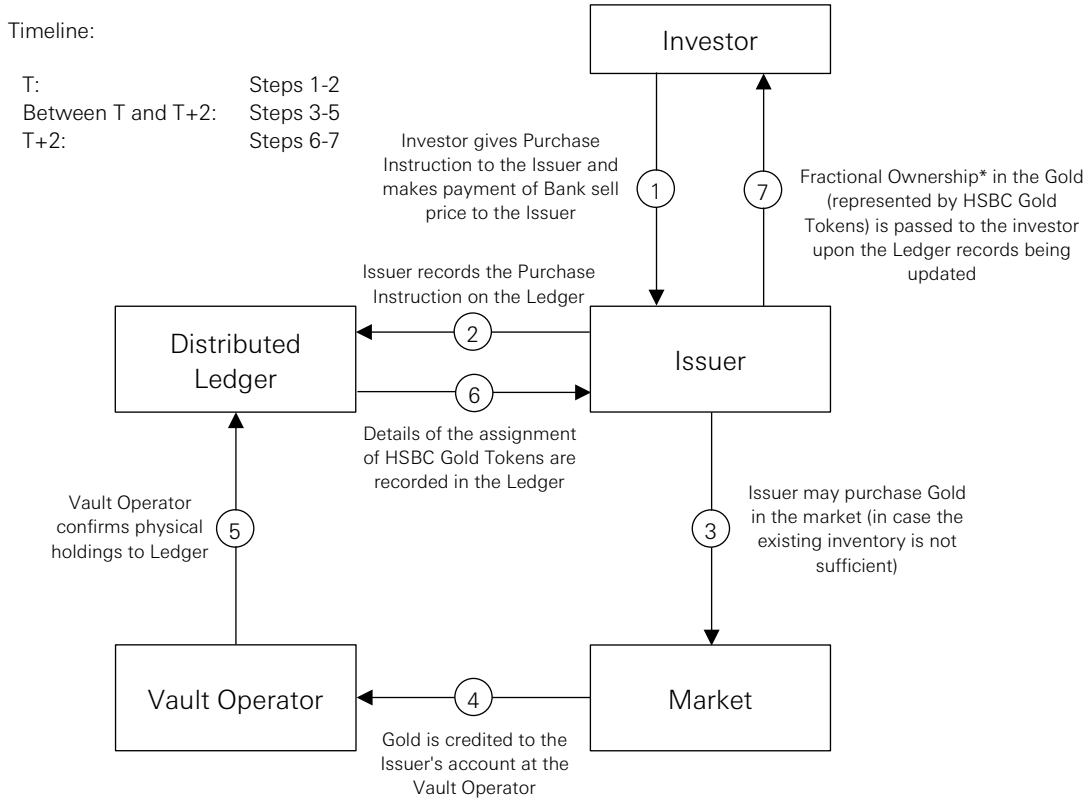
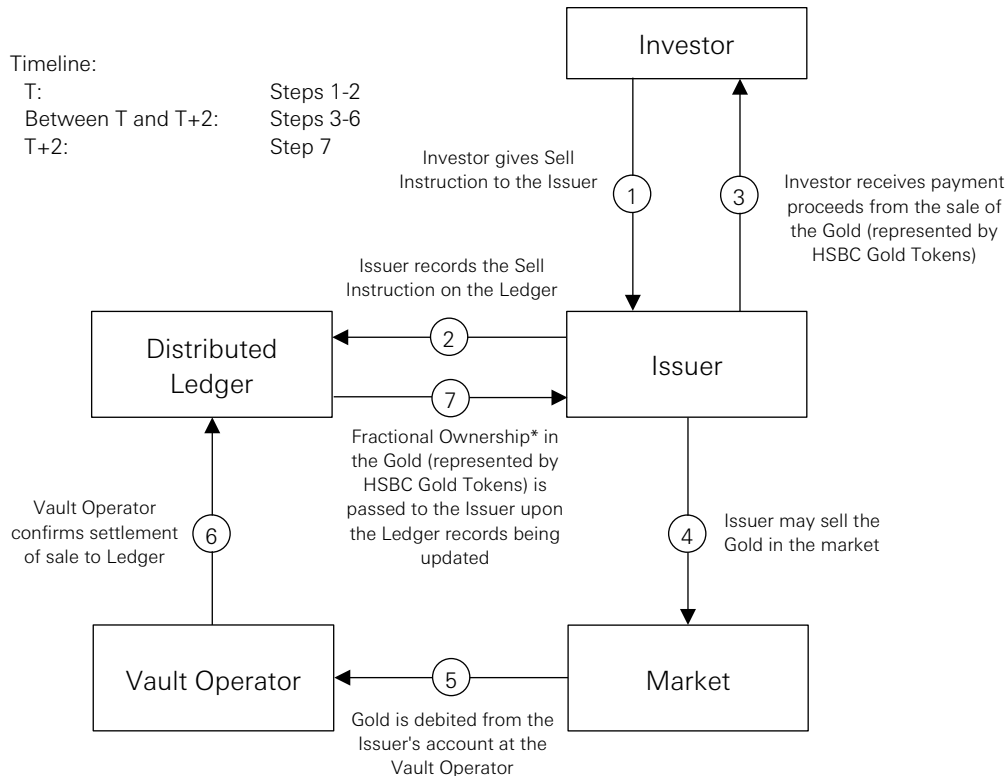


Diagram 2 – Settlement of a Sell Instruction



* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.



1.2 How can I open a Product account?

Investors can purchase Gold represented by HSBC Gold Tokens through their Investment Accounts (as defined in section 1.3 (*How do I carry out Product transactions?*) below) maintained with the Bank and will be subject to the respective terms and conditions of such Investment Accounts.

1.3 How do I carry out Product transactions?

If not already activated, you will need to activate the investment account under your integrated account with the Bank (the "**Investment Account**"). You will also need sufficient available funds in the HKD current or savings account of your integrated account maintained with the Bank. The purchase of the Gold represented by HSBC Gold Tokens will be credited to, while the sale of the Gold represented by HSBC Gold Tokens will be debited from, such Investment Account. The records on the Ledger will be the legally definitive and final records of the Fractional Ownership* in the Gold held by you except in the case of extreme scenarios (as described in section 3.4(a) (*Purchase of Gold represented by HSBC Gold Tokens and record of Fractional Ownership*) below). In the event of such extreme scenarios, the Platform Operator has in place appropriate data recovery process and backup procedures to rectify the records as appropriate, as further set out in section 3.11 (*What are the data recovery process and backup procedures in case of service outage?*) below.

1.4 What are the main channels available to conduct Product transactions?

Transactions can be made via HSBC Online Banking or the HSBC HK App³ (the "**Trading Channels**") operated by the Bank.

1.5 What is the underlying asset?

The underlying asset of the Product is Loco London gold as specified by the LBMA. "**Loco London**" represents the basis for international trading and settlement in gold of the London bullion market. It is a global over-the-counter gold trading market without geographical constraint. The fineness is not less than 99.5%. The Gold is denominated in USD per troy ounce.

1.6 What is the quotation unit mechanism?

The quotation unit and minimum transaction amount of the Product is one (1) HSBC Gold Token, and denomination of the Product is in multiples of one (1) HSBC Gold Token. One (1) HSBC Gold Token of the Product represents the Fractional Ownership* record of 0.001 troy ounce of Gold held by the Bank in the Vault Premises.

1.7 What is the pricing mechanism?

The price of the Gold represented by each HSBC Gold Token is determined by the Bank at the time of the transaction. Price of the Gold represented by each HSBC Gold Token is referred to as a "Bank sell price" if you would like to buy from the Bank, or a "Bank buy price" if you would like to sell to the Bank. Each of the Bank sell price and the Bank buy price would be a price expressed as a cash value amount in HKD and rounded to the nearest two (2) decimal places (with 0.005 or above being rounded upwards) as follows:

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.

³ HSBC Online Banking and the HSBC HK App have not been reviewed by the SFC.



Bank sell price equals:

$$\text{Weight} \times \text{Gold Price} \times \text{Bank FX Rate} \times (1 + \text{Bank Margin})$$

Bank buy price equals:

$$\text{Weight} \times \text{Gold Price} \times \text{Bank FX Rate} \times (1 - \text{Bank Margin})$$

Where:

- "**Weight**" means 0.001 troy ounce of Gold.
- "**Gold Price**" means the price of one (1) troy ounce of Gold expressed in USD, as determined by the Bank (acting in good faith and a commercially reasonable manner). In making such determination, the Bank shall have reference to the prevailing market price of Loco London gold based on USD per troy ounce as quoted by market dealers to the Bank.
- "**Bank FX Rate**" means the exchange rate between HKD and USD, as determined by the Bank (acting in good faith and a commercially reasonable manner) with reference to the prevailing market exchange rates from time to time.
- "**Bank Margin**" means the percentage rate determined by the Bank in its discretion (acting in good faith and a commercially reasonable manner) from time to time, representing the margin the Bank charges in relation to the Product. The Bank Margin varies depending on the time when the instructions from investors to purchase the Gold represented by HSBC Gold Tokens ("**Purchase Instructions**" and each a "**Purchase Instruction**") or instructions from investors to sell the Gold represented by HSBC Gold Tokens ("**Sell Instructions**" and each a "**Sell Instruction**", together with the Purchase Instructions, "**Instructions**" and each an "**Instruction**") are received, as set out in the following table:

Timing of receipt of an Instruction	Maximum rate of Bank Margin
Received during the traditional Gold trading hours on a Business Day in London and Hong Kong (the " Gold Trading Hours ")	two (2) per cent, i.e., 2%
Received outside the Gold Trading Hours	five (5) per cent, i.e., 5%

"**traditional Gold trading hours**" generally refers to the period between Mondays 07:00 and Fridays 24:00, Hong Kong time, other than the period between 05:00 and 07:00 on each such day.

"**Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London and Hong Kong.

The traditional Gold trading hours may be subject to change. If you have any enquiry in respect of the traditional Gold trading hours, please contact the Bank using the contact details set out in section 3.25 (*Enquiries or complaints*) below.

The difference in the Bank Margin reflects the risk spread that will be taken into account by the Bank given the lack of active open market to trade Gold outside the Gold Trading Hours,



and investors will be subject to a higher Bank Margin for placing an Instruction outside the Gold Trading Hours. The Bank may amend the maximum rates in its discretion (acting in good faith and a commercially reasonable manner), subject to the SFC's prior approval and by giving at least one (1) month's prior written notice to the investors (please refer to section 3.20 (*Continuing Disclosure Obligations*) below for further details).

