

HSBC REDCOIN TERMS

These terms are issued by The Hongkong and Shanghai Banking Corporation Limited of 1 Queen's Road Central, Hong Kong, (1) holder of a licence number FRS02 granted under the Stablecoins Ordinance; and (2) a registered institution under the Securities and Futures Ordinance ("**SFO**") with central entity number AAA523, and its successors and assigns ("**HSBC**", "**we**" or "**us**"). You agree to be bound by the terms and conditions in this document.

These terms should be read together with the:

- Fee Schedule - you will find details of all applicable fees in our Fee Schedule, which is available online;
- PayMe by HSBC Terms (the **PayMe Terms**) (applicable to PayMe users); and
- Online and Mobile Banking Terms (applicable to HSBC mobile banking application users).

The above documents together form your agreement with us. In case of conflicts, these terms should prevail in relation to HSBC RedCoin and its related services and products. Unless otherwise specified, if you find any discrepancy or inconsistency between the English version and the Chinese version of these terms, the English version prevails.

Other documents referred to in these terms (including the Data Privacy Notice, white paper, website disclosures, policies and FAQs) do not form part of your agreement with us unless otherwise expressly indicated.

You should also read the Data Privacy Notice relating to the Personal Data (Privacy) Ordinance, which can be found at <https://www.hsbc.com.hk/misc/data-privacy-notice>. This notice explains how we collect, store, use and share your data. You should also consider any other applicable terms of a Permitted Channel (as defined below).

USING HSBC REDCOIN

1. ABOUT HSBC REDCOIN

1.1 What is HSBC RedCoin

HSBC RedCoin is a HKD denominated stablecoin issued by us on a blockchain. It is pegged to HKD and fully backed by reserve assets held under a trust arrangement. A holder of a HSBC RedCoin can use it for payments and transfers subject to these terms and other applicable terms. HSBC RedCoin is regulated under the Stablecoins Ordinance (Cap. 656, Laws of Hong Kong) and HSBC is licensed by the Hong Kong Monetary Authority to issue specified stablecoins in Hong Kong.

For details, please also refer to the HSBC RedCoin white paper published on our website.

1.2 Who can offer HSBC RedCoin

HSBC RedCoin is offered to you by HSBC acting a registered institution ("**distributor**") and made available through permitted channels, which include the PayMe application and the Mobile Banking

application (each a “**HSBC Channel**”) or any other channels as notified to you by HSBC from time to time (together with the HSBC Channels, the “**Permitted Channel**”).

1.3 **How can you use HSBC RedCoin**

Through a Permitted Channel, you can buy, sell (i.e. redeem), hold, and transfer HSBC RedCoin in your wallet. The wallet provided to you in the HSBC Channels is referred to as your “**HSBC Coin Wallet**”. Currently:

- (a) on PayMe application, you can transfer HSBC RedCoin to a recipient who holds a HSBC Coin Wallet on their PayMe application (and vice versa), and use them to make payments through available channels as announced by HSBC from time to time. Please refer to section on “Payments and Transfers” below for detailed terms on transfer;
- (b) on Mobile Banking application, you can only use HSBC RedCoin to facilitate the subscription of certain tokenised investment products as announced by HSBC from time to time and subject to the terms and conditions of the respective products and services; and
- (c) transfers across different Permitted Channels are not supported, i.e. you will not be able to transfer HSBC RedCoin between your HSBC Coin Wallets on different Permitted Channels (for example, from your PayMe application to your Mobile Banking application, or vice versa).

The Mobile Banking application and the PayMe application are provided by HSBC, which is regulated and authorised to carry out banking and stored value facility-related activities in Hong Kong. If you use these applications outside of Hong Kong, we may not be authorised to offer or provide you with certain products and services, including but not limited to, the HSBC Coin Wallet and HSBC RedCoin, where they are not permitted by the law or regulation of the jurisdiction you are located or resident in.

1.4 **How are your HSBC RedCoin held**

All HSBC RedCoin in the HSBC Channels are held by HSBC (as custodian appointed by the distributor) on behalf of its holders in an omnibus wallet, with each customer's entitlement recorded individually on the respective HSBC Channel's ledger. Your entitlement to HSBC RedCoin will be reflected in your HSBC Coin Wallet and, for the avoidance of doubt, your HSBC RedCoin are not actually held or custodied within the HSBC Coin Wallet. Details of the custody arrangements of your HSBC RedCoin are set out in Section 16 below.

