

PUBLIC

HSBC India – Markets & Securities Services



Markets & Securities Services (MSS) - Corporate Sales

- ◆ Markets & Securities Services (MSS) has a dedicated Corporate Sales team on hand to assist all our HSBC customers.
- ◆ Our team take time to understand your business needs, before guiding you through our most appropriate solutions (*summary below*)
- ◆ Customers receive the ongoing support of our global Corporate Sales team located in 49 countries and territories

1

Foreign Exchange

- ◆ Direct access to the FX markets through both our Get Rate Payments channel and our award winning Evolve FX platform.
- ◆ Transact in over 1,500 currencies pairs, 24 hours a day, 5.5 days per week.

2

Global Research

- ◆ Over 300 analysts across 20 countries, delivering unparalleled local insights - combined with global connectivity.
- ◆ Extensive library of video interviews, report summaries, podcasts and webcasts.

4

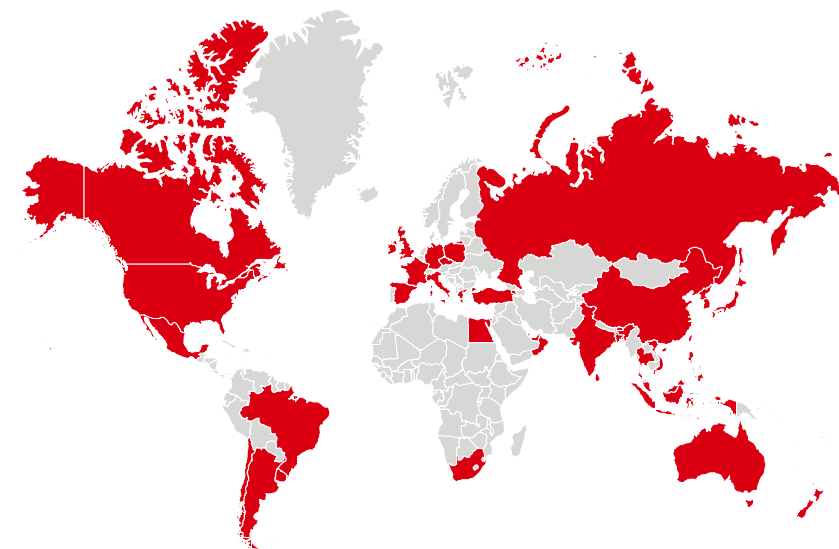
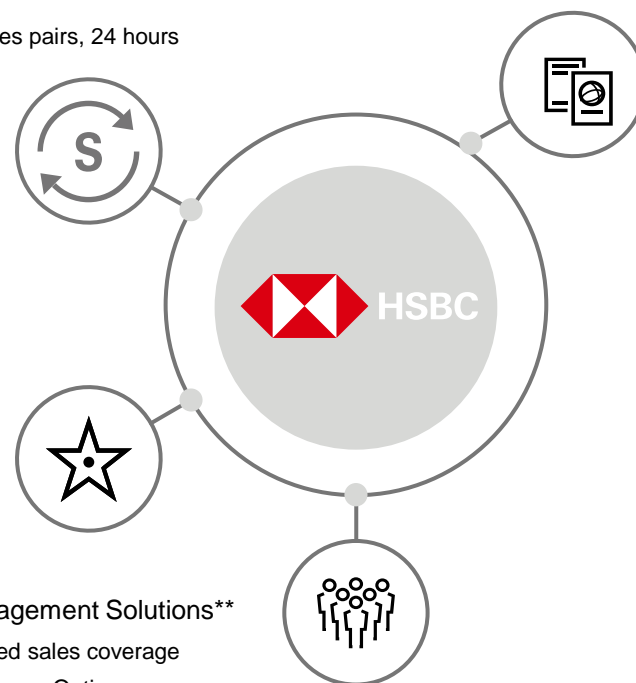
ESG and Digital**

- ◆ Innovative Environmental, Social and Governance solutions
- ◆ Transactional FX
- ◆ HSBC FX Algorithms Execution
- ◆ AI for markets

3

Risk Management Solutions**

- ◆ Dedicated sales coverage
- ◆ FX Currency Options
- ◆ Interest Rate & Commodity Derivatives



**Offering dependent on qualifying criteria.

- ◆ A strong 50* member dealing room
- ◆ Global Market offices with decentralized coverage across various cities in India, i.e. Mumbai, Bengaluru. Gurgaon and Chennai
- ◆ Proprietary online FX dealing system for spot and forwards
- ◆ One of the biggest Interbank players and market makers in the USD/INR Market
- ◆ Major Interbank presence in Bond Trading and Rupee Derivatives i.e currency swaps, interest rates swaps for hedging FCY borrowing etc.
- ◆ Preferred bankers to multinational clients for accessing Indian markets and also to Indian clients in accessing outbound markets through our HSBC network
- ◆ Preferred bankers to Foreign Institutional Investors, Private Equity Players, Venture Funds –Largest Custodial Bank in India

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Onshore Market & Access Strategies

Onshore USD/INR market characteristics*

Onshore execution strategies can be tweaked given the nature and size of the transaction

Spot & Forwards

- Very liquid spot market – Daily volume of c. USD 15 Bn and typical lot size of USD 5Mn
- Over 15 active interbank counterparties
- Forward market – The best liquidity in the forwards market is one year or less and there is reasonable liquidity up to 10 years
- Estimated daily volume in the forwards market is about USD 6-7 bn with typical Interbank lot size of USD 10 mio

HSBC can offer the full suite of execution modes that are most suited to meet your objectives

Market Characteristics

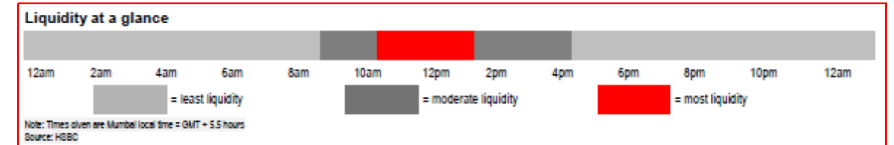
- Market timing from 9:00 AM to 3:30 PM IST for same day settlement
- Active involvement of the Central Bank (Reserve Bank of India)
- RBI declares a daily USD/INR benchmark rate called the FBIL Reference Rate
- Reserve Bank prohibits any speculative access to the Rupee

Options

- Active options market with daily volume of ~ USD200-250 Mn and 8-10 Interbank counterparties
- Market is liquid up to 5 Years but quotes up to 7 Years

RBI approved products:

- Cash / Next Day / Spot transaction
- Forward contracts: fixed settlement date or settlement anytime during a window period (Flexi Forward / Time Option)
- Range of option structures available



* Based on HSBC Internal estimates / data ; FBIL: Financial Benchmark India Pvt Ltd

Hedging Regulations

Permitted Routes for Residents

- Hedging is now permitted under:
 - Contracted exposure: Exposure has already been entered into by the client
 - Anticipated Exposure: Exposure is expected to be entered into or created in the future for the client
- Counterparties can now freely cancel and rebook contracts irrespective of current or capital account.
- In cases of anticipated exposure, gains shall be passed at the time of the actual cash flow. In exceptional cases net gains can be passed on whose underlying cash flow has not materialized, provided banks are satisfied that the absence of cash flow is on account of factors beyond the control of the user
- Given exposure must be hedged using one FX derivative contract and the notional amount and tenor of the derivative contract must not exceed the value and tenor of the exposure

Permitted Products

- The guidelines now have classified users into retail and non-retail users (one of the key criteria being net worth > INR 5B/ USD 60M **or** turnover > INR 10B/USD 120M approximately for classification into nonretail users. Retail user have option to get classification change, if Authorized Dealer is satisfied that a retail user has risk management capabilities suitable for classification as a Non-retail user
- Eligible products for Non-Retail users: Any derivative contract is permitted provided that the potential loss from the derivative transaction does not exceed the loss that the user would face if he had left the position unhedged. All FX products permitted to retail users
- Eligible products for Retail users: FX forward, FX Swap, currency swap, put / call option, put / call spread. Forward rate agreement, interest rate swap, interest rate call / put option (European), interest rate cap / floor / collar / reverse collar

Permitted Routes for Non-Residents

- Residents and non-residents guidelines are merged, so same methods as those for residents are applicable
- In addition, banks can now deal with a non-resident user (or its appropriately authorized central treasury) either directly or through the overseas bank of such user
- Central treasury can now settle payables by the use of repatriable funds and / or inward remittances

Documentary requirements

- As per the new RBI guidelines that has come in effect from 3rd May'24, users can now book hedges up to USD 100m (earlier USD 10 Mn) equivalent of notional value for hedging contracted exposure without the requirement to submit underlying documents. While this facility is for not submitting underlying documents at the time of booking hedges, there SHOULD be existence of valid underlying contracted exposure which has not been hedged using any other derivative contract
- This limit is for gross notional outstanding contracts across all banks. In case the gross outstanding notional value exceeds USD 100m equivalent, user need to inform the bank immediately post which user will be required to furnish information as may be required under the contracted exposure for the outstanding hedge as on the date of breach

