

## HSBC Mandatory Provident Fund – SuperTrust and HSBC Mandatory Provident Fund – SuperTrust Plus: Guaranteed Fund Changes – Crystallisation

February 2016

### Frequently Asked Questions

**Question 1: What do you mean by crystallisation for the investment in the Guaranteed Fund?**

Answer: This is an action that will be performed by the administrator of the HSBC Mandatory Provident Fund — SuperTrust and HSBC Mandatory Provident Fund — SuperTrust Plus ('Administrator') at the end of each year, starting in 2016. It is for members who have reached the age of 65 and still have investment in the Guaranteed Fund. The Administrator will calculate the Guarantee for these members, equivalent to the amount they would be entitled if they had withdrawn their benefits from the Guaranteed Fund on 31 December in that year using grounds that meet the Guarantee Conditions.

This means these members can get the greater of their Actual Balance or Guaranteed Balance as at 31 December that year and this greater balance will become their Actual Balance from 1 January in the following year. With the Guarantee provided in this crystallisation, no further Guarantee will apply to any investment in the Guaranteed Fund of these members thereafter. The guarantee charge applied to these members thereafter will be rebated to them monthly in the form of equivalent fund units.

When calculating the Actual Balance on 1 January in the following year for each of these members, the Administrator will also take into account the Actual Balance and the Guaranteed Balance as at the relevant members' 65th birthday. If the Actual Balance as at the 65th birthday is higher than the Guaranteed Balance as at the 65th birthday and, higher than the Actual Balance and the Guaranteed Balance as at 31 December, the Actual Balance as at the 65th birthday will be deemed the Actual Balance from 1 January in the following year.

If the members switch or withdraw part of their investment out of the Guaranteed Fund between their 65th birthday and 31 December in the same year, the Actual Balance and Guaranteed Balance on the member's 65th birthday will be pro-rated on the basis of the remaining balance as at 31 December in the same year during the comparison.

**Question 2: When will Administrator perform the crystallisation for a member?**

Answer: At end of each year, starting in 2016, the Administrator will perform the crystallisation for members' investment in the Guaranteed Fund if they have reached 65 and have investment in the Guaranteed Fund on 31 December of that year.

**Question 3: After the crystallisation, will Administrator send me the guarantee amount by cheque?**

Answer: No, after the crystallisation, you will receive the Guarantee in form of equivalent fund units of the Guaranteed Fund to reinvest in the Guaranteed Fund.

**Question 4: How does Administrator calculate the Crystallised Amount?**

Answer: The Actual Balance and the Guaranteed Balance as at 31 December of the year in which the member reaches 65 will be compared and the greater balance will become the member's Actual Balance from 1 January in the following year.

When calculating the Actual Balance on 1 January in the following year, the Administrator will also take into account the Actual Balance and the Guaranteed Balance as at the member's 65th birthday. If the Actual Balance as at the 65th birthday was higher than the Guaranteed Balance as at the 65th birthday and both the Actual Balance and the Guaranteed Balance as at 31 December, the Actual Balance as at the 65th birthday will be deemed to be the Actual Balance from 1 January in the following year.

If members switch or withdraw part of their investment out of the Guaranteed Fund between their 65th birthday and 31 December of the same year, the Actual Balance and the Guaranteed Balance on their 65th birthday will be pro-rated on the basis of the remaining balance as at 31 December of the same year during the comparison.

**Question 5: Will I still be entitled to the Guarantee after crystallisation?**

Answer: No, after the account balance in your Guaranteed Fund has been crystallised, the Guarantee will no longer apply to you if you still have investment in the Guaranteed Fund.

**Question 6: Will I still need to pay guarantee charge after crystallisation?**

Answer: Yes, after crystallisation, all fees and charges, including the guarantee charge will continue to apply to any investment in the Guarantee Fund, but the guarantee charge will be rebated to you on a monthly basis in arrears to your account in form of equivalent fund units.

**Question 7: Why will Administrator still collect the guarantee charge from me after the crystallisation of my Guaranteed Fund investment and rebate the guarantee charge to me monthly? Wouldn't it be simpler if Administrator just stopped collecting the guarantee charge from me?**

Answer: As the management fees and guaranteed charge of the Guaranteed Fund are deducted from the assets of the fund, the Administrator cannot stop collecting the guarantee charge from an individual investor. Therefore, if you still have any investment in the Guaranteed Fund after crystallisation, the Administrator will rebate the guarantee charge in form of equivalent fund units to you monthly thereafter.

**Question 8: What is the difference between my investment in the Guaranteed Fund before and after crystallisation?**

Answer: No further Guarantee will apply to you if you still have investment in the Guaranteed Fund after crystallisation. The guarantee charge applied to you will thereafter be rebated to you in form of fund units monthly. Your Crystallised Amount will become the Actual Balance in the Guaranteed Fund starting from 1 January in the following year after crystallisation. Please note that the value of Actual Balance is subject to market fluctuations and investment risks, and may go down as well as up.

**Question 9: Can I refuse the crystallisation of my investment in the Guaranteed Fund?**

Answer: No, but you can switch your investment in the Guaranteed Fund to other constituent funds anytime or withdraw any MPF accrued benefits you need after your 65th birthday and before 31 December of the same year, before the crystallisation is complete. You will still be entitled to the Guarantee if you withdraw your MPF accrued benefits under the Guarantee Conditions.

**Question 10: Can I still invest in the Guaranteed Fund after the crystallisation?**

Answer: Yes, you can invest your accrued benefits to any of the constituent funds, including the Guaranteed Fund, in the MPF scheme you are in. However, please note that no further Guarantee will apply to your investment in the Guaranteed Fund after crystallisation; the guarantee charge applied to you thereafter will be rebated to you monthly. Your Crystallised Amount will become the Actual Balance in the Guaranteed Fund starting from 1 January in the year following after crystallisation. It is important to note that the value of Actual Balance is subject to market fluctuations and investment risks, and may go down as well as up.

**Question 11: Will there be any members not eligible for crystallisation?**

Answer: Crystallisation will not apply to (a) any member whose age is over 65 as of 1 February 2016, or (b) any member who claims benefits on the ground of reaching early retirement date and elects for payment of benefits in instalments until 31 December in the year in which the member reaches 65.

These members will be treated in the same manner as other members invested in the Guaranteed Fund, and they will continue to be subject to the guarantee charge for their investment in the Guaranteed Fund.

**Question 12: If I have submitted instructions for the withdrawal of my MPF accrued benefits close to the end of the year in which I reached 65 and the withdrawal instruction is processed after 31 December, will my Guarantee be calculated to the end of the year in which I turned 65 or the processing date of my withdrawal?**

Answer: As the withdrawal of your MPF accrual benefits would not be processed by 31 December, you would be deemed to be investing in the Guaranteed Fund on that day, so the crystallisation for your investment in the Guaranteed Fund would be performed on 31 December. No further Guarantee would apply to your investment in the Guaranteed Fund starting from 1 January in the following year. However, the guarantee charge collected from your investment in the Guaranteed Fund from 1 January in the following year to the processing date of your withdrawal instructions would be rebated to you.

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