1.5 **What are the HSBC RedCoin backed by**

We will hold under a trust arrangement a “reserve” of money and other assets (as permitted by the Stablecoins Ordinance) with a value at least equal to the par value of the HSBC RedCoin in issue (“**Reserve Assets Pool**”). HSBC Institutional Trust Services (Asia) Limited is appointed as the trustee (“**Trustee**”) and HSBC is the custodian of the Reserve Assets Pool. This means the Trustee holds the Reserve Assets Pool in an account in its name but you and other HSBC RedCoin holders will be the beneficial owners of the Reserve Assets Pool, to the value of the HSBC RedCoin you each hold. HSBC (as issuer) has the right to manage such Reserve Assets Pool and is entitled to any income arising from the management of Reserve Assets Pool, including but not limited to interest payments or capital gains, and will bear any losses. HSBC (as issuer) will from time to time transfer out any excess from the Reserve Assets Pool. Please refer to the separate disclosure made by us on the management of the Reserve Assets Pool of HSBC RedCoin, the composition and market value of the Reserve Assets Pool and the independent attestation results available on our

website. In the event of HSBC's insolvency as custodian of the reserve assets, the Trustee would have an unsecured contractual claim against HSBC as custodian of the reserve assets over cash and a proprietary claim over other non-cash reserve assets.

You, as a HSBC RedCoin holder, have the right to redeem the HSBC RedCoin at par value. Details of redemption are set out in Section 6 below.

1.6 **Your rights if HSBC becomes insolvent**

In the event of the insolvency of HSBC, you have the right to:

- (a) direct the Trustee to dispose of the Reserve Assets Pool for the purpose of redeeming all outstanding HSBC RedCoin on a pro rata basis; and
- (b) claim against HSBC (as issuer) for any shortfall if the proceeds from the disposal of the Reserve Assets Pool are insufficient to redeem all the outstanding HSBC RedCoin in full.

1.7 **Not a bank account**

- (a) Neither the HSBC RedCoin nor your HSBC Coin Wallet is a bank account.
- (b) We won't pay interest on the value of your HSBC RedCoin.
- (c) Neither the value of your HSBC RedCoin nor any pending transactions are a protected deposit or protected by the Deposit Protection Scheme in Hong Kong.

2. **SUITABILITY**

2.1 **When we solicit a sale or recommend**

If HSBC (as distributor) solicit the sale of or recommend HSBC RedCoin to you, HSBC RedCoin must be reasonably suitable for you, having regard to your financial situation, investment experience and investment objectives ("**Customer Financial Information**"). No other provision of these terms or any other document we may ask you to sign, and no statement we may ask you to make, derogates from this clause.

We don't otherwise owe you a duty to exercise judgment as to the merits of any purchase or sale involving HSBC RedCoin.

You may buy or sell even if:

- (a) it's not based on our recommendation; or
- (b) it goes against our recommendation.

If you buy or sell HSBC RedCoin without or inconsistent with any solicitation or recommendation from us, we will not have any obligation or duty to assess whether or ensure that HSBC RedCoin are suitable for you.

You acknowledge and agree that it is your sole responsibility to assess and to satisfy yourself that any transaction involving HSBC RedCoin is appropriate for you.

2.2 **Keep your information up to date**

When you buy or sell HSBC RedCoin, you confirm any information you give us is complete, accurate and up to date. This includes your Customer Financial Information. When we assess suitability, we'll rely on your confirmation. Without prejudice any other section of these terms, we are not liable for any loss (indirect or consequential loss), cost or damage of any kind incurred or suffered by you or any other person arising from or in connection with you failing to give us complete, accurate and up-to-date information we request to discharge our legal or regulatory duties, including your Customer Financial Information.

2.3 **Before you transact**

Before you buy, sell or transfer HSBC RedCoin, you should:

- (a) consider your own circumstances and understand the features, terms and risks of HSBC RedCoin;
- (b) contact us if you have any questions about HSBC RedCoin;
- (c) note that we don't have any ongoing responsibility to ensure HSBC RedCoin we've solicited the sale of or recommended to you remain suitable for you;
- (d) note that HSBC RedCoin may no longer be suitable for you if circumstances relating to the following change: (i) you; (ii) HSBC RedCoin; (iii) HSBC as issuer; or (iv) general market conditions; and
- (e) ensure that:
 - (i) you are allowed to buy, sell or transfer (as the case may be) HSBC RedCoin under all applicable laws and regulations that apply in the relevant jurisdictions, including the jurisdiction where you're located, domiciled, resident or a national; and
 - (ii) in the case of a purchase, you've received and read the white paper and related disclosures for HSBC RedCoin. You should ensure that you fully understand and accept the terms of the purchase, including the features, structure and obligations relating to HSBC RedCoin, the associated risks, and (if any) associated fees, charges, expenses and commissions.

