

PRODUCT DISCLOSURE SHEET

Dear Customer,

This Product Disclosure Sheet (PDS) provides you with key information on your Trade Services/Financing. Other customers have read this PDS and found it helpful; you should read it too.



HSBC Bank Malaysia Berhad

Date:

(1) What is Export Documentary Credit?

A Documentary Credit (DC) is a written undertaking by an issuing bank, on behalf of the buyer (applicant) to the seller (beneficiary), that payment will be made for the goods or services supplied by the seller, provided that the seller complies with all the terms and conditions established by the DC. DCs issued are irrevocable which means that they constitute a definite undertaking and cannot be revoked or amended without the agreement of all parties to the DC. Export DC refers to DC services provided to sellers (who are the beneficiaries of the DC issued) for both domestic and international trade and includes the following key services:

DC Advising (DCA)	DCA is a service provided to our export customers as DC beneficiaries. As DC Advising bank, we check for the authenticity of all incoming DCs issued to the beneficiary and provides a "DC Safe Custody" option where the DC will be securely stored at the bank eliminating the hassle of dealing with a paper copy.
DC Confirmation (DCC)	As DC Confirming Bank, we provide second undertaking on the DC which assumes the obligations and liabilities of the issuing bank. A fee for the risk undertaking will be charged for the confirmation based upon a multitude of factors including the value of the DC, the standing of the issuing bank and its location, the expiry date of the DC and the usance period.
Transferable DC	A transferable DC is one that can be transferred by the original beneficiary (First beneficiary) to one or more second beneficiaries and allows for substitution of drafts and invoices by the First beneficiary. If a transferable DC allows for partial shipments, the DC may be transferred to one or more second beneficiaries with each party receiving its own portion of the transaction payment. It is normally used when the first beneficiary does not directly supply the merchandise, but acts as the middleman and wishes to transfer part, or all rights and obligations to the actual supplier/s, who are the second beneficiaries. Shipment of goods is directly from the second beneficiary to the DC applicant. Export Transferable DC is usually for customers who act as the middleman, trading agents or sourcing offices.
DC Negotiation	As Negotiating Bank, our service includes checking documents against DC to ensure documents are compliant to the terms of the DC. Upon request, we may discount the DC documents after Issuing Bank's acceptance subject to bank and country risk, documentary risk and availability of the credit. DC Negotiation is therefore simply a form of post shipment financing where the negotiating bank advances the DC bill amount to the seller first prior to receipt of payment from the issuing bank.

Benefits – What do I get from this product?

Selling under DC terms allows you to mitigate buyer payment risk and receive greater payment assurance especially in unpredictable and unfamiliar markets. DC negotiation allows you to extend credit terms to your buyers but provides you with access to funds quickly after shipment without having to drawdown on your credit facility. Transferable DC allows trader /middlemen to purchase from their suppliers on DC terms without the need to establish a DC issuance facility

(2) Know Your Obligations

You will need to bear the fees and charges for the respective Export DC Services per our published tariff. This includes an Export DC Advising fee of RM30 for customer with Safe Custody Services) and upon presentation of documents, you will need to pay for checking fees (RM50) and commission of 0.1% flat (min RM50 ; max RM500 for ringgit bills and RM250 for foreign currency bills). Where a DC bill is negotiated, you will need to pay for discounting charge which is subject to issuing bank & country risk.

Illustration

- Your Export DC bill amount : USD50,000 accepted by issuing bank for a tenor of 50 days. DC is negotiated at 4% p.a.
- DC Bill Commission = $0.1\% \times \text{USD}50,000 = \text{USD}50$ (equivalent RM225)
- DC Discounting charge: $4\% \times \text{USD}50,000 \times 50 \text{ days} = \text{USD}274$ (RM1,233)

You will pay a total of (RM30 + RM225+RM1,233) RM1,488 for Advising, Commission and Discount Charge.

You also have to pay other fees and charges, where applicable, per our published tariff @ <https://www.business.hsbc.com.my/en-gb/my/generic/rates-tariff-and-charges>. This includes:-

It is your responsibility to:



Read and understand the key terms in the contract before you sign it



You will need to pay the full DC value on due date (including commission charged as applicable). Alternatively, you can request for the DC to be financed by the Bank and converted into an Import Loan.



You are to ensure that the documents are bona-fide transactions. Under a DC Confirmation, the bank's commitment will cease immediately if non-compliant documents are presented.



