

## **Conflicts of Interest Disclosure Statement for HSBC InvestDirect, a division of HSBC Securities (Canada) Inc.**

### **Why This Disclosure Statement is Important to You**

In the course of providing services and products to you, there will be situations where a conflict will arise between HSBC InvestDirect's ("our", "we") interests and yours. These conflicts may be actual conflicts of interest or you may perceive that we have a conflict of interest. Conflicts can give rise to a concern that we or our representatives may act or will act with a view to their own business or personal interest which may result in our or our representative's financial gain. Conflicts can also arise in circumstances where there are differing interests amongst clients, which may lead to a perception that we will be favouring a client or set of clients over other clients.

We seek to avoid or minimize conflicts where reasonably possible. We seek to avoid actual or perceived favouritism or discrimination amongst clients and to ensure that no client receives preferential treatment over another in providing financial products and services to you. Some conflicts cannot be avoided, including those conflicts that are inherent in the business model that we use and our relationship with our affiliates, however, at all times, we address these conflicts by implementing controls that we believe to be effective.

Canadian securities laws require us to take reasonable steps to identify and respond to material conflicts of interest in your best interest and tell you about them. This Conflicts Disclosure Statement identifies which conflicts of interest we consider are material when we and our representatives provide financial products and services to you. We also describe the potential impact on and risk that the conflict could pose to you and how we address the conflict to minimize its impact and risks to you and our other clients.

In situations that we do not or cannot avoid a conflict of interest, where our interests may compete with yours, we will always strive to give your interests priority to ours, which allows you to be confident that we address conflicts in your best interest. In addition, there may be other situations that pose unique conflict of interest issues which we will provide you with supplemental disclosure. Unless otherwise specified, we deal with and manage conflicts as follows:

- We avoid conflicts which are prohibited by law as well as conflicts that we cannot effectively control.
- Our representatives are required to comply with various policies and procedures, which are designed to ensure that our representatives follow ethical and client-first business practices. These policies and procedures include HSBC Group's global code of ethics, anti-bribery and corruption policies and procedures and procurement requirements. We have a robust oversight process to ensure that these policies and procedures are effective.
- We control or manage acceptable conflicts by physically separating different business functions and restricting the internal exchange of information.
- In order to comply with Canadian securities regulations, our internal compensation practices are designed to ensure that our representatives are not incented or influenced to make recommendations to you about specific products or services we offer.
- For each material conflict, we seek to resolve it in your best interest.
- We disclose information about conflicts of interest we consider are material when we and our representatives provide financial products and services to you so that you can assess independently if these conflicts are significant to you.

### **Material Conflicts of Interest**

Below is important information that will help you be fully informed about conflicts of interest we consider are material to you.

#### **Conflicts Arising from Being a Member of the HSBC Group**

We are a member of a group of related companies known as the HSBC Group whose ultimate parent entity is HSBC Holding plc, headquartered in London, UK. In the course of providing services and products to you, we may from time to time enter

into transactions or arrangements with other members of the HSBC Group or accept services from members of the HSBC Group or other persons or companies which are related or connected to us.

HSBC Bank Canada ("HSBC Bank Canada") is a Schedule II chartered Canadian bank. We are a division of HSBC Securities (Canada) Inc., which is an indirect subsidiary of HSBC Bank Canada. All members of HSBC Group are separate entities from each other with information barriers and robust compliance systems.

Certain of our directors and officers are also directors or officers of HSBC Bank Canada and/or other HSBC Group members. In addition, we have various governance committees in which some committees are shared across HSBC Group members and as such, are comprised of members from those HSBC Group members. Our directors and officers receive specific training on their corporate and regulatory responsibilities including conflict of interest issues arising from holding positions at several HSBC Group members.

Our membership in the HSBC Group, together with the transactions and arrangements we make with other members of the HSBC Group, will give rise to conflicts of interest, and we have adopted policies and procedures to identify and respond to these conflicts. We will only enter into these transactions or arrangements where they are permitted under applicable securities laws and where we believe they are in your best interests in the applicable circumstances.