3. **ISSUANCE OF HSBC REDCOIN AND HOW YOU MAY BUY HSBC REDCOIN**

HSBC (as issuer) from time to time issues HSBC RedCoin and such HSBC RedCoin are offered to you through a Permitted Channel.

3.1 **How to buy HSBC RedCoin**

To buy a HSBC RedCoin, you must have opened a wallet in a Permitted Channel for HSBC RedCoin (e.g. the HSBC Coin Wallet) and submitted a request through a Permitted Channel.

To open an HSBC Coin Wallet on an HSBC Channel, you must meet the eligibility criteria as determined by HSBC from time to time. You will need to download the application for the HSBC Channel, open a wallet (for PayMe) or account (for the Mobile Banking application) in accordance with the terms of the relevant HSBC Channel and then successfully open an HSBC Coin Wallet

through the HSBC Channel. HSBC has sole discretion to decide if you are eligible for an HSBC Coin Wallet.

If you have successfully opened an HSBC Coin Wallet, you may submit a request to buy HSBC RedCoin on the HSBC Channel. You may do so by converting the HKD balance in your HKD wallet or account on the HSBC Channel to HSBC RedCoin. For example, to load your HSBC Coin Wallet with 1 HSBC RedCoin, we will debit HKD1 from your HKD wallet or account on the HSBC Channel.

We will act on your request as soon as reasonably practicable after we receive it. If we are unable to act on the request for any reason, we have the right to delay acting, or not to act on your request, and we will notify you. This may happen, for example, if there is strong demand and our issuing channels can't issue HSBC RedCoin at that time, or for other reasons beyond our reasonable control. If this happens, we may decline your request to buy HSBC RedCoin and/or your instructions to effect a transaction involving HSBC RedCoin. We are not liable for any loss or expense suffered or incurred by you arising from or in connection with our inability or delay in acting on your request to buy HSBC RedCoin(s).

If we accept your request, you will receive HSBC RedCoin(s) of your requested value (subject to any limits we may impose) and you will pay for the HSBC RedCoin(s) in accordance with the terms of the HSBC Channel.

PAYMENTS AND TRANSFERS

4. SENDING AND RECEIVING HSBC REDCOIN

Subject to Section 1.3, you may send and receive HSBC RedCoin to and from other persons on Permitted Channels as announced by HSBC from time to time. When we record the transfer on HSBC Channel's ledger, it takes effect immediately. At that point, your ownership of the relevant HSBC RedCoin passes to the recipient. For HSBC Channels, the terms of such transfer are also governed by the terms of the corresponding HSBC Channel. Please refer to the terms of the HSBC Channel and FAQs issued by HSBC, which are available on the HSBC Channel and our website.

5. PAYMENT USING HSBC REDCOIN

Subject to Section 1.3, you may also choose to use your HSBC RedCoin to settle payments to third parties for transactions (such as payments for goods and services) or invest with HSBC to the extent permissible on the HSBC Channel. Please also refer to the terms of the corresponding HSBC Channel for the relevant permissible transaction. The HSBC RedCoin may not be available as a means of payment in some of the functions or features on the HSBC Channel.

5.1 How to pay with HSBC RedCoin

If the third party recipient receives HSBC RedCoin, your payment will be effected as a transfer of HSBC RedCoin from your HSBC Coin Wallet according to the terms in Section 4 above.

5.2 How to use HSBC RedCoin for payment in cash

If the third party recipient requires payment in cash (instead of HSBC RedCoin), your HSBC RedCoin will be converted to cash for payment to the third party. We'll convert the required amount of HSBC RedCoin into HKD (or the relevant payment currency) before we complete the payment. To do so, you are in effect redeeming your HSBC RedCoin (see Section 6 for terms of redemption).

Please note that a cut-off time may apply for certain payments. Please refer to the terms of the HSBC Channel and FAQs issued by HSBC from time to time on the HSBC Channel and our website.

5.3 How to use HSBC RedCoin to invest

Where supported, you may use HSBC RedCoin to invest with HSBC. For details, please refer to the terms and conditions of the respective products and services.

5.4 Insufficient HSBC RedCoin

If you don't have enough HSBC RedCoin in your HSBC Coin Wallet to complete the payment, we will decline it or ask you to top up the shortfall. Please refer to the terms of the HSBC Channel and FAQs issued from time to time on the HSBC Channel and our website.