Contact us immediately if you are unable to pay the due amount.

(3) Know Your Risks

What if I fail to fulfil my obligations?

(1) Right to Set-Off

In the event of a default after Export DC Bill is negotiated, your business/company will need to pay all additional interest, costs, charges and expenses incurred until the loan is fully repaid, which will be debited and/or set off from any credit balance(s) in any of your business/company's account(s).

(2) Late Payment Fees

Late payment fee is at 1% over and above the prescribed interest rate as stipulated in the legal agreement with customer (e.g. Facility Offer Letter); OR 3.5% above the bank's prevailing Cost of Funds.

What is the major Risk?

Major risks that your business/company face under DC terms are the potential bank and country risks such as civil unrest which may result in a non-payment event from the issuing bank or a potential delay in payment.

For DCN transactions, the bank holds the right of recourse to your business/company in the event of default by the issuing bank. Where financing charges are payable on maturity of the bill, your business/company is obliged to pay the interest charges on due date. -

(4) Other Key Terms

- You will be classified as bad and doubtful after 90 days default in any loan/facility repayments and this trade facility may be withdrawn/cancelled.
- HSBC recommends that before you make any decision or accepting any of the Bank's terms and conditions for this product, you should consult with qualified professional advisers to obtain the appropriate financial, legal, accounting, tax or other advice to ensure adequate understanding of your key contractual obligations under these terms and conditions.
- Collateral / Guarantor may be required on a case-to-case basis depending on your payment capabilities and other credit considerations
- Standard Cut-Off Times (Monday to Friday except for public holidays) for settlements are subject to the respective foreign currencies cut-off time and provided that complete information is received: -

Cross Border Payments	12.00 p.m. (exclude AUD & JPY)	10.00 a.m. (for AUD & JPY)
Ringgit Payments (Rentas)	11.00 a.m.	

- Service delivery standards shall depend on customer's grouping as "Premier" or "Standard" or as agreed in customer's legal agreements.
- Please inform us of any change in your contact details to ensure that all correspondences reach you in a timely manner. Changes in your contact details should be formally submitted in writing and duly authorized by the company's authorized signatories.
- For more details, you may refer to the *bankinginfo* booklet on 'Small and Medium Enterprises - Financing Products for Your Business – Trade Financing – Bank Guarantee', available at www.bankinginfo.com.my. Kindly take note that the information available in the *bankinginfo* booklet refers to types of financing products in general, and is not an exact representation of products offered by the Bank

Where can I get assistance and redress?

 Call us at: Client Service Team Tel: 1-300-88-1099	 Visit us at: https://www.business.hsbc.com.my	 Email us at: trade.clientservice.st@hsbc.com.my	Agensi Kaunseling dan Pengurusan Kredit (AKPK) Tel: 03-2616 7766 (Monday to Friday; 9am - 5:30pm) E-mail: enquiry@akpk.org.my
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If your query or complain is not satisfactorily resolved by us, you may contact:

HSBC	BNM Telelink	Financial Markets Ombudsman Service (FMOS)
Customer Experience Team Telephone: +603-2075 6235 Facsimile: +603-88942811 E-mail: complaints@hsbc.com.my	Tel: 1-300-88-5465 (1-300-88-LINK) (Overseas: 603-2174-1717) Fax: 603-2174 1515 Web form: eLINK at https://telelink.bnm.gov.my/	By fax/email/post Chief Executive Officer 14 th Floor, Main Block, Menara Takaful Malaysia No. 4, Jalan Sultan Sulaiman 50000 Kuala Lumpur
		In Person (walk-in) 14 th Floor, Main Block, Menara Takaful Malaysia No. 4, Jalan Sultan Sulaiman 50000 Kuala Lumpur.

Customer's Acknowledgement*

Ensure you are filling this section yourself and are aware of what you are placing your signature for.

☐

I acknowledge that HSBC Bank Malaysia Berhad has provided me with a copy of the PDS.

☐

I have read and understood the key information contained in this PDS.

**A customer's acknowledgement of this PDS shall not prejudice his/her rights to seek redress in the event of subsequent dispute over the product terms and conditions.*

The Customer hereby acknowledges and agrees that by signing this document (or by way of an email confirmation provided to HSBC) all the terms and conditions of the Product Disclosure Sheet have been explained to them.

Name:

Date: