

HSBC Amanah Saudi 20 ETF

Terms and Conditions

Issued by HSBC Saudi Arabia Limited in accordance with the Investment Funds Regulations
of the Capital Market Authority of the Kingdom of Saudi Arabia

HSBC Amanah Saudi 20 ETF

Important Information about the Fund

- i. HSBC Saudi Arabia Limited ('HSBC') is a Joint Stock Limited Liability Company duly incorporated according to the laws and regulations of the Kingdom of Saudi Arabia. Its Commercial Registration No. is 1010221555 issued by the Ministry of Commerce and Industry, Kingdom of Saudi Arabia. The Fund Manager is an Authorized Person, under the CMA – Authorized Person Regulations, with a License No. 05008-37 which was issued on 5 January 2006.
- ii. The Fund is governed by Investment Funds Regulations issued by the Capital Market Authority ('CMA') of the Kingdom of Saudi Arabia (pursuant to its Resolution Number 1-219-2006 dated 3/12/1427 H corresponding to 24/12/2006 as per the Gregorian calendar).
- iii. The Fund is an open-ended investment fund and aims to achieve, over the long term, capital growth by replicating the performance of the HSBC Amanah Saudi 20 Equity Index.
- iv. Subscription to the units of the Fund is subject to all disclosures highlighted in the attached Terms and Conditions.
- v. The value of units in the Fund is subject to market fluctuations of the Saudi Equity market. Price of the Fund's units may go up or down and Unit Holders may receive an amount upon redemption which is less than the amount initially invested. The Fund is neither a deposit nor an obligation and it is not guaranteed by the Fund Manager or any of its affiliates or subsidiaries. The Fund is subject to investment risks unless otherwise specified in the Fund's Terms and Conditions.
- vi. This document was issued on 25/9/2011.

Client Initials: _____

Important Information for Investors

- i. The Terms and Conditions are prepared according to the Investment Funds Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia. Prior to investing in the Fund, investors should carefully consider all disclosures in the Terms and Conditions of the Fund and revert to HSBC or their personal advisors in case of any doubts about the content of this document.
- ii. Investment in the Fund is subject to certain investment risks as indicated in the 'Investment Risks' section of the attached Terms and Conditions. Investors should carefully review the risks associated with the Fund prior to purchasing any Units in the Fund. Prospective investors should carefully consider the goals of the investment, the potential risk factors and the fees and expenses of the Fund prior to taking any investment decision.
- iii. The Fund is not considered an independent legal entity and the Board of Directors of the Fund will supervise the management of the Fund to ensure that it is managed in accordance with the attached Terms and Conditions and the Investment Funds Regulations.
- iv. All statements of opinions and views in this document represent the Fund Manager's assessment and are accurate to the best of its knowledge. However, these should not be considered as an advice or offer to buy Units in the Fund. The Board of Directors of the Fund, collectively and individually, accept responsibility for the information contained in these "Terms and Conditions".
- v. This document is based on the Investment Funds Regulations and has been approved by the CMA. However, approval by the CMA should not be taken to indicate that it recommends the ETF or assumes responsibility for the accuracy or correctness of the information within. CMA shall not be responsible if investor incurs any losses as a result of investing in the Fund.
- vi. Investors can buy and sell units in the Fund on Tadawul through licensed brokers and dealers. The price of Units in the Fund will be determined by supply and demand in the market and it could be more or less than the net asset value per unit. Purchasing a unit in the Fund on Tadawul would be considered as an acceptance by the investor of the Terms and Conditions of the Fund.
- vii. Reproduction, printing or distribution of any information in this document is prohibited except for the intention of investing in the Fund.
- viii. Investors should give careful consideration to the investment horizon prior to investing in the Fund. Investors should have a long-term investment horizon as the Fund invests in equities.

Client Initials: _____

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Definitions

Bank	The Saudi British Bank (SABB) and or its affiliates
Basket of Shares	List of stocks and their respective quantities, whose value along with cash portion is equal to the value of a Creation Unit. Fund Manager disseminates information on the Basket of Shares on each business day.
Board	Board of Directors of the Fund
Business Day	Official working day in the Kingdom of Saudi Arabia when the Saudi Stock market is open.
CMA	The Capital Market Authority of the Kingdom of Saudi Arabia (based on the Capital Market Law issued by Royal Decree No.M/30 dated 2/6/1424 H)
Cash Component	The total cash and cash equivalents in the Fund minus liabilities divided by the total outstanding number of units multiplied by 10,000. $\frac{\text{Cash \& cash equivalents} - \text{Liabilities}}{\text{\# of outstanding units}} * 10,000$
Company	HSBC Saudi Arabia Limited
Creation	Creating new ETF Units via primary market operations
Creation Unit	A Block of ETF Units, that a Market Maker receives from Fund Manager (via Custodian) in exchange of the basket of shares plus cash component for creation of ETF Units. The predetermined number of ETF Units per Creation Unit is 10,000
Custodian	An Authorized Person under the Authorized Persons Regulations of CMA allowed to conduct the securities activity of custody. HSBC Saudi Arabia Limited will be the custodian of the Fund.
Dealing Day	A Day on which the stock exchange (Tadawul) is open in the Kingdom of Saudi Arabia
ETF	Exchange Traded Fund. An ETF is a Collective Investment Scheme with variable capital that issues Units. ETF Units are listed in the exchange and are traded like shares of listed companies.
ETF Guidelines	ETF guidelines issued by the CMA
ETF Unit / Unit(s)	Non-voting measurable investment Units in the Fund that represent proportional
Exchange	The Saudi Stock Exchange or Tadawul
The Fund	HSBC Amanah Saudi 20 ETF
Fund Manager	An Authorized Person, authorized to carry on managing activities under the Authorized Persons Regulations. HSBC Saudi Arabia Limited or any successor thereto duly appointed in accordance with requirements of the Capital Market Authority of the Kingdom of Saudi Arabia.
Fund Summary	A supplement (attached hereto) of these Terms and Conditions describing the key terms of the Fund

Free-Float Adjusted Market Capitalisation	Is calculated by multiplying the shares price by the number of shares available for trading in the stock market. Instead of using the full number of shares outstanding, the free float method excludes closed or not listed shares such as those owned by governments.
IFR	Investment Funds Regulations issued by the CMA
iNAV per Unit (Indicative Net Asset Value)	<p>iNAV per Unit is the value of the Fund, in Saudi Riyals, at a particular point in time during trading hours.</p> <p>iNAV is calculated as total value of all Fund holdings using "last trade" prices plus cash (& cash Equivalents) minus all accrued charges as of last business day's NAV.</p> <p>iNAV is disseminated every 15 seconds during trading hours by the Fund Manager.</p>
Index	HSBC Amanah Saudi 20 Equity Index
Index Provider	<p>The entity responsible for setting the rules of calculating, maintaining and disseminating the Index.</p> <p>Standard & Poor's (S&P) will be the index provider for the Fund</p>
Index Securities	Securities comprising the Index
In-Kind Basis	Exchange of ETF Units with basket of shares and the cash component of a Creation Unit
Market Maker	<p>An Authorised Person authorized by the CMA for Dealing, in the capacity of principal. All primary market operations will be undertaken through authorized Market Maker(s)</p> <p>HSBC Saudi Arabia Limited and/or any other Market Maker as appointed from time to time with the consent of the CMA will be the Market Maker of the Fund</p>
Minimum Initial Subscription	The value of One Creation Unit
Net Asset Value	NAV, which is the value of the Fund, at the end of each business day, after deduction of all applicable liabilities, fees and charges from the Funds' assets
Net Asset Value per Unit	Is the NAV of the fund divided by the number of outstanding Units at the time of valuation
Portfolio Composition File	The statement released on the website identifying each of the securities and the quantities thereof which the Fund Manager will expect to be delivered to it when one Creation Unit is subscribed for, or delivered by it when one Creation Unit is redeemed and receiving orders for in-kind subscription and redemptions. The Portfolio Composition File will comprise securities in which the Fund may invest in accordance with its investment objective, investment policies and restrictions
Portfolio Deposit	For in-kind subscriptions and redemptions, the securities comprising the Portfolio Composition File, plus or minus (as the case may be) the Cash Component, to be delivered to the Fund Manager in subscribing for one Creation Unit or to be delivered by the Fund Manager in redeeming one Creation Unit
Primary Market Operation	Refers to the activity of creation and redemption of ETF Units done between the Fund and the authorized Market Maker(s).
Saudi Riyal or SAR	The lawful currency of the Kingdom of Saudi Arabia

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SSC	Shariah Supervisory Committee
Tracking Error	Represents the percentage deviation of the performance of the Fund's NAV from the index. Percentage deviation is measured using the coefficient of deviation of the difference between daily returns of the Fund compared to that of the index.
Total Expense Ratio (TER)	The total fee charged to the Fund as indicated in the Summary of Financial Disclosure
Unit Holder	Unit Holder or investor in the Fund
Valuation Day	The day when the Net Asset Value is calculated

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Fund Summary

Name of the Fund	HSBC Amanah Saudi 20 ETF
Fund Manager	HSBC Saudi Arabia Limited
Fund Currency & Index Currency	Saudi Riyals
Investment Objective	The investment objective of the Fund is to replicate the performance of the HSBC Amanah Saudi 20 Equity Index (the "Index"), while minimising as much as possible the tracking error between the Fund's performance and that of the Index.
Benchmark	HSBC Amanah Saudi 20 Equity Index
Risk/Return Profile	Investment in the Fund carries with it a degree of risk. A more detailed description of the risk factors that apply to the Fund is set out in the Terms & Conditions. Potential investors should review the Terms & Conditions carefully before investing in the Fund
Minimum Investment and Redemption Size	The value of One Creation Unit or such other size as determined by the Board from time to time
Number of ETF Units Creation Unit	10,000
Cut Off Time For Receiving Subscription/ Redemption Applications	15 minutes before close of trading hours
Dealing Day	A Day on which the stock exchange (Tadawul) is open in the Kingdom of Saudi Arabia
Valuation Day	Every Dealing Day
Valuation Point (NAV)	The close of Tadawul on each Dealing Day
Valuation Point (iNAV)	Every 15 seconds during the trading hours on each Dealing Day
Publication Time for Portfolio Composition File	10.45 am on each Dealing Day
Management Fee	<p>The Fund will bear all fees and expenses associated with management and operations of the Fund which will be 0.75% per annum of the Net Asset Value of the Fund (the "Total Expense Ratio" or "TER") to cover these expenses. The total annual fees and operating expenses shall include but are not limited to Fund Manager Fee, Custodial Fees, Administrative Fees, Index Fees, Regulator Fee (the CMA) Auditor Fees, Tadawul listing and Registration Fees. Such fee shall accrue daily and be payable quarterly in arrears. The Fund Manager will absorb any additional fees, costs or expenses over the Total Expense Ratio.</p> <p>While the Fund only creates and redeems units on in-kind basis, however, for the purpose of rebalancing of portfolio Fund may engage in buying and selling of underlying stocks. Transactions pertaining to such rebalancing or other activities relevant to the Fund, in underlying assets, will be booked at cost. Any dealing cost, therefore, will be paid out of Fund assets and in addition to the fees and expense mentioned above.</p>
Date of Inception	20/11/2011
Unit Price at Inception	SAR 20 per Unit
Website	www.hsbcSaudi.com

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Terms and Conditions

1. Fund Name

HSBC Amanah Saudi 20 ETF is an open ended collective investment scheme, approved by the Shariah Supervisory Committee of the Fund.

2. Address of the Fund Manager

The address of the Fund Manager, HSBC Saudi Arabia Limited, is:
 HSBC Building, 7601, Olaya Street (Al Mourroj Area),
 P.O. Box 9084,
 Riyadh 11413,
 Kingdom of Saudi Arabia.
 Phone No: +800 124 1212,
 Fax No: +9661 299-2385
 website: www.hsbcSaudi.com

3. Date of Commencement of Fund

The Fund will begin accepting subscriptions on 20/11/2011 and only after receiving approval from the CMA.