6. REDEEMING HSBC REDCOIN

6.1 You may make a request for redemption of your HSBC RedCoin on a Permitted Channel, which can be considered as selling the HSBC RedCoin back to HSBC (as issuer). In doing so, you will receive HKD in the amount equivalent to the par value of the HSBC RedCoin. You may make this request to sell via the Permitted Channel and your redemption request will be valid if it satisfies all applicable conditions as may be specified by HSBC from time to time.

6.2 Upon receipt of a valid request from you, we will process your request instantaneously (and in any case within one business day) by deducting the HSBC RedCoin equivalent to the redemption amount you specify from your HSBC Coin Wallet and crediting the same amount of HKD balance to your HKD wallet or account on the same Permitted Channel after deducting relevant fees (where applicable). This means that you will no longer hold the HSBC RedCoin. Please refer to the separate disclosure made by us on the detailed procedure of redemption, including the related fees, applicable conditions for exercising the right of redemption and the redemption mechanism and procedures etc. available on our website.

7. CANCELLING OR CHANGING A PAYMENT OR TRANSFER

Unless otherwise specified, the buying, selling, transfer and payment involving HSBC RedCoin are usually processed instantaneously (and in any case within one business day) so you may not be able to cancel or change a payment or transfer after submitting your instructions on the Permitted Channel. We are not under an obligation to act on an instruction to cancel or amend a transaction made by you. We may have fully executed the earlier instructions or we may have insufficient time or we may be unable to cancel or amend an unexecuted or partly executed transaction for any other reason. We are not liable for any loss or expense suffered or incurred by you arising from or in connection with our acting on the earlier instructions you provided.

If you have a disagreement with a person you've sent HSBC RedCoin to, you must raise it with them directly.

8. DELAYING, STOPPING OR RETURNING A TRANSACTION

We will only execute a transaction for you (including a request to buy, sell (i.e. redeem), transfer or pay with HSBC RedCoin) if there are sufficient HKD in your HKD wallet or account, or sufficient HSBC RedCoin in your HSBC Coin Wallet (as applicable), on the relevant Permitted Channel to cover that transaction.

We can refuse to process, stop or delay a transaction including a request to buy, sell, transfer or pay with HSBC RedCoin in or out of your HSBC Coin Wallet if:

- (a) we receive instructions that are incorrect or incomplete
- (b) it exceeds a particular limit, including one related to the wallet or account on the Permitted Channel
- (c) we reasonably suspect fraudulent, illegal, unauthorised or criminal activities
- (d) we reasonably believe that, if we don't, we or any other HSBC group member could be acting outside a law, regulation, court order or an agreement or guidance from a government, regulator or law enforcement agency, or
- (e) there are circumstances beyond our reasonable control, such as a hard fork on the blockchain, equipment or power failure, a strike, or a natural disaster.

We can also return the transfer to the sender if we reasonably believe that the transfer was credited in error or made as a result of fraud or mistake. If there aren't enough HSBC RedCoin in your HSBC Coin Wallet for us to return the transfer, we may return it and then recover the amount from you, including through debiting the relevant amount from your HKD wallet or account on the corresponding Permitted Channel. Our right to carry out these acts will not be limited or reduced by your death or legal incapacity.

We're not responsible for any losses this may cause you, except to the extent such losses are direct and reasonably foreseeable arising directly and solely from our negligence or wilful default (or the negligence or wilful default of our agents, nominees, officers or employees).

INFORMATION ABOUT YOU AND YOUR TRANSACTIONS

9. GETTING INFORMATION

You can check your balance and get information about your transactions at any time on the Permitted Channel. Please note that there may be instances where the balance may not be available on the Permitted Channel. To the extent a HSBC Channel is concerned, please contact us directly.

We may also contact you to let you know that we've received instructions from you, we've sent a transfer from your HSBC Coin Wallet or that you've received a transfer of HSBC RedCoin.

We'll normally contact you through the Permitted Channel or using the email address or phone number provided by you on the Permitted Channel.

Remember: Update your profile if your contact details change.

10. REVIEWING YOUR PAYMENT HISTORY

Check your HSBC Coin Wallet transactions regularly on the HSBC Channel and let us know straight away if you think there are any errors or transfers that you don't recognise.

If you don't let us know within 90 days after the transaction, we may be unable to take any action in relation to that error or unauthorised transfer.

FEES AND EXPENSES

11. FEES

All applicable fees are set out in our Fee Schedule which you'll find on our website. There may also be fees for things that aren't specific to your HSBC Coin Wallet (like if you ask us for a copy of historical data) - these will also be set out in our Fee Schedule on our website.

12. EXPENSES

You are required to pay all costs and expenses of reasonable amounts and reasonably incurred by us in connection with the services which we may provide or procure in relation to your HSBC Coin Wallet or HSBC RedCoin.

SUSPENSION, END AND CHANGES

13. SUSPENDING OR ENDING YOUR ACCESS TO YOUR HSBC COIN WALLET OR HSBC REDCOIN

13.1 We can suspend or end your access to your HSBC Coin Wallet or HSBC RedCoin with or without telling you in advance or giving a reason. We can suspend or end your access immediately without telling you first if

- (a) any one of your wallets or accounts on the HSBC Channel is suspended or terminated
- (b) we have requested information from you, but you haven't given it to us within a reasonable period of time
- (c) you gave us incorrect or misleading information
- (d) we reasonably suspect fraudulent, illegal, unauthorised or criminal activities
- (e) you've used your HSBC Coin Wallet or HSBC RedCoin in a way that is disruptive, abusive or annoying to other users
- (f) we have concerns about the security of your HSBC Coin Wallet or HSBC RedCoin (such as a suspected misuse of your security details)
- (g) you haven't paid us any amount that you owe after a reasonable period
- (h) we reasonably believe that if we don't it could expose us or another HSBC group member to action or censure from any government, regulator or law enforcement agency
- (i) you've put us in a position where we or another HSBC group member could be acting outside a law, regulation, court order or an agreement with or guidance from a government, regulator or law enforcement agency
- (j) we reasonably believe that you haven't complied with these terms
- (k) we believe that it's important as part of our fight against financial crime
- (l) we are made aware of your death or mental incapacity, or bankruptcy proceedings or similar process having been commenced against you

- 13.2 You won't be able to use your HSBC Coin Wallet to make transactions while it is suspended.
- 13.3 If we suspend your access to the HSBC Channel or to your wallets or accounts on the HSBC Channel under the terms of the HSBC Channel, this will automatically suspend your access to your HSBC Coin Wallet and your ability to buy or sell (i.e. redeem) HSBC RedCoin (each to the extent permitted by law).
- 13.4 We can't guarantee that you'll always be able to access or make transfers using your HSBC Coin Wallet. For example, you may not be able to use it while you're in certain jurisdictions or because of technical issues or circumstances beyond our control.
- 13.5 We won't be responsible for any losses you may suffer from the suspension or termination of your access to your HSBC Coin Wallet or HSBC RedCoin.
- 13.6 When your HSBC Coin Wallet or HSBC RedCoin access ends:
- (a) we'll redeem your HSBC RedCoin by deducting the HSBC RedCoin equivalent to the redemption amount from your HSBC Coin Wallet and return the same amount of HKD balance to you after deducting relevant fees (where applicable).
 - (b) all benefits associated with HSBC RedCoin will end
 - (c) we will close your HSBC Coin Wallet; and
 - (d) you will continue to be responsible for all transfers and activities linked to your HSBC Coin Wallet conducted before its closure. The terms under this section 'SUSPENSION, END AND CHANGES' and the section 'GENERAL LEGAL TERMS' will survive the end of your access to your HSBC Coin Wallet or HSBC RedCoin.

14. WHEN WE MAY CHANGE THINGS

14.1 Changing our terms

Except for terms relating to HSBC's capacities in connection with HSBC RedCoin and the custody arrangements of HSBC RedCoin and the Reserve Assets Pool, we may change these terms at any time by notice. You will be bound by a change unless (i) we have received notice from you to close your HSBC Coin Wallet or (ii) we have closed your HSBC Coin Wallet, to take effect before the date on which that change takes effect. We can't predict all of the reasons why we may make a change, but the most common reasons are:

- (a) changes in laws or regulations;
- (b) decisions we have to follow (such as by a court) or new industry guidelines or codes of practice;
- (c) changes to our business such as technology or the systems, services or facilities we use.

14.2 Changing HSBC Coin Wallet or HSBC RedCoin

We may sometimes make changes to the features of HSBC Coin Wallet or HSBC RedCoin and we may not tell you before we do this.

14.3 **Delay in exercising our rights**

Sometimes we may not enforce our rights right away, it doesn't mean we won't do it later or in similar situations. For any waiver to be valid, we must confirm it in writing, and it will only apply to the specific occasion or matter we have expressly mentioned in that written notice.