Security protocols and internal operating procedures are in place to prevent loss or damage of the Gold stored in the Vault Premises. Please see section 3.14 (*Storage management of the Gold*) below for further details of the Bank and/or the Vault Operator's storage management policy in respect of the Gold. In the unlikely event that any Gold held with the Vault Operator is lost, damaged, stolen, destroyed or deteriorates, investors may suffer a loss of some or all of their investment; please refer to the risk factor of "*Safekeeping and insurance risk*" in section 2 for further details.

1.8 What are the fees and charges?

There are no additional fees and charges for investing in the Product, including handling charges and expenses in relation to the operation of the Ledger, other than the actual buying or selling price at the time of the transaction. Any fees and charges incurred by the Bank are contained in and subsumed into the calculation of the Bank sell price and the Bank buy price of the Gold represented by each HSBC Gold Token, and generally depend on the transaction amount and prevailing market conditions. The Bank may vary or impose further fees and charges, subject to the SFC's prior approval and by giving at least one (1) month's prior notice to investors (please refer to section 3.20 (*Continuing Disclosure Obligations*) below for further details).

1.9 What is the governing law of the Product?

The Product is governed by the laws of England and Wales. The Hong Kong courts have non-exclusive jurisdiction to settle any dispute arising out of or in connection with the Product.

1.10 What are the key benefits of the Product?

- You will be able to obtain Fractional Ownership* of physical Gold in an allocated form. In the context of the Product, the term "allocated gold" (or its equivalent) refers to gold bars which are identified, segregated and allocated specifically to be the subject of transaction for the investors. "Allocated gold" is distinguished from "unallocated gold" with the latter generally referring to exposure to the value of gold that is not related to any identified physical gold. Investment in unallocated gold typically means that the investor is an unsecured general creditor of the seller of the "unallocated gold" investment product. In contrast, for the Product, the Gold (or a portion thereof) is your legal property as the holder of the HSBC Gold Token to which such Gold (or a portion thereof) corresponds and an investor's Fractional Ownership* of the Gold is protected from the insolvency of the Bank (subject to the risk factor of "*Impact from insolvency of the Bank and/or its affiliates (including but not limited to the Vault Operator)*" in section 2 below).
- You will be able to purchase Gold at a fractional amount with a lower minimum investment amount.
- There are no additional fees and charges for investing in the Product, other than the actual buying or selling price (taking into account the Bank Margin) at the time of the transaction. Any fees and charges incurred by the Bank are contained in and subsumed into the calculation

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.



of the Bank sell price and the Bank buy price as specified in section 1.8 (*What are the fees and charges?*) above.

- Risks of loss through theft or misplacement of physical receipts are mitigated by the use of the electronically maintained Ledger. Unlike other traditional types of gold trading schemes where a transaction has to be evidenced by a physical receipt that is prone to loss or theft, the Product makes use of the Ledger to ensure secure and tamper-proof record-keeping of transaction details by tracking Fractional Ownership* and transfers of interests in Gold with the use of DLT.

1.11 What are the key features of the Product?

The following table is a summary of the key information in respect of the Product and should be read in conjunction with the full text of this Principal Brochure.

Product Name:	HSBC Gold Token
Product Type:	Paper gold scheme
Currency Denomination:	The price of the Gold represented by the HSBC Gold Tokens is denominated in HKD
Underlying Asset:	Loco London gold as specified by the LBMA. It represents the basis for international trading and settlement in gold of the London bullion market. It is a global over-the-counter gold trading market without geographical constraint. The fineness is not less than 99.5%.
Quotation Unit Mechanism:	Quotation unit of the Product is one HSBC Gold Token, and denomination of the Product is in multiples of one HSBC Gold Token. One HSBC Gold Token of the Product represents the Fractional Ownership* record of 0.001 troy ounce of Gold held by the Bank in the Vault Premises.
Pricing Mechanism:	The price of the Gold represented by each HSBC Gold Token is determined by the Bank. Price of the Gold represented by each HSBC Gold Token is referred to as a "Bank sell price" if you would like to buy from the Bank, or a "Bank buy price" if you would like to sell to the Bank. Each of the Bank sell price and the Bank buy price would be a price expressed as a cash value amount in HKD and rounded to the nearest two (2) decimal places (with 0.005 or above being rounded upwards). Please refer to section 1.7 (<i>What is the pricing mechanism?</i>) above for the formula setting out how the price of the Gold represented by the HSBC Gold Tokens is determined. In particular, the Bank Margin is subject to the following maximum rates:

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.



Timing of receipt of an Instruction	Maximum rate of Bank Margin
Received during the Gold Trading Hours	two (2) per cent, i.e., 2%
Received outside the Gold Trading Hours	five (5) per cent, i.e., 5%

Minimum Transaction Amount: 0.001 troy ounce of Gold (i.e., one (1) HSBC Gold Token) per transaction

Maximum Transaction Amount: 5,000 troy ounces of Gold (i.e., 5,000,000 HSBC Gold Tokens) per transaction

Trading Channels: HSBC Online Banking / HSBC HK App⁴

Trading Hours: Instructions can be made 24 hours a day, seven (7) days a week (24/7) via the Trading Channels. However, settlement of the Gold (see "*Dealing Process*" below) is only available during Business Days in London and Hong Kong. Trading may also be suspended automatically over the weekend in Hong Kong time where net trading position exceeds the position limit set by the Bank, and subject to other extreme conditions of suspension or deferral as described in section 3.6 (*Suspension of dealing*) below.

Dealing Process: Each HSBC Gold Token represents Fractional Ownership* of a specified fractional amount of Gold. Each HSBC Gold Token recorded on the Ledger directly corresponds to a portion of a specific Gold bar (which bears a unique serial number) held in the Vault Premises. To the extent that you own a fractional amount of the relevant Gold, you will be co-owners with other investors and/or the Bank (as the case may be) of that specific Gold bar. For the avoidance of doubt, any serial number of a Gold bar to which a HSBC Gold Token relates (and any related identification code) will be recorded in the Ledger but will not be made available to you.

(a) Purchase process

The process of tokenisation which concerns the creation and/or assignment of a HSBC Gold Token is and operates as follows:

On the trade date (T):

⁴ HSBC Online Banking and the HSBC HK App have not been reviewed by the SFC.

- Upon receiving a Purchase Instruction, the Bank will confirm the Purchase Instruction with you and record the Purchase Instruction in the Ledger.
- You should make payment of Bank sell price in respect of the Purchase Instruction when you give such an instruction.
- Upon recording of the Purchase Instruction, details of the transaction records and outstanding balances of Gold represented by HSBC Gold Tokens will be reflected in the Investment Account. The purchase of the Gold represented by HSBC Gold Tokens will be credited to the Investment Account.
- You will be able to view the purchase details and the balance of holdings of Gold represented by HSBC Gold Tokens in your Investment Account via the Trading Channels. At this point, Fractional Ownership* in the Gold will not yet pass to you.

Between T and the Purchase Settlement Date (T+2):

- In case the existing inventory is not sufficient, the Bank may arrange for the purchase of the relevant Gold from the market.
- The Vault Operator will identify the specific Gold bar(s) (or relevant portion thereof) that will be the subject of the transaction and in relation to which details will be recorded on the Ledger.
- A certain number of HSBC Gold Tokens that correspond to the amount of Gold to be transacted will be assigned by the Bank to particular Gold bar(s) to represent the Fractional Ownership* of such Gold in the Ledger.

On the Purchase Settlement Date (T+2):

- Upon the assignment of the relevant Gold (or a portion thereof) to the corresponding HSBC Gold Token in the Ledger which will normally occur within two (2) Business Days after the trade date, subject to possible suspension or delay in exceptional conditions as described in section 3.6 (*Suspension of dealing*) below (the "**Purchase Settlement Date**" or "**T+2**" in the context of a Purchase Instruction), the Ledger will record (i) the relevant Gold or a portion thereof which is the subject of the transaction (including the serial number of the relevant Gold bar, which for the avoidance of doubt will not be disclosed to you); and (ii) your identity information as the owner of such relevant Gold represented by the HSBC Gold Tokens. Fractional Ownership* in the Gold shall pass to you only upon completion of such recording on the Ledger by the Bank.

(b) Sale process

You can only sell the Gold represented by HSBC Gold Tokens to the Bank for cash by giving a Sell Instruction to the Bank through the Trading Channels at the Bank buy price as determined and published by the Bank from time to time. Physical delivery of the Gold will not be available.

The process of any sale of Gold represented by HSBC Gold Tokens is and operates as follows:

On the trade date (T):

- Upon receiving a Sell Instruction, the Bank will confirm the Sell Instruction with you and record the Sell Instruction in the Ledger.
- Upon recording of the Sell Instruction, details of the transaction records and, if any, outstanding balances of Gold represented by HSBC Gold Tokens will be reflected in the Investment Account. The sale of the Gold represented by HSBC Gold Tokens will be debited from the Investment Account.
- You will be able to view the transaction details and if any, the outstanding balance of holdings of Gold represented by HSBC Gold Tokens in your Investment Account via the Trading Channels. At this point, you still own the Gold and the Fractional Ownership* in the Gold still remains with you and will not yet pass to the Bank for settlement of the Sell Instruction.

Between T and the Sell Settlement Date (T+2):

- Payment of proceeds in respect of the Sell Instruction will be made to you.
- The Bank may arrange for the sale of the relevant Gold in the market.

On the Sell Settlement Date (T+2):

- Upon the successful settlement of the sale of the relevant Gold which will normally occur within two (2) Business Days after the trade date, subject to possible suspension or delay in exceptional conditions as described in section 3.6 (*Suspension of dealing*) below (the "**Sell Settlement Date**" or "**T+2**" in the context of a Sell Instruction), the Ledger will record (i) the relevant Gold or a portion thereof which is the subject of the transaction (including the serial number of the relevant Gold bar); and (ii) the identity information of the Bank as the owner of such relevant Gold represented by the HSBC Gold Tokens. Your Fractional Ownership* in the Gold shall cease upon completion of such recording on the Ledger.



Liquidation Event

The Disposal Agent shall liquidate the Gold and the proceeds from such liquidation shall be distributed to investors following the occurrence of a Liquidation Event.

