

First Supplement to the HSBC Mandatory Provident Fund – ValueChoice Principal Brochure

1 April 2019

This first Supplement forms part of the 'Principal Brochure' and should be read in conjunction with the 'Principal Brochure' dated 1 November 2018. If you are in doubt about the meaning or effect of the contents of this document, you should seek independent professional advice.

Please note that the 'Principal Brochure' of the HSBC Mandatory Provident Fund - ValueChoice has been amended as follows, with effect from 1 April 2019:

Important notes

<<The fifth bullet point shall be deleted in its entirety and replaced with the following>>

- MPF Benefits, AVC Benefits and TVC Benefits payable on a Member's 65th birthday or early retirement on or after his/her reaching age 60 can be paid in one lump sum or in instalments, at the Member's election (in such form and on such terms as the Trustee may, to the extent not prohibited by the 'MPF Ordinance' or General Regulation, prescribe). Please refer to the 'Payment of MPF Benefits, AVC Benefits and TVC Benefits' section under 'Payment of benefits' in Part I – Product Information of the 'Principal Brochure' for full details.

Part I: Product Information

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Glossary

<<The following new definitions shall be added in the appropriate alphabetical order>>

'TVC' means tax deductible voluntary contributions.

'TVC account' has the same meaning as ascribed to it in the MPF Ordinance.

'TVC Account Holder' means a person with a TVC account held in the HSBC Master Trust.

'TVC Benefits' means benefits derived from TVC which comprise the value of a Member's TVC account as determined in accordance with the relevant application form and the 'Master Trust Deed' constituting the HSBC Master Trust.

<<The last paragraph of the definition for 'Specific Investment Instruction' shall be deleted in its entirety and replaced with the following>>

A Specific Investment Instruction applies to all types of contributions, including without limitation, employer's mandatory and voluntary contributions, employee's mandatory and voluntary contributions, Flexi-Contributions and TVC.

HSBC Mandatory Provident Fund

<<The following paragraph shall be inserted immediately after the third paragraph>>

SFC authorization is not a recommendation or endorsement of an MPF scheme or pooled investment fund nor does it guarantee the commercial merits of an MPF scheme or pooled investment fund or its performance. It does not mean the MPF scheme or pooled investment fund is suitable for all scheme participants or fund holders nor is it an endorsement of its suitability for any particular scheme participant or fund holder.

Constituent Funds as feeder funds

<<The following paragraph shall be inserted immediately after the first paragraph>>

SFC authorization is not a recommendation or endorsement of an MPF scheme or pooled investment fund nor does it guarantee the commercial merits of an MPF scheme or pooled investment fund or its performance. It does not mean the MPF scheme or pooled investment fund is suitable for all scheme participants or fund holders nor is it an endorsement of its suitability for any particular scheme participant or fund holder.

Application for participation in the HSBC Master Trust

<<In the first paragraph, the 'and' from the final sentence of the third bullet point shall be removed>>

<<In the first paragraph, at the end of the final sentence of the fourth bullet point, the full stop shall be removed and replaced with ', and'>>

<<In the first paragraph, the following shall be added as the fifth bullet point>>

- any person who is eligible to open a TVC account in accordance with the MPF Ordinance (for details, please refer to the sub-section headed 'Eligibility for opening a TVC account' under the section 'Tax deductible voluntary contributions').

Withdrawal from participation in the HSBC Master Trust

<<At the end of the sub-section and following the fifth bullet point, the following paragraph shall be inserted>>

Please refer to the sub-section headed 'Withdrawal and Termination of TVC' under the section 'Tax deductible voluntary contributions' for details on a TVC Account Holder's withdrawal from participation in the HSBC Master Trust.

Benefits transfer from the HSBC Master Trust

<<The following shall be added immediately following the sub-section headed 'Transfer of MPF Benefits and AVC Benefits (excluding any part of the AVC Benefits derived from Flexi-Contributions) of Deferred Members'>>

Transfer of TVC Benefits

Please refer to the sub-section headed 'Portability of TVC' under the section 'Tax deductible voluntary contributions' for details on how to transfer TVC Benefits from the HSBC Master Trust.

<<The sub-section headed 'Requesting a transfer of MPF Benefits and AVC Benefits' shall be deleted in its entirety and replaced with the following>>

Requesting a transfer of MPF Benefits, AVC Benefits and TVC Benefits

Requests to transfer MPF Benefits, AVC Benefits (excluding any part of the AVC Benefits derived from an Employee Member or Deferred Member's Flexi-Contributions) and TVC Benefits from the HSBC Master Trust should be made to the Administrator accompanied by a transfer form completed by all relevant parties. Processing is subject to contributions being paid to date at the time of the requests, to the extent permitted by the General Regulation and to other circumstances which can affect the processing time of such requests.

Contributions

<<The following sub-section headed 'Tax deductible voluntary contributions' will be added immediately after the sub-section headed 'Making voluntary contributions'>>

Tax deductible voluntary contributions

Any person who fulfils the eligibility requirements as mentioned in the sub-section headed 'Eligibility for opening a TVC account' below can set up a TVC account and pay TVC into such account. TVC paid into the account will be eligible for tax deduction in accordance with the Inland Revenue Ordinance. With effect from 1 April 2019, the HSBC Master Trust offers TVC accounts to eligible persons.

The characteristics of TVC are as follows:

- TVC can only be made directly by eligible persons into a TVC account of a Registered Scheme in order to enjoy tax concessions, subject to relevant conditions. Please refer to the sub-sections headed 'Tax concession arrangements for TVC' and 'Eligibility for opening a TVC account' below for details;
- Involvement of employers is not required;
- Though it is voluntary in nature, TVC is subject to the same vesting, preservation and withdrawal restrictions applicable to mandatory contributions. Accordingly, any accrued benefits derived from TVC (including any TVC made in excess of the maximum tax deduction limit during a tax assessment year) will be preserved and can only be withdrawn upon retirement at age 65 or on other statutory grounds under the MPF legislation. Please refer to the sub-section headed 'Withdrawal and Termination of TVC' below for details.

Tax concession arrangements for TVC

The maximum tax concession amount for TVC in each year of assessment is set out in the Inland Revenue Ordinance and, in the year of assessment 2019/2020, is HK\$60,000. It should be noted that such tax concession amount is an aggregate limit for both TVC and other qualifying annuity premiums rather than TVC only, and any claim for tax deductions will be applied to TVC before other qualifying annuity premiums.

To facilitate the tax return filing by TVC Account Holders, the Trustee will provide a TVC summary to each TVC Account Holder if TVC is made by the Member to the HSBC Master Trust during a year of assessment. Such summary will be made available around 10 May after the end of the relevant year of assessment (i.e. before the end of a period of 40 days (unless the 40th day is not a Business Day, then the next Business Day) from the beginning of the next tax assessment year commencing on 1 April).

Eligibility for opening a TVC account

Any person who falls under any one of the following categories may open a TVC account:

- a current employee member of a Registered Scheme;
- a current self-employed member of a Registered Scheme;
- a current personal account holder of a Registered Scheme; or
- a current member of an MPF exempted ORSO scheme.

Each eligible person can only have one TVC account under a Registered Scheme.

The Trustee may reject any application to open a TVC account in the event of (i) having reason to know that information and documents provided to the Trustee are incorrect or incomplete; (ii) failure of applicants to provide information and documents as required by the Trustee to ensure compliance with applicable laws and regulations relating to anti-money laundering/tax reporting; and/or (iii) other circumstances which the Trustee may consider appropriate.

Contribution of TVC

TVC can only be made into a TVC account, which is separate from a contribution account or a personal account. Any other forms of voluntary contributions that are not made into the TVC account are not TVC (for example, voluntary contributions that are made by Employee Members through their Participating Employer will not be eligible for claiming TVC tax deduction). For compliance purposes, there could be circumstances (such as (i) to (iii) in the preceding paragraph) that TVC may be rejected. Any rejected TVC (with no interest) will be refunded within 45 days of receipt of any such TVC unless for some exceptional regulatory reasons the Trustee is unable to effect a refund within such a timeframe.

TVC is subject to the same vesting, preservation and withdrawal requirements applicable to mandatory contributions. This also applies to contributions that exceed the maximum tax deductible amount per assessment year.

There is no maximum limit imposed on the amount made to the TVC account, unless otherwise specified in the relevant application form. TVC will be fully vested in the Members once it is paid into the HSBC Master Trust. TVC Account Holders can make regular TVC by monthly direct debit from as little as HK\$300, or simply by paying a lump sum of HK\$1,000 or more at the time of Member's choice.

For the avoidance of doubt, the protection of accrued benefits under the MPF Ordinance is not applicable to the TVC account, meaning that TVC Benefits will generally be vested in the trustee-in-bankruptcy or official receiver as part of the property of the bankrupt TVC Account Holder.

TVC Account Holders can make their own fund selection or choose to invest in DIS under the HSBC Master Trust according to their risk tolerance level and financial circumstance. If a TVC Account Holder fails to submit to the Trustee a valid Specific Investment Instruction or does not make any investment choice at the time of TVC account opening, his/her TVC will be invested in DIS. Please refer to the sub-section headed 'MPF Default Investment Strategy' under the section 'Introduction' of this 'Principal Brochure' for details of the DIS arrangement.

Portability of TVC

TVC is portable and TVC Account Holders should note that:

- TVC Account Holder, may at any time, choose to transfer the TVC Benefits to another Registered Scheme that offers TVC;
- The transfer must be in a lump sum (full account balance);
- The TVC account in the original scheme from which the accrued benefits are transferred (resulting in zero balance) may be terminated upon such transfer;
- For the avoidance of doubt, transfer of accrued benefits derived from a TVC account to another TVC account of the Member in another Registered Scheme cannot be claimed as deductions for taxation purpose; and
- Transfer of TVC Benefits to another TVC account of the member in another Registered Scheme will also be subject to the same preservation and withdrawal restrictions applicable to mandatory contributions in the MPF regulations.

Withdrawal and Termination of TVC

As with accrued benefits derived from mandatory contributions, the TVC Benefits will be paid in the following withdrawal conditions only:

- on a Member's 65th birthday;
- on a Member's death (in which case the benefits are paid to the Member's legal personal representatives);
- on the total incapacity of a Member;
- on the terminal illness of a Member;
- on the early retirement of a Member on or after his/her reaching age 60;
- upon a Member's permanent departure from the Hong Kong SAR; or
- upon a Member's claim on small balance under section 162 (1)(c) of the General Regulation.

In addition, the Trustee must provide instalment options to the following withdrawal conditions:

- on a Member's 65th birthday; and
- on the early retirement of a Member on or after his/her reaching age 60.

Apart from the withdrawal of accrued benefits, the Trustee may terminate the Member's TVC account if:

1. the balance of the TVC account is zero; and
2. there is no transaction activity in respect of the TVC account for 365 days.

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Allocation of contributions

<<The first paragraph of the sub-section shall be amended by adding the words 'and TVC Account Holders' after the words '(including Deferred Members'>>

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Changing investment options

<<The first line of the first paragraph under the sub-section shall be amended by adding the words 'and TVC Account Holders' after the words '(including Deferred Members'>>

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Payment of benefits

<<The first paragraph under the sub-section shall be deleted in its entirety and replaced with the following>>

The value of a Member's (including a Deferred Member's or a TVC Account Holder's) benefits is the total of the MPF Benefits, the AVC Benefits and TVC Benefits as provided in the 'Master Trust Deed' of the HSBC Master Trust.

<<The following sub-section shall be inserted immediately following the sub-section headed 'AVC Benefits'>>

TVC Benefits

Please refer to sub-section headed 'Withdrawal and Termination of TVC' under the section 'Tax deductible voluntary contributions' for details on when TVC Benefits are payable.

<<The heading and first paragraph of the sub-section currently headed 'Payment of MPF Benefits and AVC Benefits' shall be deleted in its entirety and replaced with the following>>

Payment of MPF Benefits, AVC Benefits and TVC Benefits

Requests for payment of MPF Benefits, AVC Benefits and TVC Benefits by a Member (including a Deferred Member or a TVC Account Holder) should be made to the Administrator and accompanied by a completed request of payment form. Processing time of such requests may be affected by whether there are any outstanding contributions/contribution surcharges, whether properly completed payment form and such documents as may be required by the General Regulation or the Trustee (to the extent permitted by the General Regulation) have been received, and any other circumstances which can affect the processing time of such requests.

<<The third paragraph of the sub-section currently headed 'Payment of MPF Benefits and AVC Benefits' shall be deleted in its entirety and replaced with the following>>

MPF Benefits, AVC Benefits and TVC Benefits payable on a Member's 65th birthday or early retirement on or after his/her reaching age 60 can be paid in one lump sum or in instalments, at the Member's election (in such form and on such terms as the Trustee may, to the extent not prohibited by the 'MPF Ordinance' or General Regulation, prescribe).

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Taxation

<<A new sub-section shall be added immediately following the existing sub-section (c)>>

(d) TVC Account Holders will be able to deduct the TVC paid into their TVC accounts, subject to a maximum deduction per tax assessment year as specified in the Inland Revenue Ordinance. More information can be found under the sub-section headed 'Tax deductible voluntary contributions'.

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Reports and accounts

<<The first line of the first paragraph under this sub-section shall be amended by adding the words 'and TVC Account Holders' after the words '(including Deferred Members)'>>

<<The following shall be added as a third bullet point to the first paragraph>>

- If TVC is made by a Member to the HSBC Master Trust during a year of assessment, a TVC summary will be made available to the TVC Account Holder around 10 May after the end of the relevant year of assessment (i.e. before the end of a period of 40 days (unless the 40th day is not a Business Day, then the next Business Day) from the beginning of the next tax assessment year commencing on 1 April).

Part III: Fee Table

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(C) Fund operating charges and expenses of constituent funds

<<The current heading 'Contribution Account/Personal Account' in the third column of the table shall be removed>>

The Hongkong and Shanghai Banking Corporation Limited and HSBC Provident Fund Trustee (Hong Kong) Limited have prepared and accepted the responsibility for this document. The contents in this document are accurate as of 1 April 2019.