14.4 **Partial invalidity**

If any provision of these terms is or becomes illegal, invalid or unenforceable, such illegality, invalidity or unenforceability does not affect any other provision or term which remains in full force, validity and effect.

14.5 **Transferring our rights**

We may at any time assign or transfer any or all of our rights and obligations to any person without your agreement.

15. **DETAILS OF THE BLOCKCHAIN**

HSBC RedCoin is issued as **an ERC-20 token** on the permissioned Hyperledger Besu blockchain. Only allowlisted participant nodes can join the network. Participation, transaction viewing, and submission are restricted to authorised persons/entities. HSBC RedCoin holders can purchase, transfer, and redeem the HSBC RedCoin via Permitted Channels only. The issuance is carried out via smart contracts operating across the blockchain, ensuring the immutability of recorded data while automating predefined transactions and business logic through code.

The network will use the QBFT (Quorum Byzantine Fault Tolerance) consensus protocol (with Besu also supporting IBFT2 (Istanbul Byzantine Fault Tolerance 2.0), Clique and Ethash), where each validator node takes turns proposing blocks in a round-robin manner.

16. **CUSTODY OF YOUR HSBC REDCOIN**

Acting as distributor, HSBC appoints the custodian to hold HSBC RedCoin on trust for all HSBC RedCoin holders. HSBC acting as custodian holds all HSBC RedCoin under an omnibus arrangement ("**Omnibus Wallet**") designated for safekeeping of HSBC RedCoin, but HSBC (as distributor) will maintain internal records to identify your entitlement. You retain ownership in your HSBC RedCoin. The private key of the Omnibus Wallet will be retained by HSBC (in its capacity as custodian of the HSBC RedCoin). HSBC will not transfer, lend, pledge, re-pledge, create any encumbrance over, or otherwise use your HSBC RedCoin except with your instructions, including those in relation to transfer and redemption, or as required by law. Unless otherwise expressly indicated, references to HSBC in this Section 16 refer to HSBC as custodian of your HSBC RedCoin (and any sub-custodian it engages).

You acknowledge that:

- (a) the records of HSBC will indicate that the HSBC RedCoin (once issued to the HSBC RedCoin holder(s)) do not belong to HSBC (in any capacity) or any other client of HSBC and are segregated on HSBC's books and records from the assets of HSBC and its other clients;
- (b) your HSBC RedCoin in the Omnibus Wallet shall be segregated from the proprietary assets of HSBC (in any capacity);

- (c) your HSBC RedCoin in the Omnibus Wallet will be commingled with HSBC RedCoin of other HSBC RedCoin holders. HSBC will record your holding of HSBC RedCoin on its books and records;
- (d) your right of ownership of the HSBC RedCoin is described in this Section 16 and shall be determined by applicable laws and regulations;
- (e) HSBC maintains insurance to cover the potential compensation owed to clients should a loss of HSBC RedCoin in the Omnibus Wallet arise from, amongst other things, security incidents or deliberate acts including misappropriation, theft or fraud and accidental loss (whether or not as a result of HSBC's acts, errors, omissions, or gross negligence). The insurance maintained by HSBC may not be sufficient to cover all losses incurred by you;
- (f) the underlying software of the HSBC RedCoin is subject to network events, including airdrops, protocol upgrades, governance votes, smart contract changes, chain reorganisations, validator failures, or other events outside HSBC's control. Such events may materially affect the value, function, and/or even the name of the HSBC RedCoin;
- (g) HSBC RedCoin are held by HSBC as custodian in an Omnibus Wallet on a commingled basis, with each holder's entitlement recorded in HSBC's internal records. As virtual assets, HSBC RedCoin may not enjoy the same protection as that conferred on "client securities" and "securities collateral" under the SFO and the Securities and Futures (Client Securities) Rules (Cap. 571H);
- (h) omnibus or commingled custody arrangements may involve operational, legal, reconciliation, insolvency, and allocation risks, including risks arising from shortfalls, transaction errors, cybersecurity incidents, network events, or the insolvency of a service provider. HSBC will maintain controls and records designed to mitigate these risks and to support identification of each client's entitlement; and
- (i) HSBC acts in more than one capacity in connection with HSBC RedCoin, including as issuer, as distributor and as custodian of your HSBC RedCoin, and different risks may arise from each capacity. In the event of insolvency of HSBC, you have a proprietary right over your HSBC RedCoin given that HSBC, as custodian appointed by the distributor, holds HSBC RedCoin on trust for you, and so you may exercise the right under Section 1.6 above. However, your beneficial ownership of HSBC RedCoin does not protect you against the risk of HSBC's insolvency as issuer. Please also refer to Section 17.1(a) below for details. Separately, situations can arise where HSBC's interests, or those of its staff, conflict with your interests or where your interests compete with those of HSBC's other clients. HSBC will make available to you a description of its Conflicts of Interest Policy on our website (<http://www.gbm.hsbc.com/financial-regulation/market-structure/mifid/policies-disclosures>).