"**Liquidation Event**" means, with respect to the Issuer, (i) the commencement of any resolution process or proceeding, recovery proceeding or any analogous proceeding in any jurisdiction, or (ii) the application of any resolution tool, crisis prevention measure, crisis management measure or any analogous step taken in any jurisdiction, in each case including but not limited to any proceeding or step taken by the resolution authority in accordance with the Financial Institutions (Resolution) Ordinance (Cap. 628 of the laws of Hong Kong).

Website:

www.hsbc.com.hk⁵

⁵ The website has not been reviewed or authorized by the SFC.



2. SECTION 2 – THE RISK FACTORS OF THE PRODUCT

You should read and understand the nature of all the risks before deciding whether to invest in the Product.

- **Not principal protected** – Your investments in the Product are not principal protected. Your investments in the Product may fall in value and therefore your investments in the Gold represented by HSBC Gold Tokens may suffer losses. In the worst-case scenario, you can lose your entire investment.
- **Not a time deposit** – The Product is NOT, and NOT EQUIVALENT to, a time deposit.
- **Not an interest-bearing product** – The Product does not represent a deposit of money and provides neither yield nor interest.
- **No guarantee** – The Product does not guarantee your capital invested or any return on the capital.
- **Not protected deposit** – The Product is NOT a protected deposit and is NOT protected by the Deposit Protection Scheme in Hong Kong.
- **No physical possession or delivery of Gold and specified pricing mechanism** – Investing in the Product is not the same as acquiring a physical gold bar because (i) you will not have the right to take physical possession of the Gold at any point, (ii) no physical delivery of Gold is involved when you purchase or sell the Gold represented by HSBC Gold Tokens and (iii) the price of Gold represented by HSBC Gold Tokens is set by the pricing mechanism specified in the key features above.
- **No collateral** – The Product allows investors to acquire Fractional Ownership* of the Gold. The Product is NOT secured on any assets or any collateral of the Bank.
- **Market risk of the Gold** – The value of the Product reflects the value of the Gold and fluctuation in the price of the Gold may consequently affect the value of the Product. The price of the Gold can be unpredictable, sudden and drastic, and may be affected by complex political and macroeconomic factors, which include but are not limited to interest rates, inflation, economic growth, geopolitical tension and the sale of gold by investment vehicles tracking gold markets. While gold is used to preserve wealth by investors around the world, there is no assurance that gold will maintain its long-term value in terms of its long-term future purchasing power. Although there is no separate market for trading the Product, in the event that the price of gold declines, it is expected that the value of the Product will decline as well.
- **No market for the HSBC Gold Tokens** – There is no market for the trading of the HSBC Gold Tokens. Investors may only redeem their investment by giving a Sell Instruction to the Bank. The Bank may further arrange for the sale of the relevant Gold after receiving such request. While the Bank will act in good faith and in a commercially reasonable manner in operating the sale process, there is no guarantee that the sale would be successful at the relevant price. With respect to a Sell Instruction, if the Bank cannot find a buyer for the relevant Gold or if the sale of the relevant Gold by the Bank to the market is not successfully settled, the Bank will assume the role as a buyer in respect of such Gold.

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.

- **Volatility of price** – The Bank sell price and Bank buy price are determined by the Bank and take into account the price of Gold and Bank Margin. You should recognise that the Bank sell price and Bank buy price are volatile due to the price changes in Gold resulting from various factors (please refer to, for example, the risk factor "*Market risk of the Gold*" above) and the value of your investments may go up and down as a result. You will bear potential losses due to the fluctuation of the price of Gold. The price fluctuation may be out of your expectation and the losses may reduce your principal amount and earnings (if any) substantially.
- **Risks associated with the trading hours of the Product** – While Instructions can be made 24 hours a day, seven (7) days a week (24/7) via the Trading Channels, the Bank Margin varies depending on the time when the Instructions are received, namely, the Bank Margin is higher if you place the Instructions outside the Gold Trading Hours. Please refer to section 1.7 (*What is the pricing mechanism?*) above for details in relation to the Bank Margin. Furthermore, trading may be suspended automatically over the weekend in Hong Kong time where net trading position exceeds the position limit set by the Bank. Please refer to section 3.6(a) (*Automatic trading suspension*) below for further details.
- **Suspension or deferral of purchase and/or sale** – In addition to the risk of automatic trading suspension as mentioned above, in extreme market conditions or other exceptional conditions deemed as necessary by the Bank, the Bank may refuse to further process, defer processing, cancel (with respect to Purchase Instructions) or suspend the purchase and/or sale of the Gold represented by HSBC Gold Tokens. Such extreme conditions may include, without limitation, (i) technical issues within the Bank's systems that prevent accurate pricing or issuance of HSBC Gold Tokens; (ii) disruptions in key market operations or the international gold market that impairs the Bank's ability to determine pricing; (iii) in the context of a Purchase Instruction, where the Bank, after its use of all reasonable efforts, is unable to find any seller in relation to such Gold;⁶ and (iv) in the context of a Purchase Instruction, where there is delay in the settlement of Gold that will need to be held in the Vault Premises (investors should note that the Purchase Settlement Date will normally be two (2) Business Days after the trade date). The Bank will aim for such suspensions to be brief and to resume as quickly as practicable, but when purchases and/or sales resume, it is possible that the price of the Gold represented by HSBC Gold Tokens may deviate significantly from the last price published.
- **System unavailability** – The Bank takes all reasonable measures to monitor and oversee the availability of the systems operating the HSBC Gold Tokens; however, there remains a risk that pricing and trading may be delayed or interrupted due to unforeseen issues in systems.
- **Concentration risk** – You should avoid excessive investment in the Product and should be aware of the risk of price fluctuation of a single asset class being higher than that of a diversified portfolio.
- **Currency risk** – You should be aware of the risk of foreign exchange rate fluctuations. You may experience a loss when you convert the account value of the Gold represented by HSBC Gold Tokens, which are denominated in HKD to any other currencies. You should also be aware that the Gold is denominated in USD which is a currency different from the currency denomination of this Product. Any fluctuation between the exchange rate of HKD and USD will affect the value of the Gold represented by HSBC Gold Tokens.

⁶ Upon receiving your Purchase Instruction (or Sell Instruction), the Bank may arrange for the purchase of the relevant Gold from the market (or sale of the relevant Gold to the market).

- **Impact from insolvency of the Bank and/or its affiliates (including but not limited to the Vault Operator)** – There is no assurance of protection against delay or impact from a default by the Bank and/or its affiliates (including but not limited to the Vault Operator) in respect of their obligations in connection with the Product. If the Bank or the Vault Operator becomes insolvent or subject to a resolution, or defaults on its obligations for the Product, your investments in the Product and any purchase and/or sale of the Gold represented by HSBC Gold Tokens will be delayed or affected. Material adverse changes in the financial condition of the Bank or the Vault Operator may impair or affect the ability of (i) the Bank to meet its obligations in relation to the Product, including but not limited to the determination of the price of the Gold represented by HSBC Gold Tokens; and (ii) the Vault Operator to meet its obligations in relation to the Bank. While a Disposal Agent is appointed to liquidate the Gold and distribute the proceeds to the investors upon a Liquidation Event, investors may experience a prolonged period of time and delay before the liquidation process can be completed. Whether the Disposal Agent can be successful in liquidating the Gold will depend on whether it can carry out the procedures as further set out in the Offering Documents and the Terms and Conditions. In the worst-case scenario, investors may be required to reach a joint decision with other relevant investors to deal with the Gold without the assistance of the Bank and the Disposal Agent.
- **The Financial Institutions (Resolution) Ordinance may adversely affect the Product** – On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628 of the Laws of Hong Kong) (the "FIRO") came into operation. The FIRO, provides for, among other things, the establishment of a resolution regime for authorized institutions which include the Bank and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorized institution or within scope financial institution in Hong Kong. In particular, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Bank's obligations, and powers to amend or alter the contractual provisions, all of which may adversely affect the value of the Product and/or change your rights or how you exercise them; you may suffer a loss of some or all of your investment as a result. You may become subject to and bound by the FIRO. The implementation of FIRO remains untested and certain details relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, the Bank is not able to assess the full impact of FIRO on the financial system generally, the Bank's customers, the Bank itself, any of its consolidated subsidiaries, its operations and/or its financial position. You may suffer a significant loss of your investment.
- **Safekeeping and insurance risk** – The Gold held in the Vault Premises may be subject to the risk of loss, damage, theft, destruction, restriction on access or deterioration. The Bank is of the view that the current insurance coverage maintained by HSBC Group (see section 3.17 (*Insurance coverage*) below) in respect of the Vault Operator's services (being a regulated financial institution in the United Kingdom) in respect of safekeeping of Gold is sufficient and appropriate to cover, amongst others, such risks in relation to the Gold held by the Bank in the Vault Premises for the purposes of Product. However, there is no guarantee that every aspect of risks in relation to the Gold will be fully covered by such insurance policy. In the unlikely event that such compromised Gold is not sufficiently insured⁷, which is expected to

⁷ For instance, where the losses exceeded the maximum coverage under the insurance policy.

only occur rarely and under extreme conditions, the Bank will allocate the losses to all investors on a pro-rata basis or otherwise on a fair and reasonable basis. In particular:

- (i) The Bank has the right under the Terms and Conditions to debit from investors' Investment Account any Gold represented by HSBC Gold Tokens representing the pro-rata share (as determined by the Bank in good faith and a commercially reasonable manner) of the damage or loss over any Gold among all investors at the time of such damage or loss until (where applicable) the Vault Operator received proceeds from insurance claim under any insurance policy which is further described in section 3.17 (*Insurance coverage*) below.
- (ii) The relevant proceeds (pro-rated as applicable) from successful insurance claim will be credited back to the relevant investor's Investment Account (or separately refunded to the investor) by the Bank.

You should note that you will not be able to deal with any Gold represented by HSBC Gold Tokens being debited as described above and in the worst-case scenario where the relevant insurance claim is not successful, you will lose the entire amount of Gold being debited.