Funding Options / Offerings

Comparison Analysis : ECB vs INR Term Loans vs Equity vs. FPI

Description	External Commercial Borrowing ('ECB')		INR Loans in India	Equity Shares	INR NCD subscribed to by FPI
	Foreign Currency ECB	INR ECB			
Currency	Any freely convertible Foreign Currency	Indian Rupee (INR)	Indian Rupee (INR)	Any freely convertible Foreign Currency	Indian Rupee (INR)
Eligible Borrowers/ Beneficiary	All entities eligible to receive FDI	All entities eligible to receive FDI	All Entities whose constitutional documents allow them to borrow.	All entities eligible to receive FDI	All entities
Recognised Investor	The lender should be resident of FATF or IOSCO compliant country,		NA	Can be any entity	Entity registered with SEBI as a Foreign Portfolio Investor
Minimum Average Maturity Period	MAMP will be 3 years for all ECBs. Manufacturing Sector Companies can raise ECB with MAMP of 1 year for ECB up to USD 50 mio ECB raised for working capital and general corporate purposes or repayment of rupee loans will have MAMP of 5 years.		<ul style="list-style-type: none"> Not applicable. Can be short term to long term (up to 5 years), along with moratorium period as agreed. Prepayments are allowed. 	Not Applicable	No lock-in/retention period if the FPI is investing under General Investment Route ("GIR") Minimum 3 years lock-in/retention period if the FPI is investing under Voluntary Retention Route ("VRR")
Liability to Equity Ratio	Liability to Equity Ratio for ECB raised from direct foreign equity holder under the automatic route is 7:1. This ratio will not be applicable if the outstanding amount of all ECBs, including proposed ECB all ECBs raised by an entity is up to USD 5 million or equivalent. Also, this ratio is not applicable for ECB raised from Indirect foreign equity holder or group company.		80:20 (80% bank debt and 20% to be funded by company's internal accruals / equity) – this is applicable at the project level.	Not Applicable	Not Applicable
Forms	Loans including bank loans; floating/ fixed rate notes/ bonds/ debentures (other than fully and compulsorily convertible instruments); Trade credits beyond 3 years; FCCBs; FCEBs and Financial Lease.	Loans including bank loans; floating/ fixed rate notes/bonds/ debentures/ preference shares (other than fully and compulsorily convertible instruments); Trade credits beyond 3 years; and Financial Lease. Also, plain vanilla Rupee denominated bonds issued overseas, which can be either placed privately or listed on exchanges as per host country regulations.	Term Loans	Partly and Fully paid shares	Non convertible debentures
Cost (Ceiling)	Benchmark rate plus 500 bps spread.	Benchmark rate plus 450 bps spread.	Pricing / interest - as mutually agreed between borrower and the banks. The floating benchmark is linked to T-Bill- 3 month. The floating benchmark will be converted to a fixed through an INR interest rate swap.	Not Applicable	No pricing restriction
End Use	The negative list, for which the ECB proceeds cannot be utilized, would include the following: a) Real estate activities. b) Investment in capital market. c) Equity investment. d) Working capital purposes, except in case of ECB mentioned at v(b) and v(c) of the regulation e) General corporate purposes, except in case of ECB mentioned at v(b) and v(c) of the regulation f) Repayment of Rupee loans, except in case of ECB mentioned at v(d) and v(e) of the regulation g) On-lending to entities for the above activities, except in case of ECB raised by NBFCs as given at v(c), v(d) and v(e) of the regulation		Restrictions on: <ul style="list-style-type: none"> Equity Investments Purchase of land Loss funding Purpose to be agreed upfront at the time of sanction of loan.	No Such end use hence can be used even for share purchase or real estate activity	There is no end use restriction for the proceeds of the INR NCDs. However, if the FPI is subscribing to NCDs under VRR, NCDs must be listed if the end use is for land, real estate or capital market.
Amount restriction	ECB up to USD 750 Mio or equivalent per FY is permitted under automatic route.		No such cap on Amount. Subject to credit profile and repayment capability assessment.	No Such cap on amount	No such cap on Amount. Subject to availability of limits under GIR and VRR

Note:

1. If the FPI is investing under GIR, it cannot subscribe to more than 50% of the issue size and hence minimum two unrelated FPIs would be required
NCD – Non Convertible Debentures

Comparison Analysis : ECB vs INR Term Loans vs Equity vs. FPI

Description	External Commercial Borrowing		INR Loans in India	Equity Shares	FPI
	Foreign Currency ECB	INR ECB			
Reporting	LRN need to be obtained prior to drawdown of ECB and Monthly ECB2 return need to be filed with the AD throughout the Loan within 7 working days of the subsequent month of reporting		NA. End use monitoring for the term loans to be evidenced via Chartered Accountant Certificate	FCGPR is filed with 30 days from the issuance of Equity Shares	No specific reporting requirements from issuer's perspective in case the NCDs are unlisted. If the NCDs are listed, reporting requirements as per SEBI LODR regulations would be applicable
Transfer	Can be transferred from one lender to another lender provided the new lender is in compliance to all the conditions.		NA	Can be freely transferable	Sale to eligible investors in secondary market is permitted
Extension	Extension on Loan tenure is possible		Term loans once disbursed, cannot be extended. No changes can be done in the repayment schedule once fixed as this would result in restructuring of the loan.	Not applicable	Permitted with a bilateral consent from the FPI subject to compliance with applicable RBI and SEBI regulations
Change in terms and condition like ROI, Tenure, Repayment etc	Within AD delegated powers subject to overall ECB framework compliance is adhered.		Cannot be changed once finalized as it would result in restructuring of the loan.	Equity shares can not be converted to any other instrument.	Permitted with a bilateral consent from the FPI subject to compliance with applicable RBI and SEBI regulations
Principal Repatriation	Principal amount is freely repatriable w/o any tax.	Principal amount is freely repatriable w/o any tax.	Not Applicable	subject to buyback tax	No lock-in/retention period if the FPI is investing under General Investment Route ("GIR") and hence 100% repatriation allowed Minimum 3 years lock-in/retention period if the FPI is investing under Voluntary Retention Route ("VRR"). Can still repatriate up to 25% of principal prior to 3 years
Conversion	ECB can be converted to equity at any given point in time during the life of ECB		Not Applicable	Not applicable	Not applicable
Hedging	Can be hedged through a forward, cross currency swap for full tenor/shorter tenor by the Indian entity . In case of a shorter tenor hedge the same can be rolled over. Pricing can be discussed separately.	Can be hedged through a forward, cross currency swap for full tenor/shorter tenor by the parent entity . In case of a shorter tenor hedge the same can be rolled over. Pricing can be discussed separately.	The floating rate INR loan will be converted to an INR Fixed loan through an overnight interest rate swap. This will be done by the Indian entity.	Not Applicable	Can be hedged through a forward, cross currency swap for full tenor/shorter tenor by the parent entity . In case of a shorter tenor hedge the same can be rolled over. Pricing can be discussed separately.
Thin Capitalization Rules*	Interest > INR 10 Million and interest > 30% of EBITDA then interest expenditure in excess of 30% of EBITDA would not be allowed as a deduction and would be allowed to be carried forward 8 years succeeding the year in which such interest expenditure was incurred	Interest > INR 10 Million and interest > 30% of EBITDA then interest expenditure in excess of 30% of EBITDA would not be allowed as a deduction and would be allowed to be carried forward 8 years succeeding the year in which such interest expenditure was incurred	Not Applicable	Not Applicable	Interest > INR 10 Million and interest > 30% of EBITDA then interest expenditure in excess of 30% of EBITDA would not be allowed as a deduction and would be allowed to be carried forward 8 years succeeding the year in which such interest expenditure was incurred
Withholding Tax (WHT)*	20% (plus applicable surcharge and cess). Can be reduced under tax treaty, subject to availability of TRC, e-Form 10F and No Permanent Establishment (PE) declaration	20% (plus applicable surcharge and cess). Can be reduced under tax treaty, subject to availability of TRC, e-Form 10F and No Permanent Establishment (PE) declaration	Not Applicable	Not Applicable	As per rates provided in the tax treaty where FPI is located, subject to availability of TRC, e-Form 10F and No Permanent Establishment (PE) declaration. If there is no tax treaty then 20% (plus applicable surcharge and cess).