In all cases, we recognize that the conflicts described in this section raise perceptions that we will favour the business interests of the various members of HSBC Group, so that you may have concerns about those products and services we provide you that are sourced from or provided by those members. Described below, we have set out these conflicts and other conflicts of interests and how we manage them to ensure that we act in your best interests.

## **Our Products and Services**

Our trading platform includes securities of entities that are related or connected to HSBC Group, which allows you to invest in these securities. These securities include:

- Securities issued or guaranteed by HSBC Group members whose securities are traded on recognized stock exchanges or other public markets. These entities are related to us because they are members of the HSBC Group. For example, you may invest in shares of HSBC Holdings plc or other securities of these and other related entities that are traded on a stock exchange or other public market. You may also invest in certain debt securities issued by HSBC Bank Canada or other securities of these or other related entities that are not traded on an exchange or other public market.
- Securities issued by mutual fund issuers, known as the HSBC Mutual Funds and the HSBC Pooled Funds, which are managed by our affiliated portfolio manager and investment fund manager, HSBC Global Asset Management (Canada) Limited who engages its affiliated and non-affiliated global asset managers to assist in the management of the funds. Securities issued by mutual fund issuers, unit trusts, or investment funds managed, administered or promoted by members of HSBC Group, or for which members of HSBC Group act as portfolio adviser. HSBC Global Asset Management (Canada) Limited and the other members of the HSBC Group earn fees based on your investments in the funds.

Our trading platform also allows you to invest in securities of issuers that have been underwritten by HSBC Securities (Canada) Limited or a HSBC Group member or where they were a member of a selling group. Our firm earns new issue commissions, which are paid by the issuers of those securities or selling security holder, which is in addition to the trading commissions you pay to invest in these securities. There are information barriers between our affiliates' corporate trading activities and our HSBC InvestDirect division.

We manage the conflicts of interest inherent in clients' opening accounts with us and investing in HSBC products and services, by conducting thorough due diligence on those products and services as required by Canadian securities regulations. We do not encourage you to invest in HSBC products or securities, but rather allow you to invest in HSBC products or securities in the same way as you can for other products and securities that are unrelated to us. We evaluate our policies, procedures and controls to ensure that we have addressed this conflict.

In most cases, our connection to HSBC products and services will be obvious to you because the names of the issuers, funds or other financial products will be sufficiently similar to our name. For example, securities of members of the HSBC Group available for investment through HSBC InvestDirect, will generally have the word "HSBC" in the name of the issuer and/or security. If you traded a HSBC product, we will indicate in your trade confirmation and account statement whether an issuer is related or connected to us.

## **Fees and Charges**

We and the other members of the HSBC Group, like other financial services firms, are commercial businesses and seek to maximize profits, while also providing fair, honest and suitable products and services to clients. We earn compensation by selling products and services to you for which you pay us directly.

When you invest in investment funds, including any investment fund managed by a member of the HSBC Group, we may receive a fee (often called a trailing commission) for providing you with the services inherent in our trading platform and allowing you to invest in those investment funds. This fee is paid from the management expense ratio of the funds in which you invest, which includes the management fee and fund operating expenses and is collected by the manager of those funds. In turn the manager pays us a portion of the management fees they earn in the form of a trailing commission for the services we provide with the trading platform. These trailing commissions are disclosed in the prospectus documents of the funds. Canadian securities regulations are changing on June 1, 2022 at which time we will no longer collect trailing commissions from managers of Canadian mutual funds, including the HSBC Funds and HSBC Pooled Funds.

We may also earn revenue from other sources, some of which may be seen as involving a conflict of interest or potential conflict of interest. In addition, we or our affiliates may earn revenue from foreign exchange spreads resulting from currency conversions transactions in your accounts. Balancing our commercial, regulatory and HSBC Group responsibilities with the best interests of our clients, includes the need for our products and services to be priced in a way that represents value for money for you and overall profitability for the applicable members of the HSBC Group. The fees and charges you pay are transparent and disclosed to you in the Annual Fees and Compensation Report. We also tell you about revenues we may receive from third parties, including HSBC Group members, in connection with those products and services. You may call us at 1-800-760-1180 or by email at [investdirect@hsbc.ca](mailto:investdirect@hsbc.ca) if you have questions about our fees and charges and revenue from other sources as they apply to the products and services you invest in.