- **Settlement delay and credit risk of the Bank** – Following a purchase of Gold represented by HSBC Gold Tokens by you, the specific Gold (or relevant portion thereof) that will be the subject of transaction will only be assigned to such HSBC Gold Tokens as a record of Fractional Ownership* after a period of time (i.e., normally within two (2) Business Days after the trade date as described in the "Dealing Process" in section 1.11 (*What are the key features of the Product?*) above). Even though your account records will display the balances of the Gold represented by HSBC Gold Tokens immediately upon purchase, you will not have Fractional Ownership* of any Gold until the relevant HSBC Gold Tokens are assigned to a specific Gold bar (or relevant portion thereof). During such period, your investment in the Product will be subject to the credit risk of the Bank, and material adverse changes in the financial condition of the Bank may impair or affect the ability of the Bank to meet its obligations under the Product.
- **Risks related to the use of the Ledger to maintain records of Fractional Ownership in Gold** – Fractional Ownership* will be registered and recorded on the Ledger. Transaction of the Gold represented by HSBC Gold Tokens is dependent on the smooth operation of the Ledger. Should there be a suspension or disruption of the Ledger, it may affect the Bank's ability to continue to perform its transaction obligations using the Ledger and keep the records in relation to Fractional Ownership* in the Gold on the Ledger.
- **Risks related to the use of novel technologies such as DLT and smart contract technology** – DLT is a nascent and rapidly changing technology. The development of DLT is therefore subject to a high degree of uncertainty. The Ledger relies on the proper performance and integrity of the DLT and smart contract technology used therein. Testing may not have identified all the risks of the Ledger and there is a possibility of undiscovered technical flaws, meaning that the smart contracts may cause the integrated software of the Ledger to malfunction or function incorrectly. Any failures in the underlying technologies may also cause the Ledger to malfunction or function in an unexpected or unintended manner and may result in system outages, delays and losses to investors. The regulations in Hong Kong governing the use of DLT in the context of the Product are still evolving and subject to development and any new regulations may affect the Ledger adversely. The use of the Ledger to record the

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.

ownership of assets is not currently governed under any regulation regime in Hong Kong. New regulations or policies may develop rapidly in the future and there may also be potential challenges in the application of existing laws (for instance, with respect to the rights extrinsic to the Gold represented by HSBC Gold tokens and the legal validity of the Fractional Ownership* of the Gold represented by HSBC Gold Tokens under the applicable governing laws⁸), which may materially and adversely affect the Bank's ability to use the Ledger for the Product. Failure by the Bank to comply with any new laws and regulations or observe the application of existing laws could result in adverse consequences for your investment in the Product and may affect your rights and Fractional Ownership* under the Product.

- **Cybersecurity risks** – The DLT network may be the target of malicious attacks seeking to identify and exploit weaknesses in the software. The Ledger may be susceptible to malicious cyber-attacks or may contain exploitable flaws, which may result in security breaches. Such events could result in a partial or total loss of your investment, inaccurate execution and recording of transactions involving the Gold represented by HSBC Gold Tokens or a decline in user activity which could have a negative impact on the Product. In addition, the Bank and other service providers may be partially, temporarily or even permanently prevented from accessing and/or using the Ledger which may materially and adversely affect their ability to maintain the Fractional Ownership* records in the Gold on the Ledger, execute transactions in the form of HSBC Gold Tokens and fulfil their respective obligations for the Product.
- **Third-party operational risks** – The Ledger relies on materials, software, equipment, systems or other intellectual property held by or licensed by third-party service providers, including smart contract technology provider(s) and private and permissioned enterprise DLT. It also depends on third parties to provide internet, telecommunication and fibre-optic network connectivity to data centres. Systems of third-party providers may operate slowly or cause unanticipated disruptions in servicing the Ledger, slower response times and delays in execution and processing, failed settlement of trades, incomplete or inaccurate accounting, recording or processing of trade settlement, financial losses, security breaches, loss of investors, litigation or other claims and regulatory sanctions.
- **Product termination or withdrawal** – The Bank may terminate the Product or withdraw the authorization for the Product from the SFC. In such scenarios, if you do not sell your Gold represented by HSBC Gold Tokens back to the Bank before the Stop Dealing Date (as defined in section 3.16(b) (*Circumstances under which the Product may be terminated*) below), the amount payable by the Bank to you on such termination will be the prevailing Bank buy price of your Gold represented by HSBC Gold Tokens as quoted by the Bank on the Stop Dealing Date, which may be substantially less than your investments in the Product. In addition to following any procedures set out in the offering documents and/or in accordance with the governing law, the Bank shall give at least three (3) months' prior notice to the customers and such notice will be submitted to the SFC for prior approval. The reasons and the consequences of the termination or withdrawal from authorization and its effects on customers, the alternatives (if any) available to customers and the estimated costs of the termination or withdrawal from authorization and the expected parties to bear the costs etc. will be set out in the notice.
- **Conflicts of interest** – Potential and actual conflicts of interest may arise from the different roles played by the Bank and the Bank's subsidiary and affiliates in connection with the

⁸ While the Product is governed by the laws of England and Wales, the Hong Kong courts have non-exclusive jurisdiction to settle any dispute arising out of or in connection with the Product.



Product. For example, in carrying out your Sell Instruction in relation to the Gold represented by HSBC Gold Tokens (where applicable), the Bank may arrange to sell the relevant Gold to itself or any of its affiliates. Although the Bank's economic interests in each role may be adverse to your interests in the Product, the Bank sets the necessary regulatory information barriers among its different business areas and formulates policies and procedures for minimising and managing such conflicts of interest, so as to comply with applicable laws.

- **Failure or delay in performance of obligations** – There may be failure or delay in the performance of the Bank's or other parties' obligations due to causes beyond its control which shall include but are not limited to fires, storms, acts of God, riots, strikes, lockouts, wars, governmental control, restriction or prohibition whether local or international, technical failure of any equipment, power failures, blackouts or any other cause which results or is likely to result in the erratic behaviour of commodity prices, the closure of international gold markets and gold exchanges or any other causes affecting the operation of the Product. The Bank accepts no responsibility or liability for any occurrence of the aforesaid failures or delays. The Bank will use reasonable endeavours to meet its obligations under the Product as soon as reasonably practicable upon cessation of the aforesaid event(s).



3. SECTION 3 – GENERAL INFORMATION IN RELATION TO THE PRODUCT

3.1 What are the offering documents?

The following documents for the Product (the "**Offering Documents**") contain detailed information about the Bank and the terms of the Product. You should read and understand all of the Offering Documents before deciding whether to invest in the Product:

- The Product Key Facts Statement
- This Principal Brochure

The Bank has the obligation to distribute to you ALL of the above documents in English or Chinese as you may prefer. Copies of the Offering Documents are available and can be downloaded via the Trading Channels.

3.2 Who are the Issuer and the Vault Operator?

(a) The Bank and the Issuer

On 14 August 1866, "The Hongkong and Shanghai Banking Corporation" was incorporated with limited liability in the Hong Kong Special Administrative Region by The Hongkong and Shanghai Bank Ordinance 1866, as subsequently amended by The Hongkong and Shanghai Banking Corporation Limited Ordinance (Cap. 70 of the Laws of Hong Kong) (the "**HSBC Ordinance**"). On 6 October 1989, it was registered under the name of "The Hongkong and Shanghai Banking Corporation Limited" pursuant to Part IX of the then Companies Ordinance (Cap. 32 of the Laws of Hong Kong), which is now Part 17 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) with company number 263876. On 6 June 1997, Memorandum and Articles of Association (the "**M&A**") were adopted, replacing the HSBC Ordinance in part and superseding The Hongkong and Shanghai Bank Regulations (Cap. 70A of the Laws of Hong Kong) which formerly were the constitutive documents of the Bank. Subsequently, a new set of Articles of Association was adopted in substitution for and to the exclusion of the M&A on 19 May 2014. Its registered and head office is situated at 1 Queen's Road Central, Hong Kong.

Established in Hong Kong and Shanghai in 1865, The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group – one of the world's largest banking and financial services organisations. It is the largest bank incorporated in Hong Kong and one of Hong Kong's three note-issuing banks. It is a wholly-owned subsidiary of HSBC Holdings plc, the holding company of the HSBC Group, which has an international network covering: Europe, Asia, the Middle East and North Africa, North America and Latin America.

The Bank acts as the Issuer of the Product pursuant to the Terms and Conditions. The Bank is also (together with its affiliates) the Platform Operator of the Ledger.

As the Issuer, the Bank facilitates the allocation of specific bars of the Gold to be subject to the tokenisation process through the allocated gold accounts the Bank maintains with the Vault Operator for the Product. The Bank is responsible for monitoring the physical Gold allocated to the tokenisation process based on regular reports from the Vault Operator.

On 1 February 2024, the Bank and the Disposal Agent entered into a Disposal Agent Appointment Agreement (the "**Disposal Agent Appointment Agreement**"), pursuant to which, the Disposal Agent is appointed to liquidate the Gold upon the occurrence of a Liquidation Event. Please refer to section 3.15 (*Occurrence of Liquidation Event*) for further details.



(b) The Vault Operator

HSBC Bank plc, the Vault Operator, was incorporated with limited liability in England (registration number 14259) on 1 July 1880 and is a wholly-owned subsidiary of HSBC Holdings plc (HSBC Group), a public limited company incorporated in England. HSBC Bank plc is authorized by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority in the United Kingdom.

On 20 May 2014, the Bank and the Vault Operator entered into an allocated precious metal account agreement, which was amended on 1 February 2024 and may be further amended and/or restated from time to time (the "**Allocated Account Agreement**"). Pursuant to the Allocated Account Agreement, the Vault Operator acts as the operator of the Vault Premises to safeguard the Gold in the Vault Premises.

The Vault Operator is responsible to the Bank for the physical storage of the Gold deposited with it in connection with the Product, subject to the Allocated Account Agreement between the Bank and the Vault Operator. The Vault Operator provides the Bank with daily reports detailing the holdings of Gold in the Bank's allocated accounts with the Vault Operator. The Vault Operator holds all of the Gold which is the subject of the Product in the Vault Premises. The Vault Operator will segregate the Gold which is the subject of the Product from the property of (i) the Issuer and its respective connected persons, (ii) the Vault Operator, and (iii) other clients of the Vault Operator. For the avoidance of doubt, investors do not have any direct recourse to the Vault Operator and the Vault Operator does not assume any fiduciary duty vis-à-vis the investors in performing its role as a "Vault Operator", but the limitation of direct recourse to the Vault Operator does not affect the investors' Fractional Ownership* in the physical Gold or investors' recourse against the Bank.

