

Guide to Costs and Charges Reporting



Greater disclosure on costs and charges

We provide two types of disclosures to you about costs and charges:

- ◆ A pre-trade disclosure of aggregated expected costs and charges for proposed investment services and products
- ◆ An annual Costs and Charges Report showing the annual summary of aggregated costs which have been incurred by you for investment services and products, and, if requested, an itemised breakdown of costs incurred

This guide explains the information included in each section of the annual Costs and Charges Report with reference to an illustrative Report.

The annual Costs and Charges Report

The Report provides an overview of the costs and charges related to your account in the previous calendar year. Separate reports will have been prepared for each account held with us.

The costs and charges cover all of your investment related portfolios associated with a given account. There are two kinds of cost incurred when you invest in financial instruments:

1. What we may charge for the investment services provided ("Service costs")

2. Costs charged by the manufacturer for managing the product ("Product costs")

In certain circumstances, we may receive third party payments to the extent allowed by local regulations from the product manufacturer in connection with the distribution of various investment products ("Third party product payments"), which are also disclosed in the report. Please note, regulations in the UK do not permit such payments.

The annual Costs and Charges Report includes information, where available, related to all investment products in scope of the Markets in Financial Instruments Directive (MiFID II), including Foreign Exchange charges.

Section I – Introduction

Section 1 is illustrated below and sets out general information about the Report such as the reporting period, the account name, report currency, exchange rates and a schedule of the portfolios included in the report. The summary data is presented in the base currency agreed for the account and is calculated based on closing exchange rates as of the reporting period end date, with the exception of exchange rates used for third party payments. When product or service costs are taken in currencies other than the base currency, the FX rate as at the date the charge was taken, is used for the conversion.

For each portfolio we provide information about the value of Total Assets at the start and end date of the reporting period, as well as Average Invested Capital ("AIC") and total amount of Costs and Charges charged.

AIC is calculated as the time-weighted net cash-flows of all the capital inflows and outflows to the portfolio during the reporting period.

The disclosed costs and charges are displayed only for amounts debited or reimbursed to the portfolio during the reporting period.

April 2020

Costs and Charges Report

This Report gives an overview of the costs and charges relevant to the stated Portfolios ¹. This information relates to the amounts paid during the reporting period:

(a) for investment and ancillary services provided in connection with investments transacted or held on the stated Portfolio(s), and
(b) any applicable costs and charges associated with the investment product.

The following tables should be read together with the notes at the end of this Report.

Should you require a more detailed breakdown for your Account, please speak to your Relationship Manager or Investment Counsellor.

Report date: 30 April 2020

Account name: 376387

Reporting period ²:

Start date: 01 January 2019

End date: 31 December 2019

Portfolios ³ included in this Report:

Portfolio	Total assets in EUR (start of reporting period)	Total assets in EUR (end of reporting period)	Average Invested Capital ⁴ in EUR	Total Costs and Charges in EUR
637C5249015 Standard	7,130,733.2	7,706,422.3	7,130,879.3	40,744.08
Total	7,130,733.2	7,706,423.3	7,130,879.3	40,744.08

For the purpose of the table above we have converted the total costs and charges for each Portfolio into the Account reporting currency.

Currency rates⁵

EUR Euro	1
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30 April 2020 Account:376387 EUR

Section II – Aggregated Costs and Charges

In this section (illustrated below) you will find information per portfolio on all of the costs and charges that you have paid during the reporting period. This is allocated according to the costs related directly to the product, the investment and/or ancillary services provided and any third party payments received. These are totaled and expressed both as a cash amount and as a percentage of the AIC.

Each category of cost is further sub-divided to show you the costs that have been incurred during the reporting period.

- ◆ “Service costs” are charged for the investment services provided and are shown in five categories: one-off charges, on-going charges, all costs related to transactions, any charges that are related to ancillary services and incidental costs. A detailed breakdown of these costs is available on request, which would show the amounts of individual fees, for example: transaction fees, safe custody fees, account fees, management and advisory fees
- ◆ “Product costs” are costs embedded in the financial instrument and may include a management fee, internal transaction costs (e.g. broker commissions paid by the fund on the underlying investments), as well as performance fees where

applicable. In the case of the SIS Discretionary Portfolios, the product cost includes fees due to HSBC Private Bank for managing the portfolio, which are collected by the manufacturer

- ◆ If HSBC receives any commissions or distribution payments from a third party in respect of your transaction, this also is disclosed as “Third party product payments”

Aggregated Costs and Charges – Portfolio 637C5249015 – Standard

	Amount (EUR)	% of Average Invested Capital ⁹
Service costs (Investment and/or ancillary services)⁶	21,000.00	0.29%
One-off	0.00	0.00%
Ongoing	20,000.00	0.28%
Transactional	1,000	0.01%
Ancillary	0.00	0.00%
Incidental	0.00	0.00%
Product costs⁷	20,344.08	0.28%
One-off	0.00	0.00%
Ongoing	8,251.37	0.12%
Transactional	7,485.39	0.10%
Incidental	4,607.32	0.06%
Third party product payments⁸		
Received by HSBC	600	0.01%
Reimbursed to you	(600)	(0.01%)
Total Costs and Charges	40,744.08	0.57%

Where an investment and/or ancillary service is subject to value added tax (VAT) this is reflected in the figures given in the table. Please refer to HSBC Private Bank Tariff Brochure for more information about which charges are subject to VAT. Other taxes, including but not limited to, market charges, stamp duty (where applicable), may apply and these are also reflected in this table under Service Cost Transactional section. The total amount of taxes for this Portfolio is EUR 0.00.

