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The Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding

Frequently Asked Questions

What is The Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding (the "Scheme")?

The Scheme is a financial claims scheme where the Australian Government guarantees deposits held by eligible Australian Deposit-taking Institutions (ADI) and wholesale funding programs undertaken by eligible ADIs.

The guarantee applies to deposits in any currency, regardless of where the depositor resides.

From 28 November 2008, the guarantee is free for HSBC Bank Australia Limited deposits up to and including A\$1 million (or foreign currency equivalent).

Amounts over A\$1 million can be guaranteed under the Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding at an additional fee, by completing the application form.

Am I / is HSBC eligible for the Australian Government Scheme?

Like all ADIs, deposits up to A\$1 million (or the foreign currency equivalent) are guaranteed by the Government at no cost. Account holders can choose to "opt in" to participate in guarantee scheme for deposits exceeding A\$1 million (or the foreign currency equivalent).

How long will this Government deposit guarantee last for?

The Australian Government has advised that the Australian Government deposit guarantee will be effective from 28 November 2008 through to 12 October 2011. The Australian Government will review the guarantee during this three (3) year period.

Does the Australian Government deposit guarantee cover deposits held in foreign currencies?

Yes. It covers deposits in Australian dollars and foreign currencies.

I reside outside of Australia but hold deposits in Australia. Am I still eligible for the Australian Government deposit guarantee?

Yes. Residency is not an eligibility criteria.

How secure is HSBC as a bank?

HSBC Bank Australia Limited is part of one of the most strongly capitalised and liquid banks in the world, spanning 85 countries and servicing over 120 million customers who entrust us with over A\$1.8 trillion in deposits (HSBC Group 2008 interim report June 2008). HSBC Bank Australia Limited has a long term AA credit rating.



In addition, deposits of up to and including A\$1 million (or the foreign currency equivalent) held with HSBC Bank Australia Limited are guaranteed by the Australian Government's deposit guarantee at no cost. Amounts over A\$1 million (or the foreign currency equivalent) can also be guaranteed upon request, for an additional cost.

At HSBC, we are here to help people and businesses achieve their goals under different market conditions.

Why is HSBC participating?

HSBC Bank Australia Limited has chosen to participate in the Australian Government deposit guarantee to give customers an option to obtain the benefit of this Australian Government guarantee should they choose to do so during the current economic climate.

Is the Scheme compulsory for deposits over A\$1 million?

No. Participation in the Scheme is optional. It is up to you to determine if the guarantee suits your individual circumstances.

We recommend you seek independent financial advice before deciding whether to participate in the guarantee or not.

Is there a limit on the amount for the Australian Government deposit guarantee?

There is no limit. If you opt into the Scheme then there is a fee payable on amounts above A\$1 million (or the foreign currency equivalent).

Does HSBC or the Customer pay the fee?

From 28 November 2008, deposits up to and including A\$1 million with HSBC Bank Australia Limited are covered free of charge. For deposits greater than A\$1 million (or the foreign currency equivalent), upon request, these can be guaranteed at an additional cost which is payable by the customer. HSBC will collect the guarantee fee from participating customers and pass it on in full to the Government.

Is the Australian Government deposit guarantee tax deductible?

In relation to tax issues, concerned parties seeking certainty should approach their Tax advisors or the Australian Taxation Office to obtain specific advice on the tax treatment of their particular arrangements relating to the guarantee.

Is there GST applicable to this fee?

The fee is not subject to GST.



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What if I have less than A\$1 million in deposits with HSBC?

If you have less than A\$1 million (or the foreign currency equivalent) in aggregate in your eligible HSBC Bank Australia Limited accounts, then those funds are automatically guaranteed by the Australian Government and you do not need to opt in to the Scheme or pay a fee.

What if I have over A\$1 million with HSBC, but none of my accounts have more than A\$1 million in them?

The Scheme considers the balances of all your eligible accounts as a total. Your first A\$1 million (or the foreign currency equivalent) held with HSBC Bank Australia Limited will be guaranteed without charge. If you want any amounts over this to be guaranteed then you must opt in to the Scheme and pay any applicable charges.

We have joint accounts. How are these considered with regards to the Australian Government deposit guarantee?

Joint accounts are considered as equally split between the underlying customers. If there are 2 customers holding a joint account, then the amount in the account is split equally between them. This portion of the joint account will then be added to individual accounts held in your name.

If we have a joint account, do we both need to opt in?

Each party to a joint account can choose whether they would like to opt in to the Scheme. If only one of you choose to opt in, then only that person's aggregate holdings will be considered when calculating the fee and only those funds will be guaranteed for amounts over A\$1 million (or the foreign currency equivalent).