In the event of the insolvency of the Vault Operator, the Bank shall take such reasonable measures to initiate actions to remove the Gold in relation to the Product from the storage of the Vault Operator, and transfer such Gold to another operator appointed by the Bank in its discretion (acting in good faith and a commercially reasonable manner), or take such other actions as the Bank determines appropriate to safeguard the interests of the investors, subject to regulatory approval and prior notice to the investors, where applicable. For the risks associated with the event of the insolvency of the Vault Operator (which is an affiliate of the Bank), please refer to the risk factor of "*Impact from insolvency of the Bank and/or its affiliates (including but not limited to the Vault Operator)*" in section 2.

3.3 What is the DLT and tokenisation method used for the Product?

(a) Overview of DLT used by the Platform Operator

Distributed ledger technology (DLT) is a distributed ledger system that seeks to construct secure and capable databases and allows data to be stored securely, transparently and permanently. It should be noted that the DLT implemented by the Platform Operator is the so-called private DLT. A private DLT, also known as a permissioned DLT, is a type of DLT where access and participation are restricted to a specific group of known and trusted entities. Unlike public DLT, which is open to anyone and allows anonymous participation, private DLT is designed for use within closed ecosystems, typically by businesses, organisations or consortia.

Key characteristics of a private DLT include:

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.

- *Combination of technologies* – Private DLT is itself a combination of technologies. It can incorporate a range of additional capabilities such as distributed consensus algorithms, cryptography and smart contracts which enable ledgers to update themselves automatically using predefined logic in response to dates and times, transactions or other information. These can be combined in a variety of ways to create specific capabilities.
- *Complementary elements of DLT*– Every distributed ledger requires complementary elements of infrastructure (the processing power and storage), protocols (the rules that achieve consensus and security), services (the functions or applications) and interfaces (the mechanisms, such as Application Programming Interface (API), that allow interaction with other technologies).
- *Access Control* – Private DLT requires permission to join and participate. Network administrators control who can become a node (participant) in the DLT network and permissioned ledgers are restricted to a defined user group. This lessens the need for encryption, increases processing capacity and provides centralised oversight and accountability.
- *Centralised Governance*– Private DLT is often governed by a central authority or a consortium of entities that collaborate to manage and maintain the network. This centralised governance model allows for more efficient decision-making and consensus mechanisms.
- *Improved Scalability and Efficiency*– Since private DLT has a limited number of participants, it can achieve higher transaction throughput and lower latency compared with public DLT. This is because the consensus mechanisms can be less computationally intensive, making the network faster and more scalable.
- *Enhanced Privacy*– In a private DLT, data visibility and transaction details can be restricted to authorised participants. This is particularly important in enterprise settings where sensitive business information may need to be protected from public view for reasons such as client confidentiality.
- *Limited Decentralisation* – Private DLT is less decentralised than public DLT since it involves a selected group of known participants. As a result, it may not be as robust in the face of malicious attacks compared with large and well-established public networks.

Some of the benefits applicable to a private DLT include:

- *Consensus* – Private DLT represents a varied, adaptive group of consensus-based technologies with unique features and benefits. It can achieve simultaneous consensus across a database that is distributed to multiple users.
- *Efficiency* – Private DLT reduces the number, duration and complexity of reconciliations, manual interventions and other data processing steps.
- *Trust*– Private DLT commands trust independent of the reputations of its individual users.
- *Capabilities for tokenisation*– Private DLT creates the capacity to "tokenise" financial products or physical assets, such as bonds or gold bars, deepening liquidity and broadening access to financial investments in a secure setting.



The Ledger is a DLT-based digital assets platform. HSBC Gold Tokens will be created and stored on the Ledger – a permissioned and private distributed ledger platform. The infrastructure of the Ledger sits within the Platform Operator's technology estate and will be responsible for the following:

- issuance of new HSBC Gold Tokens representing investor's holdings of the underlying Gold;
- ensuring HSBC Gold Tokens are provably backed with physical Gold by identifying and recording the serial number of the relevant Gold bar (or a portion thereof) to which such HSBC Gold Tokens directly correspond; and
- maintaining immutable and auditable records of all HSBC Gold Tokens and their Fractional Ownership*.

(b) Asset-backed tokenisation

An asset-backed token is a type of digital token or cryptocurrency that represents ownership or a stake in a physical or tangible asset. These assets can include real estate properties, precious metals, commodities, art pieces, intellectual property rights, or financial instruments such as bonds or loans. The purpose of creating asset-backed tokens is to provide a means of digital representation and transferability of these assets on DLT networks. Asset-backed tokens are recorded and managed on a distributed ledger. This seeks to ensure, amongst other things, transparency and security of the ownership records.

3.4 What is the purchase and sale mechanism?

(a) Purchase of Gold represented by HSBC Gold Tokens and record of Fractional Ownership

If not already activated, you will need to activate the Investment Account. You will also need sufficient available funds in the HKD current or savings account of your integrated account maintained with the Bank. The purchase of the Gold represented by HSBC Gold Tokens will be credited to such Investment Account.

The unit of account for the Product is the HSBC Gold Token; each HSBC Gold Token represents the Fractional Ownership* record of 0.001 troy ounce of Gold held by the Bank in the Vault Premises. The price of Gold represented by HSBC Gold Tokens is referred to as a Bank sell price if you would like to buy the Product from the Bank.

All Purchase Instructions for the Gold represented by HSBC Gold Tokens will be processed through the Trading Channels operated by the Bank. For details of the purchase process, please refer to the "Dealing Process" in section 1.11 (*What are the key features of the Product?*). Please note that even though your Investment Account will show that you have acquired the relevant Gold represented by HSBC Gold Tokens immediately after your Purchase Instruction, Fractional Ownership* of the relevant Gold (or a portion thereof) will only pass to you upon the completion of recording of the settlement process on the Ledger. For the risks associated with the delay in settlement, please refer to the risk factor of "*Settlement delay and credit risk of the Bank*" in section 2.

The records on the Ledger will be the legally definitive and final records of the Fractional Ownership* in the Gold held by you, except in the case of extreme scenarios where the Ledger fails due to unforeseen circumstances or manifest error. As a hypothetical example, such extreme scenarios may include a situation where an individual places a Purchase Instruction, but due to certain reasons

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.



(algorithmic or otherwise), a different quantity, either less or more than the ordered amount, is credited to the relevant Investment Account. In the event of such extreme scenarios, the Bank has in place appropriate data recovery process and backup procedures and will seek to recover and/or rectify the records as appropriate (to the time before the error) from its off-chain databases (namely the disaster recovery infrastructure site and/or traditional customer-level databases) as further set out in section 3.11 (*What are the data recovery process and backup procedures in case of service outage?*) below. For the avoidance of doubt, the general position is that the Ledger will be the legally definitive record of Fractional Ownership*, and reflect settlement finality, of the Gold; the off-chain record of data is for backup and disaster recovery purposes only and will be the legally definitive record only in the extreme scenarios.

For the avoidance of doubt, individual certificates will not be issued for the Product, and there is no registrar or transfer agent for the HSBC Gold Tokens.

(b) Sale of Gold represented by HSBC Gold Tokens

Currently, there is no market for the HSBC Gold Tokens. You can only sell the Gold represented by HSBC Gold Tokens to the Bank for cash by giving a Sell Instruction to the Bank. All Sell Instructions for the Gold represented by HSBC Gold Tokens will be processed through the Trading Channels operated by the Bank. The price of Gold represented by HSBC Gold Token is referred to as a Bank buy price if you would like to sell the Product to the Bank. The sale of the Gold represented by HSBC Gold Tokens will be debited from the Investment Account. Physical delivery of the Gold will not be available. For details of the sell process, please refer to the "Dealing Process" in section 1.11 (*What are the key features of the Product?*) above.

3.5 What are the trading hours?

Instructions can be made 24 hours a day, seven (7) days a week (24/7) via the Trading Channels. However, settlement of the Gold is only available during Business Day in London and Hong Kong. Trading may also be suspended automatically over the weekend in Hong Kong time where net trading position exceeds the position limit set by the Bank, and subject to other extreme conditions of suspension or deferral as described in section 3.6 (*Suspension of dealing*) below.

3.6 Suspension of dealing

(a) Automatic trading suspension

The Bank has put in place risk control measures and a position limit to avoid excessive trading of the Gold represented by HSBC Gold Tokens over non-trading hours. Trading (including both purchases and sales) of the Gold represented by HSBC Gold Tokens may be suspended automatically in any period between Saturdays 00:00 and Sundays 24:00, Hong Kong time, if the net trading position of the Gold represented by HSBC Gold Tokens during such period exceeds the set position limit (i.e., a net position of an amount of troy ounces of the Gold as determined by the Bank with reference to its internal risk management limits, and taking into account various factors including for example market liquidity and price volatility). In other words, should the total amount of Gold represented by HSBC Gold Tokens being bought or sold reach the set position limit, the system will automatically halt further trading transactions. During any such suspension, you will not be able to place any Instruction, and you will be notified through the Trading Channels of such suspension if you attempt to place any Instruction. Trading will be resumed as soon as possible after such suspension.



(b) Other conditions

In addition to automatic trading suspension, in extreme market conditions or other exceptional conditions deemed as necessary by the Bank, the Bank may refuse to further process, defer processing, cancel (with respect to Purchase Instructions) or suspend the purchase and/or sale of the Gold represented by HSBC Gold Tokens. Such extreme conditions may include, without limitation, (i) technical issues within the Bank's systems that prevent accurate pricing or issuance of HSBC Gold Tokens; (ii) disruptions in key market operations or the international gold market that impairs the Bank's ability to determine pricing; (iii) in the context of a Purchase Instruction, where the Bank, after its use of all reasonable efforts, is unable to find any seller in relation to such Gold;⁹ and (iv) where there is delay in the settlement of Gold that will need to be held in the Vault Premises (investors should note that the Purchase Settlement Date will normally be two (2) Business Days after the trade date). The Bank will act in good faith and in a commercially reasonable manner when making such determination. Such a situation is expected to occur only as a result of an extreme event.

The Bank will notify investors as soon as reasonably practicable by way of various means of communication it considers appropriate, including but not limited to, a notice posted on the Bank's public website (www.hsbc.com.hk)¹⁰ and/or through the Trading Channels. The Bank will aim for any deferral or suspension to be brief and to resume dealing as quickly as practicable, but this will be dependent on market conditions. When purchases and/or sales resume, it is possible that the price of the Gold represented by HSBC Gold Tokens may deviate significantly from the last price published.