## **Referral Arrangements**

We may enter into referral arrangements from time to time, pursuant to which another entity refers clients to us and receives a benefit. These arrangements may be with other members of the HSBC Group or parties unrelated to us and can create a potential conflict of interest because they may receive a financial or non-financial incentive to make referrals to us. The details of these referral arrangements, if any, including the parties to the referral arrangement, the manner in which the referral fee for referral services is calculated and the party to whom it is paid, will be provided to you in writing.

HSBC Bank and its affiliates may, from time to time, introduce customers to each other in accordance with the financial needs of the customers.

## **HSBC Global Decisions**

Certain decisions that affect our business and the products and services we provide you may be made at a HSBC Group level and those decisions may be made to favour the commercial interests of the HSBC Group as a whole. We are required to comply with Canadian securities laws and no HSBC Group decision will impact our compliance in this regard. We will address this conflict by continuing to follow our policies and procedures that are designed to put clients' interests first and comply with Canadian securities laws.

Our representatives are employed by HSBC Securities (Canada) Inc. Our representatives receive remuneration from HSBC Securities (Canada) Inc. which may be comprised of a base salary and a variable pay based on a number of performance criteria. Performance criteria remuneration do not include compensation based on our transactional revenue or for the representative's role in introducing our clients to other investment products or services offered by our affiliates in Canada. In addition, we or our affiliates do not award incentives (such as merchandise or corporate events) to our representatives for their role in the sale of investment products or services offered by us. Our representatives may have a personal or business relationship with clients, but are not permitted to favour those clients over clients with whom they do not have those relationships.

## **Personal Trading and Code of Ethics**

We have a Personal Trading Account Dealing Policy and a Statement of Business Principles & Code of Ethics, which is designed to ensure that our representatives act in accordance with applicable securities laws and other laws, that they act in the best interests of us and our clients, that they avoid actual or potential conflicts of interest, and that they do not engage in personal securities transactions that are prohibited by law, such as insider trading, or that negatively impact our clients.

Our representatives, officers and directors put the interests of our clients first, ahead of their own personal self-interests. We have policies prohibiting our representatives from engaging in certain personal trading activities including speculative trading activity, prohibition in participating in an investment club or any trading that may give the impression of wrongdoing by the

representatives or us. In addition, any individual who has, or is able to obtain access to, non-public information concerning the portfolio holdings, the trading activities or the ongoing investment programs of our clients, is prohibited from using such information for their direct or indirect personal benefit or in a manner which would not be in the best interests of our clients. These individuals also must not use their position to obtain special treatment or investment opportunities not generally available to our clients or the public. These individuals are only allowed to make certain personal trades if it falls within our Personal Account Dealing Policy and they have received approval from their line managers and HSBC's Global Personal Account Dealing team to ensure such trade will not conflict with the best interest of our clients.

### **Outside Business Activities**

At times, our executive and representatives may participate in outside business activities such as serving on a board of directors, participating in community events or pursuing personal outside business interests. We have policies in place that require individuals to disclose situations where a conflict of interest may arise prior to engaging in any outside business activity in order to determine how such conflicts may be addressed. Employees may only engage in such outside business activities if approved by an applicable supervisor pursuant to our policies.

### **Gifts and Entertainment**

Our executive and representatives are not permitted to accept gifts or entertainment beyond what we consider consistent with reasonable business practice and applicable laws. We set maximum thresholds for such permitted gifts and entertainment so that there cannot be a perception that the gifts or entertainment will influence decision-making.

### **We May Change this Conflicts Disclosure Statement**

The information disclosed in this Conflicts Disclosure Statement may change from time to time, for example if we later consider we have another material conflict that we have not previously disclosed to you or we change how we address the conflict in your best interest. You can obtain the current version of this Conflict of Interest Disclosure by visiting our website at [www.hsbc.ca/investments/investdirect/contact-us/#code](http://www.hsbc.ca/investments/investdirect/contact-us/#code).