Section III – Cumulative Effect of Costs and Charges on Your Return

Here we show you the cumulative effect of the costs and charges that you have incurred during the reporting period by comparing the real return after costs and charges are applied (the net return) to the simulated cost free return (the gross return). In addition, you can also see separately the total of any spikes or fluctuations in the costs and charges that you have paid during the reporting period, such as the transaction costs associated with the entry and subsequent exit of the product.

Please be aware that while every effort has been made to source 3rd party product costs, some product manufacturers, mainly those located outside of the EU, do not have the obligation to provide cost data to us. Where you have such holdings in your portfolio, the absence of these costs will mean that the costs shown and the impact on performance will be understated. Details of the holdings affected and the proportion that these represent in your portfolio can be provided by your Relationship Manager or Investment Counsellor.

Cumulative Effect of Costs and Charges on Your Return

The total costs and charges will impact the investment return of the portfolio. The amounts shown are calculated based on the cumulative costs debited to the portfolio throughout the course of the reporting period. The illustration below shows the effect that costs and charges have by comparing the return before and after these are applied.

	Amount (EUR)	Rate of Return (%) ¹⁰	Impact of Costs and Charges on Return on Investments (ROI) in EUR
Notional return before deduction of costs and charges (gross)	616,433.20	8.64%	<p>Portfolio 637C5249015</p> <p>■ ROI with no costs (gross) ■ ROI after costs (net)</p>
Return after deduction of costs and charges (net)	575,689.12	8.07%	
Impact of costs and charges on return on investment (ROI)	40,744.08	(0.57%)	

Spikes and fluctuations¹¹ for this portfolio observed during reporting period account for EUR 0.00.

Section IV – Notes

In this section you can find additional comments and explanations relevant for your report.

Notes

¹ Please note, that where costs and charges are incurred in relation to investments transacted or held in one Portfolio are paid from a different Portfolio, for example where you have asked us to pay fees from an alternative Portfolio, such costs and charges will be reported in the Costs and Charges Report for the Portfolio in which they were incurred.

² This Report only discloses amounts which have been debited or reimbursed to the Portfolio during the reporting period.

³ This Report includes all Portfolios associated with this Account that contain investment products where costs and charges information must be provided in accordance with applicable regulations. If you would like more information on the specific investment products covered by this Report, please speak to your Relationship Manager or Investment Counsellor.

⁴ The Average Invested Capital (AIC) takes into consideration any capital flows onto or out of the Portfolio during the reporting period by time-weighting the net cash flows.

⁵ The exchange rates used are the closing rates as at the reporting period end date apart from exchange rates used for third party payments. Further details are available upon request.

⁶ Service costs are charged for the investment services and/or ancillary services provided. They include for example, applicable Execution Only Fees, Account Fees, Discretionary Investment Management Services Fees, and other investment service charges, details of which can be found in our Tariff document, or which have been separately agreed with you. If your investment products are funded by an HSBC credit facility this Report does not include any interest or credit charges that would constitute an Ancillary Service Charge. Please refer to your relevant Loan Account statements for details of such charges.

⁷ Product costs are charged by the manufacturer and include, but are not limited to, costs for managing the product for example management fees, internal transaction costs (e.g. broker commissions paid by the fund on the underlying investments), as well as performance fees where applicable. In the case of the SIS Discretionary Portfolios, the product cost includes fees due to HSBC Private Bank for managing the Portfolio, which are collected by the manufacturer. This amount is available on request. The product costs and charges shown have been calculated using data sourced from product manufacturers including both HSBC and external providers. Where data for the actual costs incurred was not available, then estimated costs supplied by the manufacturer may be used. However, if actual or estimated product cost data was not available at the time of the production of this Report, please be aware that these costs will not have been included and the omission of these costs will impact the overall cost and performance calculations.

⁸ HSBC Private Bank may receive third party payments to the extent allowed by regulations from the product manufacturer in connection with the distribution of various investment products. In certain circumstances, inducements we receive may be reimbursed to you, as disclosed in the Aggregated Costs and Charges table. Please note that it may take up to 6 months for reimbursements to be received by us and verified before being applied to your Account. Only amounts credited to your Account during the reporting period are disclosed in this Report. HSBC Private Bank may also, from time to time, receive other non-monetary benefits from third parties in connection with the services it provides to you. Examples may include participation in conferences, seminars or other training events and hospitality of a reasonable de minimis value. Further details can be provided on request.

⁹ This Report presents the impact of the costs and charges as a percentage of the Average Invested Capital (AIC) of each Portfolio over the reporting period (see note 4). The sum total does not include the impact of rounding.

¹⁰ The cumulative performance shows the time weighted return of the Portfolio over the reporting period, comparing the net return with a theoretical gross return assuming the removal of all applicable explicit and implicit costs and charges.

¹¹ This amount represents all one-off entry and exit costs incurred during the reporting period.

This Report is intended solely for your information. It has been prepared to comply with applicable regulations and the valuations presented in this disclosure may differ from those in your periodic Client Statements covering the same period. This is due to timing differences.

More information, including a glossary of terms is available in our Costs and Charges guide on our MiFID II dedicated website: www.hsbcprivatebank.com/en/about-us/mifid-ii.