17. RISK DISCLOSURES

This section provides you with a summary of certain risks you should consider when deciding whether to purchase, hold or redeem HSBC RedCoin. By purchasing, holding and/or redeeming HSBC RedCoin, you acknowledge that you have read and understand the relevant risks. You should not purchase, hold or redeem HSBC RedCoin unless you understand the relevant risks.

This section discusses some of the principal risks of HSBC RedCoin, but it does not and cannot describe every risk or consideration associated with HSBC RedCoin.

17.1 Issuer-related risks

The issuer-related risks associated with HSBC RedCoin include, but are not limited to:

- (a) **Insolvency Risk:** If HSBC becomes insolvent or subject to a resolution, or defaults on its obligations for the HSBC RedCoin, your purchase, transfer and/or sale of the HSBC RedCoin will be delayed or affected. Material adverse changes in the financial condition of HSBC may impact or affect the ability of HSBC to meet its obligations in relation to the HSBC RedCoin. You have the rights set out in Section 1.6 above, and your right to claim against HSBC (as issuer) for any shortfall under Section 1.6(b) is an unsecured debt claim.
- (b) **Liquidity Risk:** If HSBC faces difficulties in liquidating reserve assets, caused by the nature thereof or adverse financial impacts i.e. the fluctuations in interest rates, foreign exchange rates, credit spreads, and other factors, this may result in delays or failure to fulfil all redemption requests within a given timeframe, particularly when there is exceptionally high demand for redemption of HSBC RedCoin.
- (c) **Compliance Risk:** HSBC may face compliance risks relating to the regulatory requirements pertaining to anti-money laundering and counter-terrorism financing, data privacy laws and any other applicable laws and regulations.
- (d) **Legal and Regulatory Risk:** due to its global presence, HSBC's operations may be impacted by legislative and regulatory changes in Hong Kong and other jurisdictions.
- (e) **Personal Data Risk:** In the event of a personal data breach, there is a risk of accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to the personal data of the HSBC RedCoin holders.
- (f) **Operational Risk:** The business continuity and efficient operation of HSBC RedCoin rely on robust internal control systems. Failure or disruptions, system breakdowns and deficiencies in internal control mechanisms may negatively impact the issuance and redemption of HSBC RedCoin.

17.2 Token-related risks

The token-related risks associated with HSBC RedCoin include, but are not limited to:

- (a) **Not interest bearing:** HSBC RedCoin does not provide yield or interest.
- (b) **Under-Collateralization Risk:** While the reserve backing for HSBC RedCoin is intended to be maintained on an over-collateralized basis, there remains a risk, in certain circumstances such as fraud, mismanagement of reserves, malicious activities, or financial manipulation, that the reserve value of assets backing HSBC RedCoin may fall below the outstanding quantity of HSBC RedCoin, rendering it insufficient to meet redemption obligations to the HSBC RedCoin holders.
- (c) **Scam Risk:** There is a risk that HSBC RedCoin holders may suffer a loss resulting from a scam or fraud perpetrated by other malicious actors. These scams include, but are not limited to, social engineering, phishing on social networks or by email, fake giveaways, identity theft of HSBC or its executive members, creation of fake HSBC RedCoin tokens etc.

17.3 **Technology-related risks**

The technology-related risks associated with HSBC RedCoin include, but are not limited to:

- (a) **Smart Contract Technology Risk:** HSBC RedCoin is built based on blockchain technology and relies on smart contracts to administer transactions. These contracts are embedded in the blockchain and automatically execute actions in accordance with predefined terms. Vulnerabilities or design flaws in the contract code could result in financial losses for purchasers/holders or unauthorised token issuance, and other unintended consequences. Remediation efforts, including upgrades or repair, may introduce new vulnerabilities or cause business disruptions.
- (b) **Critical Infrastructure Stability Risk:** The operational environment for HSBC RedCoin relies on infrastructure as the technical foundation supporting the underlying blockchain. Technical flaws in any of the components may lead to systemic risks, such as abnormal token issuance, theft of user funds, or disruptions to on-chain services.
- (c) **Blockchain Network Interruption Risk:** Regional service outages, resource misconfigurations, malicious attacks on the cloud platform, or operational failures may cause node downtime or disconnection, transaction delays or backlogs, or data loss. These events can directly impact the finality and censorship resistance of on-chain transactions.

