



## **Notice to clients on trading and settlement of iBond in secondary market & related risk disclosures**

Our arrangements in relation to trading and settlement of iBond which is linked to HK average annual inflation listed on the Hong Kong Exchanges and Clearing Limited (“HKEx”) are as follows:

### **Trading notes**

iBonds are traded and settled in HKD.

Client should open a Securities trading account before trading iBond in the secondary market.

There is no online trading of iBond temporarily and clients should call Account Executives to trade. The trading fees are as below:

<b>Services</b>	<b>Fees</b>
Commission	From 0.25% (Minimum HK\$100).,
Transaction Levy (Collected by the SFC)	0.003%
Trading Fee (Collected by the SEHK)	0.005%
CCASS Stock Settlement Fee	0.002%

Please note: Accrued interest is involved when trading iBonds. iBond is a semi-annual interest payment bond. The interest earned by the seller for holding the bond from the last interest payment date until the disposal date is called accrued interest. The buyer of iBond has to pay to the seller the purchase price plus an amount equal to the interest accrued from the last interest payment date to the settlement date.

Clients should make sure there are enough HKD in the Securities trading account for settlement purpose when trading.

### **Settlement notes**

The settlement currency for iBond is HKD. All commissions, transaction levy and other related transaction costs will be cleared in HKD.

The iBond trading is executed under the Securities trading account and all the transactions will be stated properly in Client’s Securities Daily and Monthly Statement issued by the Company. You can instruct to receive the statement in electronic format for easy and convenient reference

## **Risk Disclosure Statements**

### **Risk of bonds trading**

The prices of bonds may sometimes fluctuate dramatically. The price of a bond may move up or down or even become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling bonds.

### **Interest rate risk**

The retail bonds carry a floating rate of interest that is calculated other than by reference to prevailing Hong Kong dollar interest rates. The market value of your retail bonds may decrease if the prevailing Hong Kong dollar interest rates increase during the term of the retail bonds.

### **Index risk**

The retail bonds carry a rate of interest that includes a component linked to the Composite Consumer Price Index. The market value of your retail bonds may be affected by movements in the index.

### **Liquidity risk**

There may not be an active secondary market for your retail bonds and it may not be possible to sell your retail bonds prior to maturity or the sale price may be lower than the amount you have invested.

### **Credit risk**

The retail bonds are not secured. When you buy retail bonds you will be relying on the creditworthiness of HKSAR Government. Adverse changes in the wider economic conditions in Hong Kong and the world and/or the creditworthiness of HKSAR Government may reduce the market value of your retail bonds and may affect HKSAR Government's ability to make payments of principal of and interest on your retail bonds. In the worst case scenario, you could lose all of your investment.

The arrangements stated above may be amended from time to time. Client should refer to the latest news posted at our Company's website or contact his Account Executives/Customer Service Department for further details.