3.7 What are the cybersecurity measures adopted for the Product?

The technology professionals of the Platform Operator are professionally trained and qualified and the Platform Operator possesses the requisite capacity and technical expertise in DLT.

The Ledger operates as a highly secure private permissioned platform, on which data in respect of the Gold represented by HSBC Gold Tokens are stored in an encrypted form, effectively preventing unauthorised parties from accessing it. Each transaction of the Gold represented by HSBC Gold Tokens will also be verified and authenticated on the Ledger before confirmation of the execution of Instructions. The Ledger has undergone proper cybersecurity, identity and access management, service monitoring and alerting and operational data reviews, and the Platform Operator will perform random internal cybersecurity assessment for the Ledger. The Platform Operator will also arrange for an external third-party audit to be conducted on a periodic (i.e., at least annual) basis (see section 3.9 (*What is the external audit performed for the Ledger and tokenisation arrangement?*) below). Any request to change or acquire access to the production system and data in respect of the HSBC Gold Tokens has to undergo the Bank's written policies and approval processes in order to ensure the integrity and security of the Ledger. The Ledger also incorporates data integrity and quality checks as controls, including mechanisms for performing reconciliation at multiple stages throughout the end-to-end system flow.

In addition, all system interactions are subject to stringent access controls, ensuring that only authorised users are granted access. Individual user access is actively managed through the implementation of the Platform Operator's Identity and Access Management (IAM) protocols, and all cryptographic keys and secrets are generated and securely maintained within the Platform Operator's approved key management systems. In the event of any operational failure, the Platform Operator

⁹ Upon receiving your Purchase Instruction (or Sell Instruction), the Bank may arrange for the purchase of the relevant Gold from the market (or sale of the relevant Gold to the market).

¹⁰ The website has not been reviewed or authorized by the SFC.



has in place written incident and problem management policies setting out the manner in which a suspected or actual cybersecurity incident should be escalated internally and externally.

3.8 What is the internal audit performed for the Ledger and tokenisation arrangement?

With respect to the tokenisation arrangement of the Product, the Bank has (i) put in place comprehensive internal controls and procedures; and (ii) engaged an independent third-party auditor to conduct an external audit (as further described below). For the avoidance of doubt, the tokenisation arrangement and the associated record-keeping of the Fractional Ownership* and integrity of smart contracts are fundamentally reliant on the soundness of the DLT utilised in the system as, in the context of tokenisation, DLT enables the creation of HSBC Gold Tokens that represent Fractional Ownership* of Gold. The Bank's review process is therefore centred on a detailed review of the DLT system and the source code underpinning such system.

Prior to the Product launch – The integrity and functionality of any DLT-based system are intrinsically linked to the quality and security of its source code, i.e., a set of instructions written in a programming language that defines how the software operates. In the case of a tokenisation platform (such as the Ledger), the source code will determine how tokens are issued, transferred and redeemed, as well as how Fractional Ownership* records are created and maintained. To ensure the technology used for the Ledger and tokenisation arrangement is reliable and secure, the Bank has in place a detailed checking process for all the Ledger code block (including smart contracts and infrastructure component configuration). During the development phase and prior to the implementation of the Product, a code review process was performed by the Bank's DLT experts. The code review process, supplemented by peer review and testing before launch, ensures that sufficient code quality is achieved and is essential to the verification of the operational integrity of the tokenisation system and the Ledger before the Product is launched.

After the Product launch – The Bank has established and maintained an internal audit function to objectively assess the adequacy, effectiveness and efficiency of its management, operations and internal controls. The audit function will, amongst others, (i) follow clearly defined terms of reference which set out the scope, objectives, approach and reporting requirements; (ii) adequately plan, control and record all audit and review work performed; and (iii) report to the senior management of the Bank the findings, conclusions and recommendations noted in the audit and ensure that all matters and risks highlighted in the report are followed up and resolved satisfactorily in a timely manner. In particular, designated staff members from the IT governance and service departments will conduct both regular (i.e., at least annual) and ad hoc checking to monitor the functionality of the Ledger, record keeping of Fractional Ownership* and integrity of smart contracts. The Bank also (i) deploys specialised and automated software (such as Checkmarx/Cyberflows (SAST) and Sonatype IQ) to identify and mitigate potential vulnerabilities and security flaws within the codebase; and (ii) arranges regular virtual machines recycle exercise for the Ledger to ensure that the most up-to-date version of the operating system is used and that all security updates are completed – which is analogous to the periodic enforcement of smartphone restarts for the purposes of integration of an operating system's updates and security patches. In addition, a service continuity review and annual disaster recovery business continuity exercise are performed against the Ledger. Please refer to section 3.11 (*What are the data recovery process and backup procedures in case of service outage?*) for details of the disaster recovery plan.

All team members involved in the code review process and ongoing internal monitoring are well-trained, competent and have relevant experience and expertise to operate and/or supervise the

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.



tokenisation arrangement and to manage the new risks relating to Fractional Ownership* and technology appropriately. The tokenisation arrangement is also operationally compatible with the service providers involved.

3.9 What is the external audit performed for the Ledger and tokenisation arrangement?

Prior to the Product launch – A third-party audit was performed by a qualified independent professional firm (the "Third-party Auditor") on the underlying DLT used by the Product (which correlates to the management and operational soundness of the tokenisation arrangement, record-keeping of Fractional Ownership* and integrity of smart contracts). The Third-party Auditor issued an independent assessment report in November 2023, which primarily covered a source code review with the following scope: (i) performing an adequate risk-based application system source code review before launching any internet banking system or system changes; (ii) identifying any non-compliance with the relevant application security standards, and any source code that may potentially pose or create security threats/loopholes or whether any malicious code should be in the application system; and (iii) the review should be conducted by an appropriate party with relevant expertise and such party should also be independent of the staff who developed the application system. Based on their review, the Third-party Auditor endorsed the security of the source code used in the DLT system for the Product in their independent assessment report of November 2023 and confirmed that no issue was identified in their review.

After the Product launch – The Bank will arrange for a third-party audit by a qualified independent professional firm over the management and operational soundness of the tokenisation arrangement and record keeping of Fractional Ownership* and integrity of smart contracts to be performed on an ongoing and periodic (i.e., at least annual) basis going forward. The Bank will exercise due skill, care and diligence in selecting and appointing an independent assessor to conduct such third-party audit, which should focus on reviewing that the DLT system of the Ledger and the tokenisation arrangement is, to a high level of confidence, not subject to any contract vulnerabilities or security flaws.

Notwithstanding the deployment of an external audit, the Bank would remain and be ultimately responsible for the management and operational soundness of the tokenisation arrangement adopted and record keeping of Fractional Ownership* in respect of the Product.

3.10 What are the data privacy protection measures in connection with the Product or Ledger?

The Platform Operator has established a set of internal organisational policies in respect of the data privacy protection measures for its investment products. Please also refer to section 3.7 (*What are the cybersecurity measures adopted for the Product?*) above in respect of the cybersecurity measures implemented by the Platform Operator.

3.11 What are the data recovery process and backup procedures in case of service outage?

The Platform Operator has maintained and will maintain proper records of investors' Fractional Ownership* in the Product. The technology team of the Platform Operator consistently conducts daily backups of the Ledger to a disaster recovery infrastructure site for business continuity (in the form of a cloud platform approved by the Platform Operator), ensuring the Platform Operator's ability to restore the Ledger to a previously validated state and that trading can be conducted in a fair and orderly manner after resumption in the event of a system failure. Such backup facility will be reviewed, updated and tested for viability and adequacy on a regular basis. In addition, the Bank also maintains

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.



trade level and position level details at a customer level in traditional relational databases. Trades and settled positions will be updated in such off-chain databases on a daily basis.

The Platform Operator also possesses the capability to reverse problematic transactions by negating such transactions with additional equal and opposite transactions as the Platform Operator deems necessary. This process would involve surrendering of the original HSBC Gold Tokens and issuance of new HSBC Gold Tokens. These measures and processes are implemented with strict adherence to the Platform Operator's internal controls procedures. As a result, any action relating to the restoration of the Ledger or reversing transactions will require appropriate approvals from the responsible persons of the Platform Operator and proper incident record management.

3.12 What are the contingency arrangements in place in light of the associated risks?

The Ledger records information on, amongst others, the investors' Fractional Ownership* of Gold represented by HSBC Gold Tokens, the allocated Gold bars and the number of HSBC Gold Tokens held by the relevant investors. The underlying infrastructure supporting the Ledger is built on the Platform Operator's approved cloud platform, which offers reliable storage, backup and recovery services. In addition, from a service continuity perspective, the Platform Operator has in place a written business contingency plan to cope with emergencies and disruptions related to the Ledger. Following such established procedures, the Platform Operator also regularly conducts rehearsals for backup restoration to its Disaster Recovery site, which involve simulating the movement of the platform to the Disaster Recovery site and subsequently switching it back to the regular site. Please also refer to section 3.11 (*What are the data recovery process and backup procedures in case of service outage?*) above.

3.13 Substitution of Gold assigned to HSBC Gold Tokens

In order to efficiently manage the storage of Gold and reduce the exposure of the investors in Gold bars (through consolidating the investors' Fractional Ownership* of Gold in a smaller number of Gold bars), the Bank and any of its affiliates may, in its discretion (acting in good faith and a commercially reasonable manner) and at any time substitute any Gold represented by the relevant HSBC Gold Token(s) held by the investor for any other equivalent Gold (such process, "**Substitution**") without prior notice to such investor; provided that the equivalent Gold will be represented by the HSBC Gold Tokens after completion of the Substitution and at all times the total amount of Gold owned by that investor shall remain unchanged as a result of a Substitution. A Substitution may be for the purpose of consolidating the Fractional Ownership* of Gold by the investor across various bars of Gold into one or more bars of Gold, or other reasons.

The process for Substitution may take place daily. As a result, Gold owned by an investor may be changed from a specific Gold bar to another Gold bar daily. For the avoidance of any doubt, at all times the total amount of Gold owned by such investor and the investors' investment in terms of value and the overall interest in the Product shall remain unchanged as a result of any Substitution, and all the identification details of any Gold bar such investor owns or co-owns will be recorded in the Ledger.

3.14 Storage management of the Gold

(a) Operating procedures

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.



The storage and safekeeping of the Gold in the Vault Premises follows the standard operating procedures that apply to Loco London gold. Most global gold trading is cleared through the London clearing system, managed by the London Precious Metals Clearing Limited (the "LPMCL").

As a member of the LPMCL, the Vault Operator plays a crucial role in supporting the settlement of precious metals (including gold, silver, platinum and palladium) in the Loco London market. In its capacity as a member of the LPMCL, the Vault Operator provides clearing and vaulting services to clients for settlement and storage of their precious metals in London. The rules established by the LPMCL enhance the financial security of clearing activities by enabling "netting" of clearing activities to be set off with all other obligations between any two LPMCL members. This netting mechanism applies to gold, silver, platinum, and palladium, four of the most widely traded precious metals.

(b) Internal assessment of inventory

The Gold backing the HSBC Gold Tokens will be held in a segregated allocated gold account, ensuring clear segregation of Fractional Ownership* from other assets of the Bank. Please also refer to section 1.10 (*What are the key benefits of the Product?*) on the meaning of "allocated gold".

The Vault Operator will perform allocations of the Gold among all its clients at the end of each day (London time) and will also be responsible for ensuring that all the Gold bars represented by the HSBC Gold Tokens meet the specifications for weight, dimensions, fineness (or purity), identifying marks (including the assay stamp of an LBMA acceptable refiner) and appearance set forth in the LBMA good delivery rules (as described in section 1.1(a) (*Gold bar specifications*) above). The Vault Operator maintains the inventory information in its Core Inventory Management System ("**Core IMS**"). At the end of each Business Day (London time), details of all the allocated Gold bars for all Investment Accounts will be sent to the Ledger from Core IMS via API.

A daily end-of-day process will be executed by the Vault Operator to assess the net demand snapshot (which represents the requirement originating from trades) and net supply snapshot of the physical Gold bars for each settlement day:

- If the total weight of allocated Gold held in the Vault Premises is sufficient to cover all active HSBC Gold Tokens, HSBC Gold Tokens will be assigned algorithmically by the Bank to specific Gold bars in the Vault Premises to represent the Fractional Ownership* of such Gold by the investors in the Ledger.
- In the event of an insufficient amount of Gold in the Vault Premises for the allocation or assignment process, the tokenisation process may be suspended and an error message will be registered on the Ledger for the operations team of the Bank to follow up. Please refer to section 3.6 (*Suspension of dealing*) for details on the suspension or deferral of dealing.

(c) Regular attestation of Gold

With respect to the regular attestation of the inventory of Gold, an independent third-party inspector who possesses sufficient expertise (the "**Inspector**") is appointed to conduct counts of the gold bullion stock (alongside the full physical inventory audit of all other precious metals) held in the Vault Premises on an ongoing basis to ensure that, amongst others, (i) the HSBC Gold Tokens are fully backed by the Gold held in the Vault Premises; and (ii) all the Gold represented by HSBC Gold Tokens held in the Vault Premises meets the specifications set forth in the LBMA good delivery rules (as described in section 1.1(a) (*Gold bar specifications*) above). A complete bar count is conducted by the

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.



Inspector at least once per year and the Inspector will visit the Vault Premises on-site for the purposes of examining and performing counts of the Gold held in the Vault Premises. As part of the audit process, the Issuer will receive an attestation from the Inspector in relation to the Issuer's account at the Vault Operator to confirm (i) and (ii) above, and specifically whether the Gold bars with respect to the Product are physically held in the Vault Premises with reconciliation of Gold inventory records of the Vault Operator and the records of the Ledger from the Issuer.

In addition, the Issuer will perform quarterly bar counts utilising a random sampling methodology, whereby a designated staff member who does not work in the Vault Premises will be assigned to perform such random sampling check. The Issuer's external auditor for statutory company audits, also performs sample checking of inventory as part of their audit process on an annual and ongoing basis. The external auditor will generally visit the Vault Premises and conduct an on-site sample inspection (based on year-end holdings); any findings will be reflected in the financial report issued by the external auditor.

3.15 Occurrence of Liquidation Event

The Disposal Agent is appointed to liquidate the Gold upon the occurrence of a Liquidation Event. The intention is that the investor's Fractional Ownership* of the Gold shall be protected from the bankruptcy of the Bank. You will be notified by the Bank or the Disposal Agent when a Liquidation Event happens.

Upon the occurrence of a Liquidation Event, the Disposal Agent is obligated under the Disposal Agent Appointment Agreement to serve a liquidation commencement notice to the Bank to initiate a liquidation process to sell all the Gold under the Product. The liquidation process and the procedural steps the Disposal Agent is required to take are set out in the Disposal Agent Appointment Agreement. In particular, the Disposal Agent Appointment Agreement provides a liquidation methodology designed to achieve an execution price close to the price observed in the market by taking into account various factors including execution probability, transaction costs and market footprint. The Disposal Agent is bound to act in good faith and a commercially reasonable manner to maximise the proceeds from the sale of the relevant Gold as soon as reasonably practicable upon the occurrence of a Liquidation Event. The Disposal Agent will seek to complete the liquidation process as soon as reasonably practicable, acting in good faith and a commercially reasonable manner. You will be able to receive the proceeds of the sale of your Gold after the completion of the liquidation process.

3.16 Resignation and termination of Vault Operator and Disposal Agent

(a) Circumstances under which the Vault Operator and Disposal Agent may resign

The Allocated Account Agreement between the Vault Operator and the Bank provides that the Vault Operator may terminate the agreement with the Bank by giving not less than two (2) months' written notice to the Bank, or immediately by written notice in the event of the presentation of a winding up order, bankruptcy or analogous event in relation to the Bank. The Bank will ensure that there will at all times be a Vault Operator for the storage of the Gold, and any variation or termination of the Vault Operator will be subject to the prior approval of the SFC and notified to the investors promptly. The resignation of the Vault Operator will be effective only upon the appointment of the replacement Vault Operator.

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.



Prior notice to investors is not required for the resignation of the Disposal Agent. The Disposal Agent Appointment Agreement provides that the Disposal Agent may resign subject to a process to appoint a replacement Disposal Agent. The resignation of the Disposal Agent will be effective only upon the appointment of the replacement Disposal Agent.

(b) Circumstances under which the Product may be terminated

The Product may be terminated by the Bank as the Issuer if: (i) the Bank goes into liquidation or a receiver is appointed and not discharged within thirty (30) days; (ii) the Bank is incapable of performing its duties satisfactorily; (iii) in the reasonable opinion of the Bank, prolonged force majeure has occurred; or (iv) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the Product or renders it illegal, or (in the good-faith opinion of the Bank) impracticable or inadvisable to continue the offering of the Product.

The Bank may terminate the agreements with the Vault Operator by giving no less than ten (10) days' prior written notice to the Vault Operator, or immediately on the event of the presentation of a winding up order, bankruptcy or analogous event in relation to the Vault Operator. Any such notice given by the Bank should specify: (a) the date on which the termination will take effect; (b) the person to whom the Gold is to be made available or delivered; and (c) all other necessary arrangements for the redelivery of the Gold to the Bank or to the Bank's order.

If the Product is to be terminated or withdrawn from authorization, in addition to following any procedures set out in the constitutive documents of the Product and/or in accordance with the governing law, the Bank will give at least three (3) months' prior written notice to the investors (or such other period of notice in compliance with, and as permitted under, applicable laws and regulations). The notice will contain the reasons for the termination, the relevant provisions under the constitutive documents that enable such termination, the consequences of terminating the Product to investors and the alternatives available to them, the estimated costs of the termination and who is expected to bear such costs, and any other information required by the SFC. The notice will also state that Instructions will not be accepted on or after a date on which any purchase and sale of the Product shall be suspended (the "**Stop Dealing Date**") and all investors will be deemed to have sold all of their Gold to the Bank at the prevailing Bank buy price as quoted by the Bank on the Stop Dealing Date. The investors will be informed that they can sell the Gold represented by HSBC Gold Tokens back to the Bank before a Stop Dealing Date, after which all investors will be deemed to have sold the Gold represented by the HSBC Gold Tokens to the Bank at the price determined under the Terms and Conditions of the Product.

3.17 Insurance coverage

Insurance policy is maintained by HSBC Group, which covers the assets, including amongst others the Gold, held by the Bank in the Vault Premises and provides protection against losses arising from, for example, criminal activities, civil liabilities and cyber incidents. The insurance coverage is reviewed on an annual basis and the Bank considers that the current coverage is sufficient and appropriate. Please also refer to the risk factor of "*Safekeeping and insurance risk*" in section 2 above.

3.18 How can I obtain more information?

For more information about the Product or the Bank:



- the Bank's website at www.hsbc.com.hk¹¹
- Call
(852) 2233 3033 for HSBC Global Private Banking customers
(852) 2233 3033 for HSBC Premier Elite customers
(852) 2233 3322 for HSBC Premier customers
(852) 2233 3000 for Other Personal Banking customers
- Visit any HSBC branch

3.19 Adjustment to the terms and conditions of the Product

The Terms and Conditions may, at the Bank's sole discretion acting in good faith and a commercially reasonable manner (including without limitation for operational, commercial, legal and/or regulatory purposes), be amended, supplemented or revised by the Bank from time to time upon obtaining prior approval from the SFC (where applicable) and giving the investor notice subject to section 3.20 (*Continuing Disclosure Obligations*) below.

3.20 Continuing Disclosure Obligations

The Bank will notify all investors as soon as reasonably practicable of any information concerning the Product which is necessary to enable the investors to appraise the position of the Product, including without limitation, any changes to the Product other than those requiring prior approval from the SFC and, to the extent permitted by any applicable laws, changes in the Bank's financial condition or other circumstances.

The Bank is required to obtain prior approval from the SFC (with at least one (1) month's prior written notice to you, or such other period of notice in compliance with, and as permitted under applicable laws and regulations) for the following changes:

- changes to the constitutive document (including, without limitation, the Terms and Conditions of the Product);
- changes of the key operators (namely, the Bank as the Issuer of the Product and the Vault Operator) and their regulatory status and controlling shareholder(s);
- changes in investment objectives, policies and restrictions, fee structure and dealing and pricing arrangements of the Product; and
- any other changes that may materially prejudice investors' rights or interests.

If the Product is to be terminated or withdrawn from authorization, in addition to following any procedures set out in the constitutive documents of the Product and/or in accordance with the governing law, the Bank will give at least three (3) months' prior written notice to the investors (or such other period of notice in compliance with, and as permitted under, applicable laws and regulations). Please also refer to section 3.16 (*Resignation and termination of Vault Operator and Disposal Agent*) on the circumstances under which the Product may be terminated.

¹¹ The website has not been reviewed or authorized by the SFC.



3.21 Investor commitment

Before investing in the Product, you should consider carefully the following points:

- You should hold a bullish view on the price of the Gold.
- You should make sure you have sufficient liquid emergency funds to meet any unforeseen circumstances.
- You should avoid excessive investment in a single type of investment, with regard to its total proportion of your overall portfolio, in order to guard against over-exposure to any single investment.

3.22 Acknowledgement

The Bank is not making, and has not made, any representation whatsoever on the performance of Gold. When you purchase the Gold represented by HSBC Gold Tokens, you are deemed to confirm that you are not relying on either the views or advice of the Bank or any other HSBC Group company.

When you purchase the Gold represented by HSBC Gold Tokens, you are deemed to confirm that you understand that:

- the Product and the HSBC Gold Tokens are issued by the Bank;
- the Bank benefits from the offering and transaction of the Gold represented by HSBC Gold Tokens; and
- the Bank does not owe any obligations to you to take any action other than that prescribed by the Terms and Conditions of the Product.

3.23 Legal Advice

- The Bank has obtained written legal advice in the form of a legal memorandum to the effect that, in connection with the issuance of the Product, (i) Fractional Ownership* in the Gold represented by the HSBC Gold Tokens are legally held by the holders of such HSBC Gold Tokens; (ii) the record of Fractional Ownership* of the Gold represented by HSBC Gold Tokens to be recorded on the Ledger shall reflect such Fractional Ownership* and the Gold represented by HSBC Gold Tokens are legally segregated and independent from the proprietary assets of the Bank (and its group companies) and from other clients of the Bank (and its group companies); and (iii) investor's Fractional Ownership* of the Gold is protected from the insolvency of the Bank and/or its affiliates (including the Vault Operator) in that the Gold would not form part of the Bank's general bankruptcy estate (subject to the risk factor of "*Impact from insolvency of the Bank and/or its affiliates (including but not limited to the Vault Operator)*" in section 2 above).

3.24 Notes

- The Bank has taken reasonable care to ensure and hence accepts responsibility that all statements of fact contained herein are accurate and that no material facts have been omitted.

* Please refer to footnote 1 above and the definition of "Limitations" on the cover page.



- This document is not intended to provide and should not be relied upon for tax, legal or accounting advice, investment recommendation or a credit or other evaluation of the Product. Prospective investors should consult their tax, legal, accounting or other advisers.
- Where the law or any governmental agency or regulatory authority imposes any tax, levy or penalty with respect to the purchase or sale of the Gold represented by HSBC Gold Tokens and:
 - (i) the Bank is liable to pay or withhold any tax, levy or penalty for you as a result of your failure to pay or withhold it;
 - (ii) the Bank is liable to pay any tax, levy or penalty as a result of your breach or non-compliance with your obligations in connection with your establishment or operation of your use of the related services;
 - (iii) the Bank is liable to pay any tax, levy or penalty as a result of your breach or non-compliance with any legal or regulatory requirement applicable to you; or
 - (iv) the Bank is liable to pay any tax, levy or penalty in connection with the purchase or sale of the Gold represented by HSBC Gold Tokens on your behalf in any other case,you should pay and indemnify the Bank against such liability in each case.
- The terms and conditions governing the Investment Accounts are governed by and shall be construed in accordance with the laws of the Hong Kong Special Administrative Region.

3.25 Enquiries or complaints

If you have any feedback or complaint about any aspect of the service you have received, please contact our Hong Kong branches, call (852) 2233 3033 for HSBC Global Private Banking customers, (852) 2233 3033 for HSBC Premier Elite customers, (852) 2233 3322 for HSBC Premier customers or (852) 2233 3000 for Other Personal Banking customers, or write to the Customer Relations Department at P.O. Box No. 71169 Kowloon Central Post Office, or send an email to feedback@hsbc.com.hk.

3.26 Financial Information of the Bank

You can access information on the Bank's published audited consolidated financial statements and interim financial statements from the Bank's website at www.hsbc.com.hk¹² or any of our branches in Hong Kong.

3.27 Important

If you are in doubt, you should seek independent professional advice, including to ascertain (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements which you may encounter under the laws of the countries or regions of your citizenship, residence or domicile for the acquisition, holding or disposal of the Product.

The SFC has authorized the issue of this Principal Brochure as part of the Offering Documents for the Product. The SFC does not take any responsibility for the contents of the Offering Documents and

¹² The website has not been reviewed or authorized by the SFC.



makes no representation as to its accuracy or completeness. The SFC's authorization is not a recommendation or endorsement of the Product nor does it guarantee the commercial merits of the Product or its performance. It does not mean the Product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.



4. SECTION 4 – SCENARIO ANALYSIS

The following hypothetical examples are for illustrative purposes only. They do not reflect a complete analysis of all possible potential gain or loss scenarios and must not be relied on as an indication of the actual performance of the Product. You should not rely on these examples when making an investment decision.

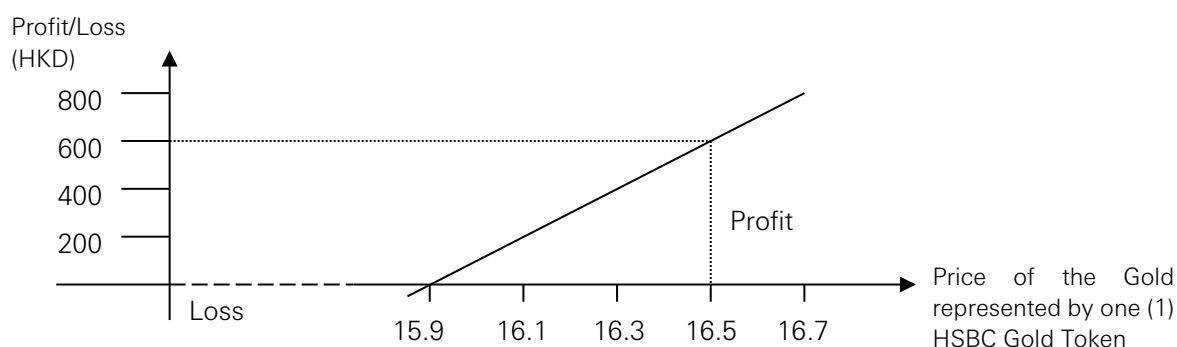
4.1 Scenario 1 – Price of Gold increases (Gain scenario)

Assuming an investor bought 1,000 HSBC Gold Tokens (representing 1 troy ounce of Gold) at the Bank sell price of HKD15.9 per HSBC Gold Token (representing HKD15,900 per troy ounce of Gold). Later, the price of Gold increased. The investor sold all HSBC Gold Tokens at the Bank buy price of HKD16.5 per HSBC Gold Token (representing HKD16,500 per troy ounce of Gold). The purchase of HSBC Gold Tokens was reflected as a credit while the sale of HSBC Gold Tokens was reflected as a debit respectively in the investor's Investment Account.

Realised profit:

$$= (\text{HKD}16.5 - \text{HKD}15.9) \text{ per HSBC Gold Token} \times 1,000 \text{ HSBC Gold Tokens}^{13}$$

$$= \underline{\text{HKD}600}$$



4.2 Scenario 2 – Price of Gold drops (Loss scenario)

Assume an investor bought 2,000 HSBC Gold Tokens (representing 2 troy ounces of Gold) at the Bank sell price of HKD16.2 per HSBC Gold Token (representing HKD16,200 per troy ounce of Gold). Later, the price of Gold fell. The investor sold all HSBC Gold Tokens at the Bank buy price of HKD15.8 per HSBC Gold Token (representing HKD15,800 per troy ounce of Gold). The purchase of HSBC Gold Tokens was reflected as a credit while the sale of HSBC Gold Tokens was reflected as a debit respectively in the investor's Investment Account.

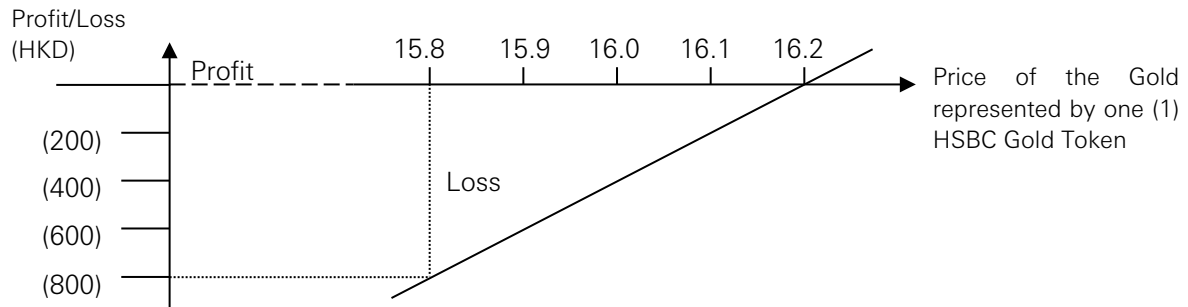
Realised loss:

¹³ This is equivalent to $(\text{HKD}16,500 - \text{HKD}15,900)$ per troy ounce of Gold \times 1,000 HSBC Gold Tokens \times 0.001 troy ounce of Gold.



= (HKD15.8 – HKD16.2) per HSBC Gold Token x 2,000 HSBC Gold Tokens¹⁴

= -HKD800



4.3 Scenario 3 – Price of Gold is zero (Worst case scenario)

Assume the investor bought 500 HSBC Gold Tokens (representing 0.5 troy ounce of Gold) at the Bank sell price of HKD15.7 per HSBC Gold Token (representing HKD15,700 per troy ounce of Gold). Later, the price of Gold fell and became zero. In this scenario, investor suffers a loss of the entire investment amount.

Realised loss:

= (HKD0 – HKD15.7) per HSBC Gold Token x 500 HSBC Gold Tokens¹⁵

= -HKD7,850

¹⁴ This is equivalent to (HKD15,800 – HKD16,200) per troy ounce of Gold x 2,000 HSBC Gold Tokens x 0.001 troy ounce of Gold.

¹⁵ This is equivalent to (HKD0 – HKD15,700) per troy ounce of Gold x 500 HSBC Gold Tokens x 0.001 troy ounce of Gold.