4. The Regulatory Authority

The Fund is subject to CMA regulations and will abide by Investment Funds Regulations, issued on 12/3/1427 Hijri corresponding to 24/12/2006 of the Gregorian calendar and other Enforced Regulations, issued by the CMA from time to time. The Fund Manager is a licensed person under the CMA regulations; licence no. 05008-37 issued on 5th of January 2006.

CMA has approved the issuance and offering of units in the Fund but the approval should not be taken to indicate that CMA recommends investment in the Fund or assumes any responsibility for the accuracy or correctness of the information contained in the Term and Conditions.

5. Date of Issue of these Terms and Conditions

The Terms and Conditions of the Fund were issued on 25/9/2011.

6. Subscription To Units In the Fund

The initial size of the fund is SAR 10,000,000 at launch.

7. Currency of the Fund

The price of Fund Units is denominated in SAR.

8. Investment Objectives

The Fund is an open ended investment fund with the aim to achieve, over the long - term, capital growth by replicating the performance of the HSBC Amanah Saudi 20 Equity Index, before excluding fees and expenses, while minimising, as far as possible, the tracking error between the Fund's performance and that of the Index.

In seeking to achieve its investment objective, the Fund will follow a passive strategy by investing in securities included in the Index in the same proportions in which they are included in the Index. All of the securities in which the Fund invests will be listed on Tadawul.

The Fund is an income accumulation fund whereby its income will be reinvested and not distributed to the Unit Holders. The reinvestment of the Fund's income will be reflected in the value of the units.

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9. Investment Strategy

- The Fund will follow a passive investment strategy by investing, in the same proportion, in a basket of Shariah-compliant equities that are listed on Tadawul and are components of the Index, while keeping adequate amount of cash to account for Fund expenses and liabilities. The Fund aims to achieve a low tracking error against the Benchmark.
- The basket will consist of Shariah compliant equities that are listed on Tadawul and are components of the HSBC Amanah Saudi 20 Equity Index.
- The Fund will strictly adhere to the Shariah investment guidelines approved by the Shariah Supervisory Committee.
- The Fund's investment portfolio will be reviewed on a quarterly basis, in-line with the index review, in addition to any rebalancing required during the interim period due to corporate actions in any of the securities included in the investment portfolio. In case of changes in Index (deletion / addition of stocks), Fund Manager will seek to bring the Fund investments in line with that of the Index by way of rebalancing. The Fund may temporarily suspend the creation and redemption of Units during the Fund's rebalancing phase.
- Changes in the investment portfolio of the Fund and re-weightings or changes of the components of the Index may give rise to various transaction costs or inefficiencies. Furthermore, the total return on investment in the Units of the Fund will be reduced by certain costs and expenses that are not taken into account in the calculation of the Index.
- To achieve its investment objective, the Fund Manager has capped the Total Expense Ratio at 0.75%. The Fund Manager will endeavor to minimize the risk of tracking error and will review the tracking error on an ongoing basis in order to mitigate this risk.
- The Fund may invest cash in short-term money market instruments e.g., Murabaha, as deemed suitable by the Fund Manager in view of Fund's investment objectives.
- The Fund Manager seeks to maintain, as low as possible, a margin of tracking error compared to the performance of the Index, taking into account the factors of fees and expenses. Note that the Fund Manager will review any deviation that may occur and the application of necessary measures to mitigate the deviation.
- If the Capital Market Authority suspends the listing of a security(s) held by the Fund, as it thinks fit in certain circumstances, the Fund, will suspend unit creation and unit redemption activity until such time the issue of listing is resolved.

The Fund will not face the risk of tracking error in short term as the suspended security will continue to remain part of the Index until the issue of listing is resolved.
- The ETF Units are listed on Tadawul for individual investors to buy and sell at any time during trading hours. The Fund Manager has made an agreement with a Market Maker to provide liquidity during the trading hours. This reduces liquidity risk for individual investors buying units on Tadawul.
The Market Maker is to offer two way quotes on Tadawul with a maximum bid-ask spread of 2%. The Market Maker faces the price risk while creating and redeeming ETF Units. To mitigate this risk, the Fund Manager has agreed with the Market Maker an "instant creation and redemption" mechanism.
- The Fund Manager will segregate and separately identify the securities and other assets of the Fund from those of the company and these will be maintained with a well known and reputable custodian as determined by the Fund Manager.
- The Fund will abide by investment restrictions as required by the Investment Funds Regulations issued by the Capital Market Authority.

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- The Fund is not authorized to give loans and it is not authorized to borrow or perform any operations that can be interpreted as borrowing.

10. Index Description

This section is a summary of the principal features of the HSBC Amanah Saudi 20 Equity Index.

The Index is an equity index calculated on a total return basis, maintained and published on a real-time basis by an international index supplier, Standard & Poor's (S&P) and is denominated in Saudi Riyals. It tracks the movements of the largest 20 (based on free-float adjusted market capitalisation) shariah-compliant companies listed on Tadawul.

Index Construction

The HSBC Amanah Saudi 20 Equity Index employs a free-float adjusted market capitalisation driven weighting methodology.

The Stocks, included in the Index, are selected from the constituents of the S&P Global BMI Saudi Arabia Index after screening for Shariah-compliance and only those stocks that are shariah-compliant are eligible for inclusion in the HSBC Amanah Saudi 20 Equity Index.

- All eligible, Shariah-compliant stocks, in the universe are sorted in decreasing order of free-float adjusted market capitalisation.
- The top 20 stocks form the Index.
- If a stock included in the top 20 does not meet the liquidity criterion (average Dollar value traded of at least US\$ 0.5 million per day, over the previous quarter), it is replaced by the next eligible stock.
- The Index is weighted according to each constituent's free-float adjusted market capitalisation.

Index Review

The composition of the Index is reviewed on a quarterly basis according to the S&P methodology. The quarterly review is carried out on the last Friday of each Gregorian calendar quarter with respect to the following:

- a. Liquidity: The constituents of the index are reviewed to ensure that they still meet the liquidity criterion.
- b. Market capitalization: The available universe is reviewed to ensure that any changes in free-float adjusted market capitalization are taken into account.
- c. Suspension: Suspended companies will continue to remain index components until rebalancing. The closing price and number of free-float adjusted shares prior to the suspension will be used for index calculations.
- d. Delisting: If a component company is delisted, it will be deleted from the Index on the delisting date at any time between quarterly reviews.

In addition, on an annual basis, index components are reviewed to ensure continued compliance with Shariah principles as approved by the Shariah Supervisory Committee. Accordingly, the Fund will also be rebalanced although the Fund Manager will keep investor's best interest while divesting its positions in the non-Shariah compliant stock(s). The Fund will then buy stocks in order to be back in proportion with Index's allocation.

The methodology of the construction of the Index is available on the Fund Manager's website: www.hsbcSaudi.com.

In the event that the Index Provider is unable to continue to provide the Index, the Fund Manager will seek to move to another Index Provider in a reasonable time frame. Index for the Fund will not be changed. Also, the Index will be reviewed at least annually to assess the appropriateness of Index in serving the overall purpose of achieving the Fund's investment objectives.

Publication of the Index

The Index is calculated on a daily basis at closing prices using the official closing stock market prices for the constituent stocks and the information on the Index is available on the Fund Manager's website, www.hsbcSaudi.com as well as Tadawul. The value of the index will also be updated every 15 minutes on the Fund Manager's website during trading hours.

Please review the Description Document for information on the components of the Index.

11. Investment Risks

The value of units in the Fund is subject to fluctuations in the value of equities the Fund is invested in. Consequently the price of the Fund's units may go up or down and Unit Holders may receive an amount upon redemption which is less than the amount initially invested. The Fund is not a deposit or obligation nor is it guaranteed by the Fund Manager or any of its affiliates or subsidiaries. The Fund is subject to investment risk unless otherwise specified in these terms and conditions.

Economic Risk

The performance of any investment can be affected by general economic conditions. Factors such as the level and volatility of interest rates, inflation, capital flows, and many other factors can have a substantial positive or negative impact on the value of investments held by the Fund.

Security Issuer Risk

All of the securities in which the Fund invests will be listed on Tadawul. Accordingly, the underlying exposure is to the issuers of securities included in the Index.

Tracking Error

There is no guarantee that the investment objective of the Fund will be achieved. Changes in the investments of the Fund and re-weightings of the Index may give rise to various transaction costs. Furthermore, the total return on investment in the units of the Fund will be reduced by certain costs and expenses which are not taken into account in the calculation of the Index. Moreover, in the event of the temporary suspension or interruption of trading in the securities comprising the Index, or of market disruptions, rebalancing the Fund's investment portfolio may not be possible.

Change in Composition

The Index of the Fund is constituted by an Index Provider pursuant to the Index Provider's own criteria. The Index Provider normally retains discretion in relation to the methodology underlying an Index. Accordingly, there can be no assurance that an Index will continue to be calculated and published on the basis described in the rules or methodology published by the Index Provider or that the Index will not be amended significantly.

Also, composition of the Index may change based on the Index Provider's criteria and constituent securities of the index may be de-listed leading to a change in the index.

Concentration Risk

The investments of the Fund may be concentrated in a few issuers due to the design of the Index that the Fund aims to replicate.

Shariah Compliance Risk

A stock is deleted from the Index in the event of its becoming non-Shariah compliant. The investors face the risk of a stock being sold by the Fund because of Shariah non-compliance which may adversely affect the performance of the Fund as and when compared to a conventional Fund which is not Shariah compliant.

Political and/or Regulatory Risks

The Fund may be adversely affected by uncertainties such as international political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, and other developments in the laws and regulations of the countries in which the assets of the Fund are invested.

Suspension and Delisting Risk

The Capital Markets Authority may suspend or delist the listing of one or more securities held by the Fund. This would cause a suspension of creation and redemptions of units in the Fund which can continue until the resolution of the listing of the underlying securities.

Capital Market Risk

A principal risk of investing in the Fund is equity risk, which is the risk that the value of the securities held by the Fund will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate, or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of equity securities of an issuer held by the Fund; the price of common stock of an issuer may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the equity securities held by the Fund. In addition, common stock of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition .

12. Fees and Expenses

The Fund will bear all fees and expenses associated with management and operations of the Fund which will be 0.75% per annum of the Net Asset Value of the Fund (the "Total Expense Ratio" or "TER") to cover these expenses. The total annual fees and operating expenses shall include but are not limited to Fund Manager Fee, Custodial Fees, Administrative Fees, Index Fees, Regulator Fee, Auditor Fees, Tadawual listing and Registration Fees. Such fee shall accrue daily and be payable quarterly in arrears. The Fund Manager will absorb any additional fees, costs or expenses over the Total Expense Ratio.

While the Fund only creates and redeems units on in-kind basis, however, for the purpose of rebalancing of portfolio Fund may engage in buying and selling of underlying stocks. Transactions pertaining to such rebalancing or other activities relevant to the Fund, in underlying assets, will be booked at cost. Any dealing cost, therefore, will be paid out of Fund assets and in addition to the fees and expense mentioned above.

13. Fund Board of Directors

The Fund is supervised by a Board of Directors, made up of six members who will serve terms of no more than five years; at least two directors of the Board will be independent directors and a Chairman will head the Board. The Fund Manager reserves the right to change the composition of the Board subject to approval of the CMA. The Board functional term will commence upon the CMA approval of the Fund Terms & Conditions. The Board will meet, at least twice each year to oversee the Fund Manager's activities and to ensure compliance with the IFR issued by CMA and investment guidelines set by the Board for the Fund.

Only the Independent directors of the Fund will be compensated for services to the Fund and their total compensation will not exceed SAR 5,000 annually. This compensation will be paid by the Fund Manager.

The Board will follow the following procedure for voting:

A meeting of the Board will be convened at the written request of the Chairman, at least 15 days prior to the date of the meeting. The Board will meet at the Chairman's discretion. The meetings will take place at the Fund's headquarter or at other venues, as decided by the Board. At least half of the members of the Board must be present at meetings including the Chairman. If a member is not able to attend a meeting, he can nominate another person to attend on his behalf, provided the following criterion are met:

Responsibilities of the Board members will include the following:

- Approval of all material contracts involving the Fund, including, but not limited to, contracts for the provision of Fund management services contracts for the provision of custody services, and any contracts entered into with any authorized person to market units in the Fund to prospective investors or advise prospective investors on the merits of buying units.

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- The request should be in writing,
- One person can only attend on behalf of one member of the Board,
- The person acting on behalf of a member of the Board should not be allowed to vote on issues of conflict of interest,
- In the event of a tie, the chairman will cast the deciding vote.

Board Members*:			
Name	Type of Membership	Credentials	Current Position
Osama Mohammed Shaker	Chairman/Member	- Head of Asset Management, SABB - Head of Discretionary Portfolio Management, SABB - Master of Science in Statistics - Bachelor of Science in Quantitative Methods	Managing Director & Head of Financial Markets, HSBC Saudi Arabia Limited
Zaid Abdurrahman Al-Gwaiz	Independent Member	- Deputy Managing Director, HSBC Saudi Arabia Ltd. - Head of Commercial Banking, SABB - Senior Manager Credit & Risk Management, SABB - Bachelor of Arts degree in Accounting	Retired
Nasser Mohammed Almeghailaith	Independent Member	- Manager of Investment Division, SABB and HSBC - Manager, Money Market Funds, SABB - Senior Dealer, Money Market, SABB Treasury - Manager Administration, SABB Treasury	Retired
Khaled Abdulaziz Al Judaie	Member	- Manager, Local equity and money market funds, SABB - Over 25 years experience of managing funds in Saudi Arabia - Established the Brokerage Services of SABB	Head of Mutual Funds, HSBC Saudi Arabia Limited
Saqib Masood	Member	- Regional Telecom Analyst, J. P. Morgan - Head of Portfolio Management, Allied Bank - Masters of Business Administration University of Karachi - BSC with honors in Business Administration University of Karachi	Head of Islamic Product Development, HSBC Amanah
Mazin Fawaz Baghdadi	Member	- Head of Local Equity Funds, Riyad Bank - Equity Research Analyst, Riyad Bank - Bachelors of Science Degree in Finance from King Fahd University of Petroleum and Minerals	Deputy Head of Mutual Funds, HSBC Saudi Arabia Limited

* The Board Members may serve as Members of the Board of Directors of some or all existing Funds of HSBC Saudi Arabia Limited mentioned in the table below.

Client Initials: _____

Name of Fund	Osama M. Shaker	Zaid A. Al-Gwaiz	Nasser M. Al Meghailaith	Khaled A. Al Judaie	Saqib Masood	Mazin F. Baghdadi
HSBC Amanah Saudi Riyal Trading Fund	x	x	x	x	x	
HSBC Amanah US Dollar Trading Fund	x	x	x	x	x	
HSBC Saudi Equity Fund	x	x	x	x		x
HSBC Saudi Equity Trading Fund	x	x	x	x		x
HSBC Financial Institutions Fund	x	x	x	x		x
HSBC Amanah Saudi Equity Fund	x	x	x	x	x	x
HSBC Amanah Saudi Industrial Companies Fund	x	x	x	x	x	x
HSBC Saudi Equity Index Fund	x	x	x	x		x
HSBC Saudi Petrochemical Equity Opportunities Fund	x	x	x	x		x
HSBC Saudi Building and Construction Equity Fund	x	x	x	x		x
HSBC Amanah Global Equity Index Fund	x	x	x	x	x	x
HSBC Amanah GCC Equity Fund	x	x	x	x	x	x
HSBC Amanah Asia Pacific Equity Fund	x	x	x	x	x	x
HSBC Amanah Pan European Equity Fund	x	x	x	x	x	x
HSBC Amanah China and India Equity Freestyle Fund	x	x	x	x	x	x
HSBC Amanah Global Emerging Markets Equity Fund	x	x	x	x		x
HSBC Amanah Multi Assets Defensive Fund	x	x	x	x	x	
HSBC Amanah Multi Assets Balanced Fund	x	x	x	x	x	
HSBC Amanah Multi Assets Growth Fund	x	x	x	x	x	
HSBC Amanah Saudi Equity Capital Protected Fund	x	x	x	x	x	x
HSBC Amanah Commodity Index Fund	x	x	x	x	x	x

Client Initials: _____

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- Overseeing and, where appropriate, ratifying any conflicts of interest the Fund Manager has identified.
 - Meeting at least twice annually with the Fund Manager's compliance officer and/or compliance committee and MLRO, and overseeing the Fund Manager's compliance with all applicable laws and regulations, including (without limitation) those requirements set out at Article 39 of IFR Issued by CMA. The approval of any recommendations made by a liquidator appointed according to Article 22 of IFR issued by CMA, relating to the winding-up or the continuation of the business of the Fund or the Fund Manager, provided that those recommendations do not relate to any allegations by the liquidator of misconduct or negligence on the part of the Fund directors themselves; and
 - The responsibility to confirm the completeness and accuracy, and compliance with CMA Regulations, of the terms and conditions, and for any other document, contractual or otherwise, that includes disclosures relating to the investment Fund and/or the Fund Manager and its conduct of the investment Fund. Ensuring that the Fund Manager carries on his obligation in the best interest of the unit holders, in accordance with the terms and conditions of the Fund and with CMA Rules & Regulations.
 - To act for the benefit of the Fund and its unit holders. A Fund director's fiduciary responsibility to unit holders includes a duty of loyalty and a duty to exercise reasonable care.
 - Approval of delegated powers of the Manager to act as an Advisor, Sub-Manager, Custodian, Trustee, Agent, or Broker subject to precedent CMA approval.
 - Approval of delegated services of the Manager for bookkeeping, subscription and redemption entries, sales and purchases, financial transfers, confirmation and information on balances, in response to unit holder's enquiries.

The Fund Manager has received a waiver from Article 27 of the Investment Funds Regulations.

14. Fund Manager

HSBC Saudi Arabia Limited, manages the Fund under the Commercial Registration no. 1010221555 issued by the Ministry of Commerce of the Kingdom of Saudi Arabia, and is an Authorised Person, under the CMA – Authorised Person Regulations, with a License No. 05008-37. The Fund Manager is guided by the Terms and Conditions of the Fund, approved by the CMA, and the Board of the Fund. The address of the Fund Manager, HSBC Saudi Arabia Limited, is: HSBC Building, 7601, Olaya Street (Al Mourroj Area), P.O. Box 9084, Riyadh 11413, Kingdom of Saudi Arabia. Phone No: +800 124 1212, Fax No: +9661 299-2385 website: www.hsbcSaudi.com

Under the Terms & Conditions the Unit Holder requests and authorizes the Fund Manager to invest the Fund's assets in accordance with the investment objectives and policy specified in these Terms and Conditions. The Unit Holder authorizes the Fund Manager, subject to prior approval of the Board, to delegate his authority to one or more financial institutions to act as an Advisor, Sub-Manager, Custodian, Trustee, Agent, or Broker of the Fund and to contract with such party to provide investment or custody services of the Fund's assets directly or indirectly hereinafter referred to as "Delegated Party".

The Fund Manager shall provide the Fund with the services of qualified personnel in the field of supervision, administration, and accountancy in order to manage the Fund effectively. This includes bookkeeping, subscription and redemption entries, sales and purchases, financial transfers, confirmation and information on balances in response to a Subscriber's enquiries. The Fund Manager is also authorized by the Board of the Fund to delegate any of the above functions to a third party.

Client Initials: _____

The Fund Manager will:

- Establish and arrange for the listing of the Fund
- Monitor the performance of the Fund and seek to achieve its investment objective
- Ensure periodic re-balancing of the components of the Fund in line with the rebalancing of the Index
- Appoint the Market Maker and on an ongoing basis, co-ordinate with the Market Maker for Creation and Redemption of ETF units.
- Appoint Index Provider and agree the methodology for creation, calculation and dissemination of Index.
- Appoint the Custodian and coordinate, on an ongoing basis, creation and redemption of ETF units.
- Determine and announce the underlying basket of shares and cash component, if any.
- Ensure that liquidity is provided in the secondary market by the Market Maker for units of the Fund.
- Ensure proper calculation and dissemination of the Index, the iNAV and the NAV of the Fund.

15. Custodian

HSBC Saudi Arabia Limited will be appointed the Custodian of the Fund. The Custodial services and other services associated are in accordance with the Fund's Terms and Conditions which have been approved by the CMA and the Board of the Fund.

The Custodian will:

1. Create securities accounts for the Fund Manager and Market Maker
2. Process creation and redemption requests using the following mechanism:
 - Verify the components of underlying basket is in line with the basket information announced by Fund Manager
 - When processing Unit Creation application, Custodian should arrange to transfer the underlying basket of stocks and cash portion from Market Maker's account to Fund's account
 - When processing Unit Redemption application, Custodian should ensure availability of the ETF Units in Market Maker's account
 - Arrange for Creation/Redemption and ensure listing/delisting of Units is properly done by the Exchange
 - Upon Units Creation, ensure that the basket of shares and the cash component corresponds to the number ETF Units that are required
 - Upon Units Redemption, Custodian should ensure that the ETF Units (and its value)redeemed matches the underlying stocks (and its value) transferred to Market Maker's account
 - Undertake daily reconciliation to rectify any discrepancies

HSBC Saudi Arabia Limited is a limited liability company, with a commercial registration number 1010221555 issued by the Saudi Arabian Ministry of Commerce and Industry. It is licensed by the CMA, with License No. 05008-37 issued on 5th of January 2006. The address of the custodian is HSBC Building, 7601, Olaya Street (Al Mourooj Area), P.O. Box 9084, Riyadh 11413, Kingdom of Saudi Arabia, Tel: 966 1 299 2338, Fax: 9661 299 2348, website:www.hsbcSaudi.com.

16. Market Maker

HSBC Saudi Arabia Limited, an Authorized Person under the CMA – Authorized Person Regulations License Number 05008-37- issued on 5th of January 2006, will be the Market Maker of the Fund.

The Market Maker will:

- Undertake in-kind creation and redemption of units in the Fund and offer them in the market.
- Make a market for units by quoting on both buy and sell side within a spread of 2%.
- Contribute to the stability of the price and demand for the Fund's units in the secondary market.

Client Initials:_____

The Market Maker will fulfill its obligations independent of the Fund Manager and all transactions will be carried out at arms length and governed by an agreement between the Fund Manager and the Market Maker.

For disclosure and mitigation for managing potential conflict of interest, refer to conflict of interest section of these Terms and Conditions.

The Fund Manager has received a waiver from Article 16 of the ETF Guidelines.

17. Auditor

KPMG AlFozan and AlSadhan will be the official auditors of the Fund and the Board will reserve the rights to change the auditor of the Fund after approval from the CMA and giving notice to the Unit Holders of the Fund. Address of the auditing firm is: Building # 7103, Alahsa Street, P.O. Box 92876, Riyadh 11663, Kingdom of Saudi Arabia Tel. +9661 291 4350.

18. Audited Accounts

In accordance with the IFR issued by the CMA, the Fund Manager will prepare unaudited Financial Statements at least semi-annually and provide access to Unit Holders to these Financial Statements within 45 days of the end of the relevant period. In addition, audited Financial Statements for the Fund as of the end of each Gregorian year (31st December) will be prepared within 90 calendar days of year end. Audited Financial Statements at the end of each fiscal year will be available at the Fund Manager's headquarter or any of its offices and shall be mailed to Unit Holders upon their written request free of charge.

19. Description of ETF Units

The Fund Manager may issue an unlimited number of ETF Units in the Fund, all of the same class. Each ETF Unit represents an equal common interest in the Fund. The process of creation and redemption of ETF Units will be on in-kind basis whereby the Fund Manager and the Market Maker will exchange ETF Units and the Basket of shares, and vice versa, through the Custodian, for the purpose of creation and redemption of ETF Units.

20. The Shariah Regulations of the Fund

All investments made by the Fund are Shariah-compliant and the investment policy as well as the screening criterion have been approved by the Shariah Supervisory Committee (SSC). The SSC, through the Shariah Audit and Compliance functions of the Bank will ensure that the Fund holdings are in accordance with Shariah Guidelines. The Shariah Screening criterion, as approved by the SSC, are specified below:

Nature of Business:

Companies whose core activities currently include the following are excluded:

- Advertising and Media
- Alcohol
- Embryonic or Stem Cell Research and cloning
- Pork-Related Products
- Gambling
- Leisure
- Arms
- Tobacco
- Conventional Financial Services

Client Initials: _____

Financial Screens:

Companies, whose financial ratios do not meet the following criterion will be excluded:

- Total Debt Divided by trailing 36-months average market capitalization is less than 33%
- Accounts Receivable divided by trailing 36 months average market capitalization is less than 49%
- Cash and interest bearing securities divided by trailing 36 months average market capitalization is less than 33 %
- Revenue Share from Non-Compliant Activities. Non-Permissible Income (other than Interest Income) divided by Revenue is less than 5%

The Fund Manager will adhere to the above guidelines, which may be subject to change from time to time with the approval of the SSC and with a notification to CMA.

The Shariah Supervisory Committee comprises of the following members:

1. Sheikh Abdullah Sulaiman Al Manee
 - Member of Supreme Judiciary Committee of Saudi Arabia
 - Former President of Makkah courts.
 - Advisor to several Islamic Institutions and author of various books on Islamic Banking
2. Sheikh Dr. Abdullah El Mutlaq
 - Member of Supreme Judiciary Committee of Saudi Arabia
 - Former Chairman of the comparative Fiqh
 - Advisor to several Islamic Institutions and author of various books on Islamic Banking
3. Sheikh Dr. Mohammed El Gari
 - Associate Professor and Former Director of the Centre for Research in Islamic Economics at King Abdul Aziz University
 - Expert at the Islamic Jurisprudence Academy (OIC), Jeddah
 - Editor of the Review of Islamic Economic
 - Advisor to several Islamic Institutions including HSBC Amanah and author of various books on Islamic Banking

The Fund will not be charged for any of the services rendered to it by the SSC.

21. Initial Trading In the Fund

The initial trading of units in the Fund shall commence on 23/11/2011.

22. Investment By the Fund Manager Into Units of the Fund

The Fund Manager may invest in the Fund for its own account. The investment of the Fund Manager will be treated as a subscription and will abide by the same provisions as other subscribers do.

23. Procedure of Subscriptions and Redemptions In the Fund**Subscription Procedures for In-Kind Subscriptions by Market Maker**

The Fund will only allow Market Maker to subscribe for ETF Units through the primary market operations, only in Creation Units, on each Dealing Day (except during any period in which the calculation of the Net Asset Value per Share is suspended). In this context, "in-kind" means that, rather than receiving cash in respect of a subscription, the Fund Manager will receive securities and a Cash Component from the Market Maker.

Securities delivered in connection with in-kind subscription requests must be securities which the Fund may acquire pursuant to its Portfolio Composition File.

Client Initials: _____

Following is a summary of the mechanism for in-kind Unit Creation.

- The Fund Manager will disclose the details of the Creation Unit i.e., the Portfolio Composition File on a daily basis prior to start of the trading. One Creation Unit equals 10,000 ETF Units.
- The Market Maker will apply to the Fund Manager for Creation of an ETF Unit.
- At the same time, the Market Maker will deposit in the Custodian's account the securities and cash, corresponding to the number of Creation Units that it intends to create.
- The Fund Manager, after initial checking, will approve the Unit Creation application.
- The Custodian will ensure that the securities and cash deposited by the Market Maker appropriately correspond to the ETF Unit Creation request.
- The Custodian will then transfer the deposited underlying securities from the Market Maker account to the Fund's account.
- The Custodian will liaise with the Exchange for ETF Units creation (Exchange will create and list the Units)
- Creation Units will then be deposited to Market Maker account.
- The Market Maker may post the Asks in the exchange (an offer to sell) or simply keep the newly created ETF units in its inventory.
- At end of each dealing day, the Exchange will check the underlying securities and the ETF units issued for any discrepancy.
- In case of any discrepancy between number of ETF Units issued and number of the underlying securities received, the Custodian will make good all the differences as needed.
- The Fund Manager will calculate the amount of cash at the end of each business day in regards to Creation Units. Any shortfall/excess in the creation/redemption of ETF units will be settled, through Custodian, with Market Maker at the end of the day.

Except when the calculation of the Net Asset Value per Share is suspended, or as otherwise determined by the Fund Manager, all applications for in-kind subscriptions will be binding and irrevocable.

The Fund Manager has received a waiver from Article 50 "A" of the Investment Funds Regulations.

Subscription Price

The Initial Offer Price per ETF Unit for the Fund is set out in the Fund Summary. The NAV will be calculated by taking the total value of all assets of the Fund as per the closing price, in addition to any cash component minus any expenses due at the end of the day. The NAV per unit will be calculated by taking the NAV and dividing it by the number of outstanding units at the time of valuation.

The minimum number of units for in-kind subscriptions, with the Market Maker, is one Creation Unit (corresponding in each case to the number of ETF Units indicated in the Fund Summary). Applications for the subscription of shares in-kind, through the Market Maker, in the Fund must be in integer multiples of the Fund's Creation Unit size.

Publication of Portfolio Composition File

The Portfolio Composition File will be available on the website www.hsbcSaudi.com.

Notification of Cash Component

At the end of each Dealing Day, the Fund Manager will identify and publish the Cash Component of the in-Kind subscription. Cash Component will be calculated on Forward NAV basis (i.e., it will be assumed that no units are created and redeemed during the day.) Cash Component may be exchanged during the day, based on last business day's cash values, although net settlements are done at the end of the day.

Client Initials: _____

Redemption Procedures for In-Kind Redemptions by Market Maker

Applications for in-kind redemptions of Creation Units by the Market Maker to the Fund Manager can be made at any time during the trading hours on each dealing day.

Following is a summary of the mechanism for in-kind redemption of Creation Units.

- The Market Maker will apply to the Fund Manager for redemption of Creation Unit(s).
- At the same time, the Market Maker will deposit Creation Unit(s) in the Market Maker account with the Custodian that it intends to redeem.
- The Fund Manager, after initial checking, will approve the redemption application.
- The Custodian will ensure that the Creation Units deposited by the Market Maker appropriately correspond to the redemption request.
- The Custodian will liaise with the Exchange for redemption of ETF Units (Exchange will redeem and delist the ETF Units from depository services)
- The Custodian will then transfer the corresponding underlying securities from the Fund Manager's account to the Market Maker's account.
- At the end of each dealing day, the Exchange will check the underlying securities and the ETF Units created/ redeemed for any discrepancy.
- In case of any discrepancy between number of ETF Units redeemed and number of the underlying securities delivered, the Custodian will make good all the differences as needed.
- The Fund Manager will calculate right amount of cash for the day, as per the Fund policies. Any shortfall/access in the redemption of ETF units will be settled, through the Custodian, with the Market Maker at the end of the day.

Except when the calculation of the Net Asset Value per Share is suspended, or as otherwise determined by the Fund Manager, all applications for in-kind redemptions will be binding and irrevocable.

Temporary Suspension of Dealings

Suspension of trading will take place during times that the CMA suspends listing of a stock that is a constituent in the index or at times when the rebalancing of the index and the basket takes place.

All other cause of suspension of trading would need prior approval from the CMA.

Secondary Market Purchases & Sales

It is the intention of the Fund Manager that the Fund, through the listing of its shares on Tadawul, will be an Exchange Traded Fund. Upon such listing, one or more Authorised Participants will act as Market Makers and provide offer and bid prices at which the units in the Fund can be purchased or sold, respectively, by investors.

As such, investors will be able to buy and sell units on the secondary market (Exchange) through a broker in smaller quantities.

The market price of a unit listed or traded on the Exchange may not necessarily reflect the Net Asset Value per share of the Fund, and may be subject to brokerage commissions associated with the trading and settlement through the Exchange.

Where an investor acknowledges / completes a buy transaction for units of the Fund on the Exchange, such an act will be considered as an acceptance by the investor of the Terms and Conditions of the Fund.

Refusal of Subscriptions

The Fund Manager reserves the right to refuse participation by Subscribers in the Fund if inter alia such participation would result in violation of regulations applicable to the Fund that may from time to time be imposed by the CMA.

Client Initials: _____

24. Valuation of Assets and Publication of NAV

The Net Asset Value of the Fund is calculated by subtracting from the value of the total assets of the Fund the amount of the Fund's liabilities including without limitation the fees specified in Clause 12. The Net Asset Value per share is determined by dividing such resulting figure by the total number of outstanding units of the Fund on each Valuation Day. The valuation of the Fund will take place on the valuation days as stated in the Fund Summary, provided that the Valuation Day is a business day where the Equity Markets are open in the Kingdom of Saudi Arabia.

The Fund has two valuation points:

- a. NAV (Net Asset Value) per Unit: calculated at the end of each business day. NAV is calculated as total value of all Fund holdings, using closing prices of the equities in addition to available cash and accrued dividends minus any accrued fees and dividing the results by the number of outstanding units. The completion of process and dissemination of NAV per unit will be done within two hours from the time of market close.
- b. Indicative Net Asset Value per Unit (iNAV): calculated intraday at the frequency of every 15 seconds. iNAV per Unit is calculated as total value of all Fund holdings, using the last trade price, and deducting (adding) the accrued charges (income) as at close of last business day, dividing the results by the number of outstanding units.

The iNAV per unit and NAV per unit of the Fund will be published on the website of the Fund Manager.

The accurate and updated Unit Holder's register will be kept by Tadawul depository in its capacity of registrar of the issue.

25. Appointment of Liquidator and Replacement Fund Manager

The CMA shall have the power to appoint a replacement Fund Manager or a Liquidator or to take any other measures it deems necessary in line with the events listed in the Investment Funds Regulations issued by the CMA.

26. Termination of the Fund

The Board of the Fund, on the advice of the Fund Manager, reserves the right to terminate the Fund by giving at least sixty days (60) notice to Unit Holders after obtaining the CMA's approval. In such case, the Fund's assets will be liquidated, its liabilities discharged and the remaining proceeds of such liquidation distributed to the unit holders in the proportion which their Units bear to the total Units as ascertained by the Fund Manager at the time the Fund was terminated.

27. Conflict of Interest

The Fund Manager will seek to avoid any conflict of interest arising between the Fund's interests and those of its customers or between interests of different customers. Where any such conflict arises, the Fund Manager shall ensure fair treatment to all Unit Holders of the Fund. In a case of potential conflict, the Fund Manager shall not unfairly place its interests above those of Unit Holders except where a properly informed Unit Holders has consented in the circumstances. The full procedures for dealing with conflicts of interest will be made available on request.

28. Voting Rights Policies

An ETF is an Investment Fund and, therefore, voting rights of the underlying shares are held by the Fund Manager, not the Unit Holders. The policy decision for voting or not voting in the case for the shares held by the Fund Manager as follows:

- After consulting with the compliance officer of the Fund, The Board shall agree the general policies in relation to voting rights available to the Fund Manager due to its holdings which comprise its investment portfolio.
- The Fund Manager would decide "at its discretion" the enforcement of any voting rights after consulting with the compliance officer of the Fund or the Fund Compliance Committee in respect to the general procedures mentioned above in this section.
- The Fund Manager shall have the right but not the obligation to attend and/or vote in Annual General Meetings ("AGMs") and Irregular General Meetings ("IGMs") of companies in which the Fund holds assets after consulting with

Client Initials: _____

the compliance officer of the Fund. The Fund Manager would vote in favor of the Fund's Unit Holders.

- A Unit Holder cannot require the Fund Manager to vote in any particular manner, or to abstain from voting, for any underlying shares held by the Fund.

29. Amendment of these Terms and Conditions

The Fund Manager may, at any time and at its sole discretion, amend these Terms and Conditions provided that the CMA's approval is obtained for such amendments. It is further provided that the Fund Manager notifies the Unit Holders by posting the proposed amendments on the Fund Manager's website. The amendments will become effective 60 (sixty) days from the date of any such notice.

30. Complaints Procedure

All Unit Holders complaints shall be forwarded to the Company's Compliance Department and all complaints will be presented once requested by the CMA and/or requested by the Manager. CMA will forward the complaints to the CMA Committee for Resolution of Securities Disputes for ruling. Full procedures for dealing with complaints will be made available by the Fund Manager on request.

31. Governing Law

These Terms and Conditions contained are subject to the laws of the Kingdom of Saudi Arabia and subject to the rules and regulations issued from time to time by the CMA. Any disputes arising between the parties in relation to, or in connection with these terms and conditions, shall be referred to the Committee for the Resolution of Securities Disputes.

32. Language and Calendar

According to the IFR issued by the CMA, the official language of these Terms and Conditions is Arabic and any complaint will be viewed in relation to Arabic language version of these Terms and Conditions. All references to a period of time in these Terms and Conditions shall be considered to be a reference to the Gregorian calendar.

33. Compliance With Regulations

The Fund Manager certifies that these Terms and Conditions and other Fund documentation are in compliance with the IFR issued by the CMA and contain full, true and plain disclosures of all material facts relevant to the Fund.

Summary of Financial Disclosure

Total Expense Ratio	0.75% per annum
Administration and Custody	0.20% per annum
Indexing Fees	Index Provider: USD 17,500 annually Tadawul Product Licensing Fee: 0.01% per annum
Regulator Fee	SAR 7,500
Audit Fee	SAR 25,000
Tadawul Listing and Registration Fee	0.08% per annum

The Fund will charge 0.75% per annum of the Net Asset Value of the Fund (the "Total Expense Ratio" or "TER") to bear all the above mentioned fees and expenses. The Fund Manager will absorb any additional fees, costs or expenses over the Total Expense Ratio.

I/We hereby confirm that I/We have received, read and understood the Terms and Conditions of the Fund.

Name _____

Name _____

Signature _____

Signature _____

Date _____

Date _____

Client Initials: _____

HSBC Amanah Saudi 20 ETF

Information Memorandum

Issued by HSBC Saudi Arabia Limited

Summary of Key Features of the Fund

- **Fund Name:** HSBC Amanah Saudi 20 ETF
- **Fund Manager:** HSBC Saudi Arabia Limited
- **Market Maker:** HSBC Saudi Arabia Limited
- **Custodian:** HSBC Saudi Arabia Limited
- **Fund Currency:** SAR
- **Investment Objective:** The Fund is an open ended investment fund and its objective is to replicate the performance of the HSBC Amanah Saudi 20 Equity Index, while minimising, as far as possible, the tracking error between the Fund's performance and that of the Index.
- **Index:** HBSC Amanah Saudi 20 Equity Index
- **Index Provider:** Standard & Poor's Financial Services
- **Date of Initial Offering:** (TBD)
- **Initial ETF Unit Price:** SAR 20
- **Minimum Subscription and Redemption of Creation Unit for Market Maker:** One Creation Unit equivalent to 10,000 ETF Units
- **Valuation Point:** Indiactive Net Asset Value (iNAV) to be calculated and published every 15 seconds while the Net Asset Value (NAV) to be calculated and published at the end of each trading day.
- **Total Expense Ratio:** Total Expense Ratio (TER) is 0.75% per annum
- **Subscription Fees:** Nil

Introduction

HSBC Amanah Saudi 20 ETF an open ended Investment Fund sponsored and managed by HSBC Saudi Arabia Limited. However, unlike other Investment Funds managed by HSBC Saudi Arabia, the HSBC Amanah Saudi 20 ETF will be listed on the Saudi Stock Exchange, ('Tadawul') and investors may buy and sell ETF Units directly through Tadawul.

The Fund is governed by the Investment Funds Regulations issued by the Capital Market Authority (CMA) of the Kingdom of Saudi Arabia (pursuant to its Resolution Number 1-219-2006 dated 3/12/1427 H corresponding to 24/12/2006 as per the Gregorian calendar).

HSBC Saudi Arabia Limited, is a Joint Stock Limited Liability Company, duly incorporated according to the laws and regulations of the Kingdom of Saudi Arabia; its Commercial Registration number is 1010221555, issued by the Ministry of Commerce, Kingdom of Saudi Arabia.

This Information Memorandum is furnished to prospective Investors so that they may consider the opportunity to invest in the Units of the Fund. Prospective investors are requested to carefully read contents of this document and the "Terms and Conditions" of the Fund, published separately, prior to taking any decision to invest in the Fund. The units of the Fund will be listed on Tadawul for trading in a manner similar to listed companies.

Important Information for Investors

- The Terms and Conditions of the Fund are prepared according to the Investment Funds Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia. Prior to investing in the Fund, investors should carefully consider all disclosures in this document as well as review the Terms and Conditions of the Fund and revert to the Fund Manager or their personal advisors in case of any doubts about the content of this document.
- Investment in the Fund is subject to certain investment risks as indicated in the 'Investment Risks' section of this Information Memorandum. Investors should carefully review the risks associated with the Fund prior to purchasing any Units in the Fund. Prospective investors should carefully consider the goals of the investment, the potential risks factors and the fees and expenses of the Fund prior taking any investment decision.
- The Fund is not considered an independent legal entity and the Fund Board of Directors of the Fund will supervise the management of the Fund to ensure that it is managed in accordance with the attached Terms and Conditions and the Investment Funds Regulations.
- All statements of opinions and views in this document represent the Fund Manager's own assessment and are accurate to the best of its knowledge. However, these should not be considered as an advice or offer to buy Units in the Fund as no assurance is given that any of the opinions and views are correct. The Board of Directors of the Fund, collectively and individually, accept responsibility for the information contained in the Information Memorandum and the "Terms and Conditions".
- This document is based on the Investment Funds Regulations and has been approved by the Capital Market Authority. However, approval by the CMA should not be taken to indicate that it recommends the ETF or assumes responsibility for the accuracy or correctness of the information within. CMA shall not be responsible if the investor incurs any losses as a result of investing in the Fund.
- Investors can buy and sell units in the Fund on Tadawul through licensed brokers and dealers. The price of Units in the Fund will be determined by supply and demand in the market and it could be more or less than the net asset value per unit. Purchasing a unit in the Fund on Tadawul would be considered as an acceptance by the investor of the Terms and Conditions of the Fund.
- Reproduction, printing or distribution of any of the information in this document is prohibited except for the intention of subscribing to investing in the Fund.
- Investors should give careful consideration to the investment horizon prior to investing in the Fund. Investors should have a long-term investment horizon, as the Fund invests in equities.

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Definitions

Bank	The Saudi British Bank (SABB) and or its affiliates
Basket of Shares	List of stocks and their respective quantities, whose value along with cash portion is equal to the value of a Creation Unit. Fund Manager disseminates information on the Basket of Shares on each business day.
Board	Board of Directors of the Fund
Business Day	Official working day in the Kingdom of Saudi Arabia and the Saudi Stock market is open.
CMA	The Capital Market Authority of the Kingdom of Saudi Arabia (based on the Capital Market Law issued by Royal Decree No.M/30 dated 2/6/1424 H)
Cash Component	The total cash and cash equivalents in the Fund minus liabilities divided by the total outstanding number of units multiplied by 10,000. $\frac{\text{Cash \& cash equivalents} - \text{Liabilities}}{\text{\# of outstanding units}} * 10,000$
Company	HSBC Saudi Arabia Limited
Creation	Creating new ETF Units via primary market operations
Creation Unit	A Block of ETF Units, that a Market Maker receives from Fund Manager (via Custodian) in exchange of the basket of shares plus cash component for creation of ETF Units. The predetermined number of ETF Units per Creation Unit is 10,000
Custodian	An Authorised Person under the Authorised Persons Regulations of CMA allowed to conduct the securities activity of custody. HSBC Saudi Arabia Limited will be the custodian of the Fund
Dealing Day	A Day on which the stock exchange (Tadawul) is open in the Kingdom of Saudi Arabia
ETF	Exchange Traded Fund. An ETF is a Collective Investment Scheme with variable capital that issues Units. ETF Units are listed in the exchange and are traded like shares of listed companies.
ETF Guidelines	ETF guidelines issued by the CMA
ETF Unit(s) / Unit(s)	Non-voting measurable investment Units in the Fund that represent proportional participation in the Fund's assets.

Exchange	The Saudi Stock Exchange or Tadawul
Fund	HSBC Amanah Saudi 20 ETF
Fund Manager	An Authorized Person, authorized to carry on managing activities under the Authorized Persons Regulations. HSBC Saudi Arabia Limited or any successor thereto duly appointed in accordance with requirements of the Capital Market Authority of the Kingdom of Saudi Arabia
Fund Summary	A supplement of the Terms and Conditions describing the key terms of the Fund
Free-Float Adjusted Market Capitalisation	Is calculated by multiplying the shares price by the number of shares available for trading in the stock market. Instead of using the full number of shares outstanding, the free float method excludes closed or not listed shares such as those owned by governments.
IFR	Investment Funds Regulations issued by the CMA
iNAV per Unit (Indicative Net Asset Value)	iNAV per Unit is the value of the Fund, in Saudi Riyals, at a particular point in time during trading hours. iNAV is calculated as total value of all Fund holdings using “last trade” prices plus cash (& cash Equivalents) minus all accrued charges as of last business day’s NAV. iNAV is disseminated every 15 seconds during trading hours by the Fund Manager.
Index	HSBC Amanah Saudi 20 Equity Index
Index Provider	The entity responsible for setting the rules of calculating, maintaining and disseminating the Index. Standard & Poor’s (S&P) will be the index provider for the Fund
Index Securities	Securities comprising the Index
In-Kind basis	Exchange of ETF Units with basket of shares and the cash component of a Creation Unit
Market Maker	An Authorised Person authorized by the CMA for Dealing, in the capacity of principal. All primary market operations will be undertaken through authorized Market Maker(s) HSBC Saudi Arabia Limited and/or any other Market Maker as appointed from time to time with the consent of the CMA will be the Market Maker of the Fund
Minimum Initial Subscription	the value of One Creation Unit
Net Asset Value	NAV, which is the value of the Fund, at the end of each business day, after

Net Asset Value per Unit	deduction of all applicable liabilities, fees and charges from the Funds' assets is the NAV of the fund divided by the number of outstanding at the time of valuation
Portfolio Composition File	the statement released on the website identifying each of the securities and the quantities thereof which the Fund Manager will expect to be delivered to it when one Creation Unit is subscribed for, or delivered by it when one Creation Unit is redeemed and receiving orders for in-kind subscription and redemptions. The Portfolio Composition File will comprise securities in which the Fund may invest in accordance with its investment objective, investment policies and restrictions
Portfolio Deposit	For in-kind subscriptions and redemptions, the securities comprising the Portfolio Composition File, plus or minus (as the case may be) the Cash Component, to be delivered to the Fund Manager in subscribing for one Creation Unit or to be delivered by the Fund Manager in redeeming one Creation Unit
Primary Market Operation	Refers to the activity of creation and redemption of ETF Units done between the Fund and the authorized Market Maker(s).
Saudi Riyal or SAR SSC	The lawful currency of the Kingdom of Saudi Arabia Shariah Supervisory Committee
Tracking Error	Represents the percentage deviation of the performance of the Fund's portfolio for the index. Percentage deviation is measured using the coefficient of deviation of the difference between daily returns of the Fund compared to that of the index.
Total Expense Ratio (TER)	The total fee charged to the Fund as indicated in the Appendix
Unit Holder	Unit Holder or investor in the Fund
Valuation Day	The day when the Net Asset Value is calculated

ETF Description Document

1. FUND NAME

HSBC Amanah Saudi 20 ETF is an open ended collective investment scheme, approved by the Shariah Supervisory Committee of the Fund.

2. FUND CONSTITUTION

The Terms and Conditions of the Fund have been issued on 25/9/2011 corresponding to 27/10/1432. The first ETF Units will be issued on 20/11/2011, corresponding to 24/12/1432. The ETF Units will be listed on and start trading on Tadawul on 23/11/2011, corresponding to 27/12/1432.

3. INVESTMENT OBJECTIVES

The Fund is an open ended investment fund with the aim to achieve, over the long - term, capital growth by replicating the performance of the HSBC Amanah Saudi 20 Equity Index, before excluding fees and expenses, while minimising, as far as possible, the tracking error between the Fund's performance and that of the Index.

In seeking to achieve its investment objective, the Fund will follow a passive strategy by investing in securities included in the Index in the same proportions in which they are included in the Index. All of the securities in which the Fund invests will be listed on Tadawul.

The Fund is an income accumulation fund whereby its income will be reinvested and not distributed to the Unit Holders. The reinvestment of the Fund's income will be reflected in the value of the units.

4. INVESTMENT STRATEGY

- The Fund will follow a passive investment strategy by investing, in the same proportion, in a basket of shariah-compliant equities that are listed on Tadawul and are components of the Index, while keeping adequate amount of cash to account for Fund expenses and liabilities. The Fund aims to achieve a low tracking error against the Benchmark.
 - The basket will consist of Shariah compliant equities that are listed on Tadawul and are components of the HSBC Amanah Saudi 20 Equity Index.
 - The Fund will strictly adhere to the Shariah investment guidelines approved by the Shariah Supervisory Committee.
 - The Fund's investment portfolio will be reviewed on a quarterly basis, in-line with the index review, in addition to any re-balancing required during the interim period due to corporate actions in any of the securities included in the investment portfolio. In case of changes in Index (deletion / addition of stocks), Fund Manager will seek to bring the Fund investments in line with that of Index by way of rebalancing. The Fund may temporarily suspend the creation and redemption of Units during the Fund's rebalancing phase.
 - Changes in the investment portfolio of the Fund and re-weightings or changes of the components of the Index may give rise to various transaction costs or inefficiencies. Furthermore, the total return on investment in the Units of the Fund will be reduced by

certain costs and expenses which are not taken into account in the calculation of the Index.

- To achieve its investment objective, the Fund Manager has capped the Total Expense Ratio at 0.75%. The Fund Manager will endeavor to minimize the risk of tracking error and will review the tracking error on an ongoing basis in order to mitigate this risk.
- The Fund may invest cash in short term money market instruments e.g., Murabahas, as deemed suitable by the Fund Manager in view of Fund's investment objectives.
- The Fund Manager seeks to maintain, as low as possible, a margin of tracking error compared to the performance of the Index, taking into account the factors of fees and expenses. Note that the Fund Manager will review any deviation that may occur and the application of necessary measures to mitigate the deviation.
- If the Capital Market Authority suspends the listing of a security(s) held by the Fund, as it thinks fit in certain circumstances, the Fund, will suspend unit creation and unit redemption activity until such time the issue of listing is resolved.
The Fund will not face the risk of tracking error in short term as the suspended security will continue to remain part of the Index until the issue of listing is resolved.
- The ETF Units are listed on Tadawul for individual investors to buy and sell at any time during trading hours. The Fund Manager has made an agreement with a Market Maker to provide liquidity during the trading hours. This reduces liquidity risk for individual investors buying units on Tadawul.

Market Maker is to offer two way quotes on Tadawul with a maximum bid-ask spread of 2%. The Market Maker faces the price risk while creating and redeeming ETF Units. To mitigate this risk, the Fund Manager has agreed with the Market Maker an "instant creation and redemption" mechanism.

- The Fund Manager will segregate and separately identify the securities and other assets of the Fund from those of the company and these will be maintained with a well known and reputable custodian as determined by the Fund Manager
- The Fund will abide by investment restrictions as required by the Investment Funds Regulations issued by the Capital Market Authority
- The Fund is not authorized to give loans and it is not authorized to borrow or perform any operations that can be interpreted as borrowing. Fund will participate in the Corporate Actions of its investments in the best interest of ETF Unit holders. For instance, when offered, Fund will subscribe to the right issues of any of its underlying stocks whereas the Index will also be rebalanced accordingly, taking care of tracking error concern. The required cash for exercising rights, as needed, will be generated by proportionately selling off the existing equities in the Fund (Proportionately means that after selling off, the weights of the underlying stocks remains approx. same as that of the Benchmark Index). Accounting for rights issue and other corporate actions will be carried out as per industry norms and Generally Accepted Accounting Principles.

Dividends received from the companies held by Fund will primarily be kept in the Fund for fees and expenses etc. Refer to Dividend Distribution Policy elsewhere in the document for details.

In case of other corporate actions such as mergers, acquisitions etc, Fund manager will take action in the best interest of unit holders. However, if a material discrepancy between ETF weights and index weight arises due to corporate actions, Fund Manager will rebalance the ETF accordingly.

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5. INDEX DESCRIPTION

This section is a summary of the principal features of the HSBC Amanah Saudi 20 Equity Index.

General

The Index is an equity index calculated on a total return basis, maintained and published on a real-time basis by an international index supplier, Standard & Poor's (S&P) and is denominated in Saudi Riyals. It tracks the movements of the largest 20 (based on free float adjusted market capitalisation) shariah-compliant companies listed on Tadawul.

Index Construction

The HSBC Amanah Saudi 20 Equity Index employs a free-float adjusted market capitalisation driven weighting methodology,

The Stocks, included in the Index, are selected from the constituents of the S&P Global BMI Saudi Arabia Index after screening for shariah-compliance and only those stocks that are shariah-compliant are eligible for inclusion in the HSBC Amanah Saudi 20 Equity Index.

- All eligible, shariah compliant stocks, in the universe are sorted in decreasing order of free-float adjusted market capitalisation.
- The top 20 stocks form the index.
- If a stock included in the top 20 does not meet the liquidity criterion(average dollar value traded of at least US\$0.5 million per day, over the previous quarter), it is replaced by the next eligible stock.
- The index is weighted according to each constituent's free-float adjusted market capitalisation.

Index Review

The composition of the Index is reviewed on a quarterly basis according to the S&P methodology. The quarterly review is carried out on the last Friday after the end of each Gregorian calendar quarter with respect to the following:

- a. Liquidity: The constituents of the index are reviewed to ensure that they still meet the liquidity criterion.
- b. Market capitalization: The available universe is reviewed to ensure that any changes in free-float adjusted market capitalization are taken into account.
- c. Suspension: Suspended companies will continue to remain index components until rebalancing. The closing price and number of free-float adjusted shares prior to the suspension will be used for index calculations.
- d. Delisting: If a component company gets delisted, it will be deleted from the Index on the delisting date at any time between quarterly reviews.

In addition, on an annual basis, index components are reviewed to ensure continued compliance with Shariah principles as approved by the Shariah Supervisory Committee.

Accordingly, the Fund will also be rebalanced although Fund Manager will keep investor's best interest while divesting its positions in the non-Shariah compliant stock(s).

The methodology of the construction of the Index is available on the Fund Manager's website: www.hsbcSaudi.com.

In the event that the Index Provider is unable to continue to provide the Index, the Fund Manager will seek to move to another Index Provider in a reasonable time frame. Index for the Fund will not be changed. Also, the Index will be reviewed at least annually to assess the appropriateness of Index in serving the overall purpose of achieving Fund investment objectives.

As of November 19, 2010, the component securities of the index are as follows:

Sr#	COMPANY	Code	Weight
1	Advanced Petrochemicals Company	2330	1.4%
2	Al Rajhi Banking & Investment Corp.	1120	20.9%
3	Al Yamama Cement Company	3020	2.7%
4	Alinma Bank	1150	3.6%
5	Al-Jazira Bank	1020	1.3%
6	Almarai Co. Ltd.	2280	3.3%
7	Bank Al Bilad	1140	1.6%
8	Dar Al Arkan Real Estate Development	4300	1.5%
9	Etihad Etisalat Co.	7020	7.9%
10	Jabal Omar Development Company	4250	1.8%
11	Jarir Marketing Company	4190	2.7%
12	Mobile Telecommunications Company Saudi Arabia	7030	1.3%
13	Sahara Petrochemical Company	2260	2.1%
14	Saudi Arabian Fertilizer Company	2020	6.2%
15	Saudi Arabian Mining Company	1211	3.2%
16	Saudi Basic Industries Corp	2010	24.1%
17	Saudi Cement Company	3030	3.2%
18	Saudi Electricity Company	5110	3.6%
19	Saudi Telecom	7010	4.1%
20	Savola Group	2050	3.6%

Publication of the Index

The Index is calculated on a daily basis at closing prices using the official closing stock market prices for the constituent stocks and the information on the index is available on the Fund Manager's website, www.hsbcSaudi.com as well as Tadawul. The value of the index will also be updated every 15 minutes on the Fund Manager's website during trading hours.

6. INVESTMENT RISKS

The value of units in the Fund is subject to fluctuations in the value of equities the Fund is invested in. Consequently the price of the Fund's units may go up or down and unitholders may receive an amount upon redemption which is less than the amount initially invested. The Fund is not a deposit or obligation nor is it guaranteed by the Fund Manager or any of its affiliates or subsidiaries. The Fund is subject to investment risk unless otherwise specified in the terms and conditions.

Economic Risk

The performance of any investment can be affected by general economic conditions. Factors such as the level and volatility of interest rates, inflation, capital flows, and many other factors can have a substantial positive or negative impact on the value of investments held by the Fund.

Security Issuer Risk

All of the securities in which the Fund invests will be listed on Tadawul. Accordingly, the underlying exposure is to the issuers of securities included in the Index.

Tracking Error

There is no guarantee that the investment objective of the Fund will be achieved. Changes in the investments of the Fund and re-weightings of the Index may give rise to various transaction costs. Furthermore, the total return on investment in the units of the Fund will be reduced by certain costs and expenses which are not taken into account in the calculation of the Index. Moreover, in the event of the temporary suspension or interruption of trading in the securities comprising the Index, or of market disruptions, rebalancing the Fund's investment portfolio may not be possible.

Change in Composition

The Index of the Fund is constituted by an Index Provider pursuant to the Index Provider's own criteria. The Index Provider normally retains discretion in relation to the methodology underlying an Index and. Accordingly, there can be no assurance that an Index will continue to be calculated and published on the basis described in the rules or methodology published by the Index Provider or that the Index will not be amended significantly.

Also, composition of the Index may change based on the Index Provider's criteria and constituent securities of the index may be de-listed leading to a change in the index.

Concentration risk

The investments of the Fund may be concentrated in a few issuers due to the design of the Index that the Fund aims to replicate.

Shariah Compliance Risk

A stock is deleted from the Index in the event of its becoming non-Shariah compliant. The investors face the risk of a stock being sold by the Fund because of Shariah non-compliance which may adversely affect the performance of the Fund as and when compared to a conventional Fund which is not Shariah compliant.

Political and/or Regulatory Risks

The Fund may be adversely affected by uncertainties such as international political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, and other developments in the laws and regulations of the countries in which the assets of the Fund are invested.

Suspension and Delisting Risk:

The Capital Markets Authority may suspend or delist the listing of one or more securities held by the Fund. This would cause a suspension of creation and redemptions of units in the Fund which can continue until the resolution of the listing of the underlying securities.

Capital Market Risk

A principal risk of investing in the Fund is equity risk, which is the risk that the value of the securities held by the Fund will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate, or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of equity securities of an issuer held by the Fund; the price of common stock of an issuer may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the equity securities held by the Fund. In addition, common stock of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition .

7. Description OF ETF UNITS

The Fund Manager may issue an unlimited number of ETF Units in the Fund, all of the same class. Each ETF Unit represents an equal common interest in the Fund. The process of creation and redemption of ETF Units will be on in-kind basis whereby the Fund Manager and the Market Maker will exchange ETF Units and the Basket of shares, and vice versa, through the Custodian, for the purpose of creation and redemption of ETF Units.

ETF Units will be denominated in Saudi Riyal. Each Creation Unit will represent 10,000 ETF Units and each Redemption Unit will also represent 10,000 ETF Units. The initial value of the ETF Unit will be SAR 20.

The Fund is an income accumulation Fund whereby the net income of the Fund will be reinvested and not distributed as dividends to Unit Holders. The reinvestment of income will be reflected in the value and price of shares. The Fund Manager will not issue certificates to evidence ownership of shares in the Fund. If the Fund is liquidated, shares will share pro rata in the net assets of the Fund available for distribution to Unit Holders.

8. SUBSCRIPTION AND REDEMPTION PROCEDURES

Subscription Procedures for In-Kind Subscriptions by Market Maker

The Fund will only allow Market Maker to subscribe for ETF Units through the primary market operations, only in Creation Units, on each Dealing Day (except during any period in which the calculation of the Net Asset Value per Share is suspended). In this context, "in-kind" means that, rather than receiving cash in respect of a subscription, the Fund Manager will receive securities and a Cash Component from the Market Maker.

Securities delivered in connection with in-kind subscription requests must be securities which the Fund may acquire pursuant to its Portfolio Composition File.

Following is a summary of the mechanism for in-kind Unit Creation.

- Fund Manager will disclose the details of the Creation Unit i.e., the Portfolio Composition File on a daily basis prior to start of the trading. One Creation Unit equals 10,000 ETF Units.

- Market Maker will apply to the Fund Manager for Creation of an ETF Unit.
- At the same time, Market maker will deposit in the Custodian's account the securities and cash, corresponding to the number of Creation Units that it intends to create.
- Fund Manager, after initial checking, will approve the Unit Creation application.
- Custodian will ensure that the securities and cash deposited by Market Maker appropriately correspond to the ETF Unit Creation request.
- Custodian will then transfer the deposited underlying securities from Market Maker account to the Fund's account.
- Custodian will liaise with Exchange for ETF Units creation (Exchange will create and list the Units)
- Creation Units will then be deposited to Market Maker account.
- Market Maker may post the Asks in the exchange (an offer to sell) or simply keep the newly created ETF units in its inventory
- At end of each dealing day, the Exchange will check the underlying securities and the ETF units issued for any discrepancy.
- In case of any discrepancy between number of ETF Units issued and number of the underlying securities received, the Custodian will make good all the differences as needed.
- Fund Manager will calculate the amount of cash at the end of each business day in regards to Creation Units. Any shortfall/excess in the creation/redemption of ETF units will be settled, through Custodian, with Market Maker at the end of the day.

Except when the calculation of the Net Asset Value per Share is suspended, or as otherwise determined by the Fund Manager, all applications for in-kind subscriptions will be binding and irrevocable.

The Fund Manager has received a waiver from Article 50 "A" of the Investment Funds Regulations.

Subscription Price

The Initial Offer Price per ETF Unit for the Fund is set out in the Fund Summary. The NAV will be calculated by taking the total value of all assets of the Fund as per the closing price, in addition to any cash component minus any expenses due at the end of the day. The NAV per unit will be calculated by taking the NAV and dividing it by the number of outstanding units at the time of valuation.

The minimum number of units for in-kind subscriptions, with the Market Maker, is one Creation Unit (corresponding in each case to the number of ETF Units indicated in the Appendix). Applications for the subscription of shares in-kind, through the Market Maker, in the Fund must be in integer multiples of the Fund's Creation Unit size.

Publication of Portfolio Composition File

The Portfolio Composition File will be available on the Website www.hsbcSaudi.com.

Notification of Cash Component

At the end of each Dealing Day, the Fund Manager will identify and publish the Cash Component of the in-Kind subscription. Cash Component will be calculated on Forward NAV basis (i.e., it will be assumed that no units are created and redeemed during the day.) Cash Component maybe exchanged during the day, based on last business day's cash values, although net settlements are done at the end of the day.

Redemption Procedures for In-Kind Redemptions by Market Maker

Applications for in-kind redemptions of Creation Units by the Market Maker to the Fund Manager can be made at any time during the trading hours on each dealing day.

Following is a summary of the mechanism for in-kind redemption of Creation Units.

- The Market Maker will apply to Fund Manager for redemption of Creation Unit(s).
- At the same time, the Market Maker will deposit Creation Unit(s) in Market Maker account with custodian that it intends to redeem.
- The Fund Manager, after initial checking, will approve the redemption application.
- The Custodian will ensure that the Creation Units deposited by the Market Maker appropriately correspond to the redemption request.
- The Custodian will liaise with the Exchange for redemption of ETF Units (Exchange will redeem and delist the ETF Units from depository services)
- The Custodian will then transfer the corresponding underlying securities from the Fund Manager's account to the Market Maker's account.
- At the end of each dealing day, the Exchange will check the underlying securities and the ETF Units created/redeemed for any discrepancy.
- In case of any discrepancy between number of ETF Units redeemed and number of the underlying securities delivered, the Custodian will make good all the differences as needed.
- The Fund Manager will calculate the amount of cash for the day, as per the Fund policies. Any shortfall/access in the redemption of ETF units will be settled, through Custodian, with Market Maker at the end of the day.

Except when the calculation of the Net Asset Value per Share is suspended, or as otherwise determined by the Fund Manager, all applications for in-kind redemptions will be binding and irrevocable.

Temporary Suspension of Dealings

Suspension of trading will take place during times that the CMA suspends listing of a stock that is a constituent in the index or at times when the rebalancing of the index and the basket takes place.

All other cause of suspension of trading would need prior approval from the CMA.

Secondary Market Purchases & Sales

It is the intention of the Fund Manager that the Fund, through the listing of its shares on Tadawul, will be an Exchange Traded Fund. Upon such listing, one or more Authorised Participants will act as Market Makers and provide offer and bid prices at which the units in the Fund can be purchased or sold, respectively, by investors.

As such investors will be able to buy and sell units on the secondary market (Exchange) through a broker in smaller quantities.

The market price of a unit listed or traded on the Exchange may not necessarily reflect the Net Asset Value per share of the Fund, and may be subject to brokerage commissions associated with the trading and settlement through the Exchange.

Where an investor acknowledges / completes a buy transaction for units of the Fund on the Exchange, such an act will be considered as an acceptance by the investor of the Terms and Conditions of the Fund.

Refusal of Subscriptions: The Manager reserves the right to refuse participation by Subscribers in the Fund if inter alia such participation would result in violation of regulations applicable to the Fund that may from time to time be imposed by the CMA.

9. VALUATION OF ASSETS AND PUBLICATION OF NAV

The Net Asset Value of the Fund is calculated by subtracting from the value of the total assets of the Fund the amount of the Fund's liabilities including without limitation the fees specified in Clause 11. The Net Asset Value per share is determined by dividing such resulting figure by the total number of outstanding units of the Fund on each Valuation Day. The valuation of the Fund will take place on the valuation days as stated in the Fund Summary, provided that the Valuation Day is a business day where the Equity Markets are open in the Kingdom of Saudi Arabia.

The Fund has two valuation points:

- a. NAV (Net Asset Value) per Unit: calculated at the end of each business day. NAV is calculated as total value of all Fund holdings, using closing prices of the equities in addition to available cash and accrued dividends minus any accrued fees and dividing the results by the number of outstanding units. The completion of process and dissemination of NAV per unit will be done within two hours from the time of market close.
- b. Indicative Net Asset Value per Unit (iNAV): calculated intraday at the frequency of every 15 seconds. iNAV per Unit is calculated as total value of all Fund holdings, using the last trade price, and deducting (adding) the accrued charges (income) as at close of last business day, dividing the results by the number of outstanding units.

The iNAV per unit and NAV per unit of the Fund will be published on the website of the Fund Manager.

The accurate and updated unit holder's register will be kept by Tadawul depository in its capacity of registrar of the issue.

10. DISTRIBUTION POLICY

The Fund is an income accumulation Fund whereby the net income of the Fund will be reinvested and not distributed as dividends to Unit Holders. The reinvestment of income will be reflected in the value and price of shares. The Fund Manager will not issue certificates to evidence ownership of shares in the Fund. If the Fund is liquidated, shares will share pro rata in the net assets of the Fund available for distribution to Unit Holders.

11. FEES AND EXPENSES

The Fund will bear all fees and expenses associated with management and operations of the Fund which will be 0.75% per annum of the Net Asset Value of the Fund (the "Total Expense Ratio" or "TER") to cover these expenses. The total annual fees and operating expenses shall include but are not limited to Fund Manager Fee, Custodial Fees, Administrative Fees, Index Fees, Regulator Fee, Auditor Fees, Tadawul listing and Registration Fees. Such fee shall accrue daily and be payable quarterly in arrears. The Fund Manager will absorb any additional fees, costs or expenses over the Total Expense Ratio.

While the Fund only creates and redeems units on in-kind basis, however, for the purpose of rebalancing of portfolio Fund may engage in buying and selling of underlying stocks. Transactions pertaining to such rebalancing or other activities relevant to the Fund, in underlying assets, will be booked at cost. Any dealing cost, therefore, will be paid out of Fund assets and in addition to the fees and expense mentioned above.

12. THE REGULATORY AUTHORITY

The Fund is subject to CMA regulations and will abide by Investment Funds Regulations, issued on 12/3/1427 Higeria corresponding to 24/12/2006 of the Gregorian calendar and other Enforced Regulations, issued by the CMA from time to time. The Fund Manager is a licensed person under the CMA regulations; licence no. 05008-37 issued on 5th of January 2006.

CMA has approved the issuance and offering of units in the Fund but the approval should not be taken to indicate that CMA recommends investment in the Fund or assumes any responsibility for the accuracy or correctness of the information contained in the Term and Conditions.

13. FUND MANAGER

HSBC Saudi Arabia Limited, manages the Fund under the Commercial Registration no. 101022155 issued by the Ministry of Commerce of the Kingdom of Saudi Arabia The Fund Manager is guided by the Terms and Conditions of the Fund, approved by the CMA, and the Board of the Fund.

The Fund Manager is an Authorised Person, under the CMA – Authorised Person Regulations, with a License No. 05008-37 on January 5, 2006.

The Fund Manager will:

- Establish and arrange for the listing of the Fund
- Monitor the performance of the Fund and seek to achieve its investment objective.
- Ensure periodic re-balancing of the components of the Fund in line with the rebalancing of the Index.
- Appoint the Market Maker and on an ongoing basis, co-ordinate with the Market Maker for Creation and Redemption of ETF units.
- Appoint Index Provider and agree the methodology for creation, calculation and dissemination of Index.
- Appoint the Custodian and coordinate, on an ongoing basis, creation and redemption of ETF units.
- Determine and announce the underlying basket of shares and cash component, if any.
- Ensure that liquidity is provided in the secondary market by the Market Maker for units of the Fund.
- Ensure proper calculation and dissemination of the Index, the iNAV and the NAV of the Fund.

14. CUSTODIAN

HSBC Saudi Arabia Limited will be appointed the Custodian of the Fund. The Custodial services and other services associated are in accordance with the Fund's Terms and Conditions which have been approved by the CMA and the Board of the Fund.

The Custodian will:

1. Create securities accounts for the Fund Manager and Market Maker
2. Process creation and redemption requests using the following mechanism:
 - Verify the components of underlying basket is in line with the basket information announced by fund manager
 - When processing Unit Creation application, Custodian should arrange to transfer the underlying basket of stocks and cash portion from Market Maker's account to Fund's account.

- When processing Unit Redemption application, Custodian should ensure availability of the ETF Units in Market Maker's account.
- Arrange for Creation/Redemption and ensure listing/delisting of Units is properly done by the Exchange.
- Upon Units Creation, Custodian should ensure that the basket of shares and the cash component corresponds to the number ETF Units that are required.
- Upon Units Redemption, Custodian should ensure that the ETF Units (and its value) redeemed matches the underlying stocks (and its value) transferred to market maker's account
- Undertake daily reconciliation to rectify any discrepancies

HSBC Saudi Arabia Limited is a limited liability company, with a commercial registration number 101022155 issued by the Saudi Arabian Ministry of Commerce and Industry. It is licenced by the CMA, with licence no. 05008-37 issued on 5th of January 2006. The address of the custodian is HSBC Building, 7601, Olaya Street (Al Mourooj Area), P.O. Box 9084, Riyadh 11413, Kingdom of Saudi Arabia,, Tel. 966 1 299- 2338 Fax 9661 299-2348 website:hsbcsaudi.com.

15. MARKET MAKER

HSBC Saudi Arabia Limited, an Authorized Person under the CMA – Authorized Person Regulations license Number -05008-37- issued on 5th of January 2006, will be the Market Maker of the Fund.

The Market Maker will:

- Undertake in-kind creation and redemption of units in the Fund and offer them in the market.
- Make a market for units by quoting on both buy and sell side within a spread of 2%.
- Contribute to the stability of the price and demand for the Fund's units in the secondary market.

The Market Maker will fulfill its obligations independent of the Fund Manager and all transactions will be carried out at arms length and governed by an agreement between the Fund Manager and the Market Maker.

For disclosure and mitigation for managing potential conflict of interest, refer to conflict of interest section of these Terms and Conditions.

The Fund Manager has received a waiver from Article 16 of the ETF Guidelines.

16. AUDITOR

KPMG AlFozan and AlSadhan will be the official auditors of the Fund and the Board will reserve the rights to change the auditor of the Fund after approval from the CMA and giving notice to the unit holders of the Fund. Address of the auditing firm is: Building # 7103, Alahsa Street, P.O. Box 92876, Riyadh 11663, Kingdom of Saudi Arabia Tel. +9661 291 4350.

17. FUND BOARD OF DIRECTORS

The Fund is supervised by a Board of Directors, made up of six members who will serve terms of no more than five years; at least two directors of the Board will be independent directors and a Chairman will head the Board. The Fund Manager reserves the right to change

the composition of the Board subject to approval of the CMA. The Board functional term will commence upon the CMA approval of the Fund Terms & Conditions. The Board will meet, at least, twice each year to oversee the Fund Manager's activities and to ensure compliance with the IFR issued by CMA and investment guidelines set by the Board for the Fund.

- Board Members*:

Name	Type of Membership	Credentials	Current Position
Osama Mohammed Shaker	Chairman/Member	- Head of Asset Management, SABB - Head of Discretionary Portfolio Management, SABB - Master of Science in Statistics - Bachelor of Science in Quantitative Methods	Managing Director & Head of Investment Services
Zaid Abdurrahman Al-Gwaiz	Independent Member	- Deputy Managing Director, HSBC Saudi Arabia Ltd. - Head of Commercial Banking, SABB - Senior Manager Credit & Risk Management, SABB - Bachelor of Arts degree in Accounting	Retired
Nasser Mohammed Almeghailaith	Independent Member	- Manager of Investment Division, SABB and HSBC - Manager, Money Market Funds, SABB - Senior Dealer, Money Market, SABB Treasury - Manager Administration, SABB Treasury	Retired
Khaled Abdulaziz Ajudaie	Member	- Manager, Local equity and money market funds, SABB - Over 25 years experience of managing funds in Saudi Arabia - Established the Brokerage Services of SABB	Head of Mutual Funds
Saqib Masood	Member	- Regional Telecom Analyst, J. P. Morgan - Head of Portfolio Management, Allied Bank Masters of Business Administration University of Karachi - BSC with honors in Business Administration University of Karachi	Head of Islamic Product Development- HSBC Amanah
Mazin Fawaz Baghdadi	Member	- Head of Local Equity Funds, Riyadh Bank - Equity Research Analyst, Riyadh Bank - Bachelors of Science Degree in Finance from King Fahd University of Petroleum and Minerals	Deputy-Head of Mutual Funds HSBC Saudi Arabia Limited

The Fund Manager has received a waiver from Article 27 of the Investment Funds Regulations.

*The Board Members may serve as Members of the Board of Directors of some or all existing Funds of HSBC Saudi Arabia Limited mentioned in the table below.

Name of Fund	Osama M. Shaker	Zaid A. Al-Gwaiz	Nasser M. Almeghailaith	Khaled A. Al Judaie	Saqib Masood	Mazin F. Baghdadi
HSBC Amanah Saudi Riyal Trading Fund	x	x	x	x	x	
HSBC Amanah US Dollar Trading Fund	x	x	x	x	x	
HSBC Saudi Equity Fund	x	x	x	x		x
HSBC Saudi Equity Trading Fund	x	x	x	x		x
HSBC Financial Institutions Fund	x	x	x	x		x
HSBC Amanah Saudi Equity Fund	x	x	x	x	x	x
HSBC Amanah Saudi Industrial Companies Fund	x	x	x	x	x	x
HSBC Saudi Equity Index Fund	x	x	x	x		x
HSBC Saudi Petrochemical Equity Opportunities Fund	x	x	x	x		x
HSBC Saudi Building and Construction Equity Fund	x	x	x	x		x
HSBC Amanah Global Equity Index Fund	x	x	x	x	x	x
HSBC Amanah GCC Equity Fund	x	x	x	x	x	x
HSBC Amanah Asia Pacific Equity Fund	x	x	x	x	x	x
HSBC Amanah Pan European Equity Fund	x	x	x	x	x	x
HSBC Amanah China and India Equity Freestyle Fund	x	x	x	x	x	x
HSBC Amanah Global Emerging Markets Equity Fund	x	x	x	x		x
HSBC Amanah Multi Assets Defensive Fund	x	x	x	x	x	
HSBC Amanah Multi Assets Balanced Fund	x	x	x	x	x	
HSBC Amanah Multi Assets Growth Fund	x	x	x	x	x	
HSBC Amanah Saudi Equity Capital Protected Fund	x	x	x	x	x	x
HSBC Amanah Commodity Index Fund	x	x	x	x	x	x

18. SHARIAH SUPERVISORY COMMITTEE OF THE FUND

All investments made by the Fund are Shariah-compliant and the investment policy as well as the screening criterion have been approved by the Shariah Supervisory

Committee (SSC). The SSC, through the Shariah Audit and Compliance functions of the Bank will ensure that the Fund holdings are in accordance with Shariah Guidelines. The Shariah Screening criterion, as approved by the SSC, are specified below:

Nature of Business:

Companies whose core activities currently include the following are excluded:

- Advertising and Media
- Alcohol,
- Embryonic or Stem Cell Research and cloning
- Pork-Related Products,
- Gambling,
- Leisure,
- Arms,
- Tobacco,
- Conventional Financial Services.

Financial Scens:

Companies, whose financial ratios do not meet the following criterion will be excluded:

- Total Debt Divided by trailing 36-months average market capitalization is less than 33%.
- Accounts Receivable divided by trailing 36 months average market capitalization is less than 49%
- Cash and interest bearing securities divided by trailing 36 months average market capitalization is less than 33 %.
- revenue Share from Non-Compliant Activities. Non-Permissible Income (other than Interest Income) divided by Revenue is less than 5%.

The Fund Manager will adhere to the above guidelines, which may be subject to change from time to time with the approval of the SSC and with a notification to CMA.

The Shariah Supervisory Committee comprises of the following members:

1. Sheikh Abdullah Sulaiman Al Manee
 - Member of Supreme Judiciary Committee of Saudi Arabia
 - Former President of Makkah courts.
 - Advisor to several Islamic Institutions and author of various books on Islamic Banking
2. Sheikh Dr. Abdullah El Mutlaq
 - Member of Supreme Judiciary Committee of Saudi Arabia
 - Former Chairman of the comparative Fiqh
 - Advisor to several Islamic Institutions and author of various books on Islamic Banking
3. Sheikh Dr. Mohammed El Gari
 - Associate Professor and Former Director of the Centre for Research in Islamic Economics at King Abdul Aziz University
 - Expert at the Islamic Jurisprudence Academy (OIC), Jeddah
 - Editor of the Review of Islamic Economic
 - Advisor to several Islamic Institutions including HSBC Amanah and author of various books on Islamic Banking

The Fund will not be charged for any of the services rendered to it by the SSC.

19. CONFLICTS OF INTEREST

The Fund Manager will seek to avoid any conflict of interest arising between the Fund's interests and those of its customers or between interests of different customers. Where any such conflict arises, the Fund Manager shall ensure fair treatment to all unitholders of the Fund. In a case of potential conflict, the Fund Manager shall not unfairly place its interests above those of Unit Holders except where a properly informed Unit Holder has consented in the circumstances. The full procedures for dealing with conflicts of interest will be made available on request.

20. VOTING RIGHTS POLICIES

An ETF is an Investment Fund and, therefore, voting rights of the underlying shares are held by the Fund Manager, not the unit holders. The policy decision for voting or not voting in the case for the shares held by the Fund Manager as follows:

- After consulting with the compliance officer of the Fund, The Board shall agree the general policies in relation to voting rights available to the Fund Manager due to its holdings which comprise its investment portfolio..
- The Fund Manager would decide "at its discretion" the enforcement of any voting rights after consulting with the compliance officer of the Fund or the Fund Compliance Committee in respect to the general precedures mentioned above in this section.
- The Fund Manager shall have the right but not the obligation to attend and/or vote in Annual General Meetings ("AGMs") and Irregular General Meetings ("IGMs") of companies in which the Fund holds assets after consulting with the compliance officer of the Fund. The Fund Manager would vote in favor of the Fund's Unit Holders.
- A Unit Holder cannot require the Fund Manager to vote in any particular manner, or to abstain from voting, for any underlying shares held by the Fund.

21. AUDITED ACCOUNTS

In accordance with the IFR issued by the CMA, the Fund Manager will prepare unaudited Financial Statements at least semi-annually and provide access to Unit Holders to these Financial Statements within 45 days of the end of the relevant period. In addition, audited Financial Statements for the Fund as of the end of each Gregorian year (31st December) will be prepared within 90 calendar days of year end. Audited Financial Statements at the end of each fiscal year will be available at the Fund Manager's headquarter or any of its offices and shall be mailed to Unit Holders upon their written request free of charge.

22. TERMINATION OF THE FUND

The Board of the Fund, on the advice of the Fund Manager, reserves the right to terminate the Fund by giving at least sixty days (60) notice to Unit Holders after obtaining the CMA's approval. In such case, the Fund's assets will be liquidated, it's liabilities discharged and the remaining proceeds of such liquidation distributed to the unit holders in the proportion which their Units bear to the total Units as ascertained by the Fund Manager at the time the Fund was terminated.

23. COMPLAINTS PROCEDURE

All Unit Holders complaints shall be forwarded to the Company's Compliance Department and all complaints will be presented once requested by the CMA and/or requested by the Manager. CMA will forward the complaints to the CMA Committee for Resolution of Securities Disputes for ruling. Full procedures for dealing with complaints will be made available by the Fund Manager on requ

Appendix: ETF Basket

As of November 19, 2011 following are the components and weighting of the ETF Basket. The ETF Basket will change from time to time and updated versions will be available on Tadawul website (www.tadawul.com.sa) and HSBC Saudi Arabia's website (www.hsbcSaudi.com)

Sr#	COMPANY	Code	Price (SAR)	Number of Shares	Value (SAR)	Weight in Portfolio
1	Advanced Petrochemicals Company	2330	27.5	101.00	2,777.50	1.39%
2	Al Rajhi Banking & Investment Corp.	1120	68.25	609.00	41,564.25	20.78%
3	Al Yamama Cement Company	3020	61.25	88.00	5,390.00	2.70%
4	Alinma Bank	1150	9.2	785.00	7,222.00	3.61%
5	Al-Jazira Bank	1020	16.5	152.00	2,508.00	1.25%
6	Almarai Co. Ltd.	2280	92	71.00	6,532.00	3.27%
7	Bank Al Bilad	1140	18.65	173.00	3,226.45	1.61%
8	Dar Al Arkan Real Estate Development	4300	6.2	493.00	3,056.60	1.53%
9	Etihad Etisalat Co.	7020	51.25	306.00	15,682.50	7.84%
10	Jabal Omar Development Company	4250	11.55	314.00	3,626.70	1.81%
11	Jarir Marketing Company	4190	202.75	26.00	5,271.50	2.64%
12	Mobile Telecommunications Company Saudi Arabia	7030	5.5	472.00	2,596.00	1.30%
13	Sahara Petrochemical Company	2260	21.9	195.00	4,270.50	2.14%
14	Saudi Arabian Fertilizer Company	2020	182.75	68.00	12,427.00	6.21%
15	Saudi Arabian Mining Company	1211	25.9	246.00	6,371.40	3.19%
16	Saudi Basic Industries Corp	2010	95	505.00	47,975.00	23.99%
17	Saudi Cement Company	3030	63.75	99.00	6,311.25	3.16%
18	Saudi Electricity Company	5110	13.3	536.00	7,128.80	3.56%
19	Saudi Telecom	7010	33.3	244.00	8,125.20	4.06%
20	Savola Group	2050	26	275.00	7,150.00	3.58%
	Cash				787.35	0.39%
	Total				200,000.0	100.00%