I have a trust account. Is this included in my holdings with HSBC Bank Australia Limited under my name?

A trust is considered a different customer, where the Trustee is the customer. The funds in the trust account are considered separate to funds under your individual name or those as part of a joint account.

What deposit accounts are covered under the Scheme?

The following HSBC accounts are eligible and covered under the Australian Government deposit guarantee:

- ▶ Term Deposit Account
- ▶ Online Savings Account
- ▶ Serious Saver Account
- ▶ Premier Cash Management Account
- ▶ PowerVantage Cash Management Account
- ▶ Cash Management Account
- ▶ Savings Cheque Account
- ▶ JV High Interest Deposit Account
- ▶ JV Cash Deposit Account
- ▶ Small Business Cheque Account
- ▶ Multicurrency Account
- ▶ Foreign Currency Account
- ▶ HSBC Offset Savings Account



How do I opt in to the Scheme?

Complete the application form located at www.hsbc.com.au/info-guarantee and on the Commonly Used Forms page of the HSBC Bank Australia website. Alternatively, call:

1300 308 021 for personal/small business deposits
1300 308 019 for corporate/commercial deposits

Will I receive a confirmation that I have opted in for the guarantee?

Yes. Once we have processed your instruction, we will provide a confirmation.

If you either fax in or mail in your request, confirmation will be mailed to your mailing address held by HSBC Bank Australia Limited when your application has been processed.

If you apply at an HSBC branch, an initial conditional (subject to our two business days turnaround time) confirmation will be provided to you on the spot. You will also be mailed a final confirmation once we have processed your guarantee.

How much is the fee for the Australian Government deposit guarantee for the amounts over A\$1 million?

Because of HSBC's long term AA credit rating, the fee will be 0.70% p.a of your total balance over A\$1 million (or the foreign currency equivalent).

The fee is charged monthly, in arrears, against your nominated Australian Dollar transaction account (please note we cannot debit the fee to the Serious Saver account).

What is the nominated account?

The nominated account is the HSBC Australian Dollar transaction account you specify for us to apply the applicable government guarantee fee against, monthly in arrears (please note Serious Saver is not an eligible nominated account).

If you do not have an AUD transaction account with HSBC you will need to apply for one in order for us to proceed with your guarantee above A\$1 million (or the equivalent on foreign currency) request.

I want to opt in, but not yet. Can I future date the application form?

Yes. The guarantee will start from the start date provided by you on the application form (subject to our two business day turnaround time).

What do I do if I want to cancel my guarantee?

Complete the Personal Deposit Guarantee Termination form located at www.hsbc.com.au/info-guarantee and on the Commonly Used Forms page of the HSBC Bank Australia website.



How is the fee for the guarantee calculated?

Because of HSBC's long term AA credit rating, the fee will be 0.70% p.a of your balance over A\$1 million (or the foreign currency equivalent). Examples of this calculation are shown below:

- 1) If an individual has opted in and holds deposits of A\$1.5 million for the entire month, the individual has an average monthly amount of A\$500,000 above the A\$1 million threshold.

If there are 30 days in the month, then the fee would be calculated at $\$500,000 \times 0.0070 \times 30$ days in the month / 365 days in the year. The fee would be \$287.67.

- 2) If an individual has opted in and holds deposits of A\$1.5 million for 15 days of the month, but for the other 15 days, they hold less than \$1million, the calculation would be as follows.

$\$500,000 \times 15$ days / 30 days of the month = A\$250,000 average monthly amount above the A\$ 1million. $\$250,000 \times .0070 \times 30$ days in the month / 365 days in the year. The fee would be \$143.84.

I have over A\$1 million with HSBC Bank Australia Limited but I do not want to take out the guarantee. What options do I have?

There are many options available; however, we suggest you seek independent financial advice before making any changes to your current situation. Options available will vary depending on your individual circumstances.

What happens if I can not pay the applicable fee in any given month?

The Government Fee will be deducted from your nominated account. If there are insufficient funds at the time of the fee being charged, your account will become overdrawn. The applicable overdraft arrangement fee may apply to your account.

The fee is variable depending on my average daily balance above A\$1 million (or the foreign currency equivalent). How do I know how much I need to have in my nominated account in order to cover the fee?

As the fee is calculated on the average aggregated amounts over A\$1 million (or foreign currency equivalent), you will be able to estimate the amount payable from your balances held with HSBC Bank Australia Limited each day.

When is the fee debited from my nominated account?

The fee will be debited monthly in arrears by the 10th of each month.

How will I be notified of how much the fee is for a month?

The fee will be clearly noted on your HSBC statement each month.