17.4 **Market-related risk**

- (a) Although the stablecoin is fully backed, the assets held in trust may still carry market risk, e.g. if backing instruments are exposed to interest rate volatility, credit quality deterioration, or valuation swings under stress. Any erosion in the perceived safety of backing assets could weaken confidence in the token's stability.

18. **LIMITATION OF OUR LIABILITY**

Providing the HSBC Coin Wallet and the services relating to HSBC RedCoin to you does not make us your trustee or investment adviser. We have no trust or other obligations in respect of your moneys or assets other than those expressly specified in these terms. Where we provide custodian services relating to the HSBC RedCoin, notwithstanding any other provisions contained in these terms or any other arrangements you have with us, you acknowledge that (i) such services provided by us do not constitute a fiduciary relationship between you and us, and (ii) we shall, in no circumstances, be required to undertake any action that could possibly characterise us as a fiduciary to you.

We are not liable for any loss, cost or damage of any kind incurred or suffered by you or any other person as a result of any interruption, delay or failure (whether total or partial) in providing any of the services in connection with the HSBC RedCoin or our equipment or facilities to you or performing our duties and obligations in respect of the such services to the extent that it is attributable to any cause or circumstance that is beyond our reasonable control or the reasonable control of our agents or nominees. In no circumstances will we be responsible to you or any other person for any loss of profit or interest, indirect or consequential loss arising from or in connection with our providing, or failure or delay in providing, the services in connection with the HSBC RedCoin.

19. YOUR INDEMNITY

Except as set out in the paragraph below, you will indemnify and reimburse (i) us, (ii) our agents and nominees, and (iii) our officers and employees and that of our agents or nominees for all actions, proceedings and claims which may be brought by or against us or them, and for all losses, damages and reasonable costs and expenses which we or they may incur or suffer as a result of or in connection with the following (or any of them):

- (a) your use of the HSBC Channel and HSBC RedCoin or our provision of the related services to you, maintaining the HSBC Coin Wallet for you, or effecting any transactions for or with you;
- (b) our decision not to process any instruction or our delay or failure to act on an instruction in part or in full for any reason;
- (c) any default by you in performing your obligations under these terms or applicable laws and regulations relating to your HSBC Coin Wallet or HSBC RedCoin;
- (d) the preservation or enforcement of our rights or exercise of our powers in connection with the services in relation to HSBC RedCoin; and
- (e) your failure to provide complete, accurate and up-to-date information requested by us in discharging our regulatory or legal duties, including your Customer Financial Information.

This indemnity shall continue after the termination of the HSBC Coin Wallet or these Terms and Conditions.

If it is proved that any actions, proceedings, claims, losses, damages or amounts set out in this Section 19 were caused by negligence or wilful default of (i) ours, (ii) our agents or nominees, or (iii) our officers or employees or that of our agents or nominees, then you are not liable under this section to the extent that it is direct and reasonably foreseeable arising directly and solely from such negligence or wilful default.

20. SECURITY

You are required to keep your security details secret, protect your mobile device from unauthorised access, and follow all reasonable precautions to prevent misuse of your HSBC Coin Wallet and the Permitted Channels. If you believe your wallet, device, or security details have been compromised, notify us immediately, as you remain responsible for any transactions until you do so. You should also comply with all applicable terms of the Permitted Channel at all times.

21. GENERAL LEGAL TERMS

Financial Crime Risk Management Activity means any action to meet compliance obligations relating to or in connection with the detection, investigation and prevention of financial crime that we or any other HSBC group member may take. It may lead to the delay, blocking or refusal of the making or clearing of any payment, the processing of your instructions or the provision of services. Neither we nor any other HSBC group member is responsible to you or any third party in respect of any loss for Financial Crime Risk Management Activity.

No person other than you and us will have any right under the Contracts (Rights of Third Parties) Ordinance to enforce or enjoy the benefit of any of these terms.

We hope that we can always resolve issues ourselves but if we do ever need a court to settle a dispute between us, the laws of Hong Kong will apply to the interpretation of all of the terms between us and you submit to the non-exclusive jurisdiction of Hong Kong courts. You'll be responsible for any reasonable amounts we spend in order to defend or exercise our rights against you. You must repay these to us as soon as possible when we ask.