*Kindly consult your tax advisor on the tax rates

Repatriation of Funds from India

Option	Key Considerations
Dividend	<ul style="list-style-type: none"> ◆ Paid from profit available after tax and/or accumulated reserves ◆ Indian company should have completed the FDI related regulatory filings with RBI prior to dividend repatriation ◆ A separate dividend account needs to be opened and dividend has to be repatriated within 30 days of declaration
Buyback	<ul style="list-style-type: none"> ◆ Use of accumulated cash on the balance sheet by IndiaCo to buy-back shares ◆ Subject to limitations of networth – not more than 25% of networth in a given financial year ◆ In case of listed companies, shareholders who tender their shares have to pay capital gains tax (long term @10% with fair value on 31-Jan-18 considered as the cost of acquisition / short term capital gains tax @15%) and Securities Transaction Tax (0.125%) ◆ In case of unlisted companies, company has to pay Buy-Back Tax (20% plus surcharge and cess) on the net amount distributed; amount received is exempt in hands of the shareholders
Capital reduction	<ul style="list-style-type: none"> ◆ Requires approval of shareholders, creditors, high court / National Company Law Tribunal ◆ Typically long drawn process
Investment in a Joint Venture/ WOS	<ul style="list-style-type: none"> ◆ Indian companies are permitted to invest up to 400 percent of their net worth as on last audited balance sheet in overseas Joint Ventures/Wholly Owned Subsidiaries subject to certain conditions. The investment can be in the form of both Debt and Equity. ◆ Tax liability on Indian entity would depend on the nature of income earned from this investment
Rated Debt Instruments/ Registered Companies Overseas	<ul style="list-style-type: none"> ◆ Listed Indian companies are permitted to invest up to 50 per cent of their net worth as on the date of the last audited balance sheet in: a) Shares and b) Bonds/fixed income securities, rated not below investment grade by accredited/registered credit rating agencies, issued by listed overseas companies. Unlisted entities can also do OPI, subject to certain conditions. ◆ Interest income received by the Indian entity would be taxable as business income.
Payment of royalty / technical services / management / brand fees	<ul style="list-style-type: none"> ◆ Typically paid as a %age of revenue ◆ Usually a low single digit %age ◆ Can be subject to approval by minority shareholders if the company is listed and higher than a certain threshold
Advance against Goods or Services	<ul style="list-style-type: none"> ◆ A Copy of the Proforma Invoice and agreement for advance needs to be submitted ◆ A Bank guarantee would be required basis regulatory thresholds and internal policies framed by the AD Bank

HSBC at GIFT City



GIFT International Financial Services Centre (IFSC) Overview

Unique and Distinct Features



Dedicated & **Unified** Financial Regulator



Full Convertibility with 15 foreign currencies– INR not permitted



Attractive Tax Regime



Full-fledged financial ecosystem with global connects



Best-in-class regulations (Internationally Aligned)



Sovereign support, including special carve outs from domestic laws

Competitive Edge

- ✓ Access to large hinterland Indian economy (Hinterland advantage)
- ✓ Beneficial cost of operations (Cost advantage)
- ✓ Availability of skilled talent pool (Talent advantage)

Business Activities

Banking

- Indian Banks (16)
- Foreign Banks (12)
- Global Administrative Office (1)
- Rep. Offices

Insurance

- Indian & Foreign Insurer (12)
- Indian & Foreign Reinsurer (3)
- Insurance Intermediaries (23)
- Insurance Web-Aggregators

Capital Market

- Stock Exchanges (2)
- Clearing Corporation (2)
- International Depository (1)
- Broker Dealers (82)
- Investment Bankers (4)
- Custodians (5)
- Depository Participants (10)
- Clearing members (22)

Niche Institutions

- Finance Companies (7)
- Global Treasury Centre (3)
- ITFS Platform (4)
- International Bullion Exchange (1)
- Ship Leasing & Financing (16)
- Aircraft Leasing & Financing (32)

Asset Management

- Fund Management Entities (128)
- Alternate Investment Funds (173)
- Investment Advisers (3)
- Portfolio Managers (19)
- Distribution Services (10)

Emerging Businesses

- Foreign Universities & Institutions (2)
- Global Fintech Hub (52)
- Global in-House Centres (3)
- Sustainable Finance
- Professional Service Providers (78)

HSBC at GIFT City

HSBC brings security, stability, scalability and sustainability

First bank to get its license from the IFSCA and started operations in Jan 2021.

HSBC GIFT is first international bank to get **Investment Banking permission and Foreign Portfolio License**

First bank to offer digital banking products and services including Acquisition Finance, Capital Call, Revolving loan, Receivable Finance, etc.
Only bank supporting NIFTY Connect settlements

HSBC GIFT City is the largest International bank and the Top 3 banks overall from outstanding asset size.

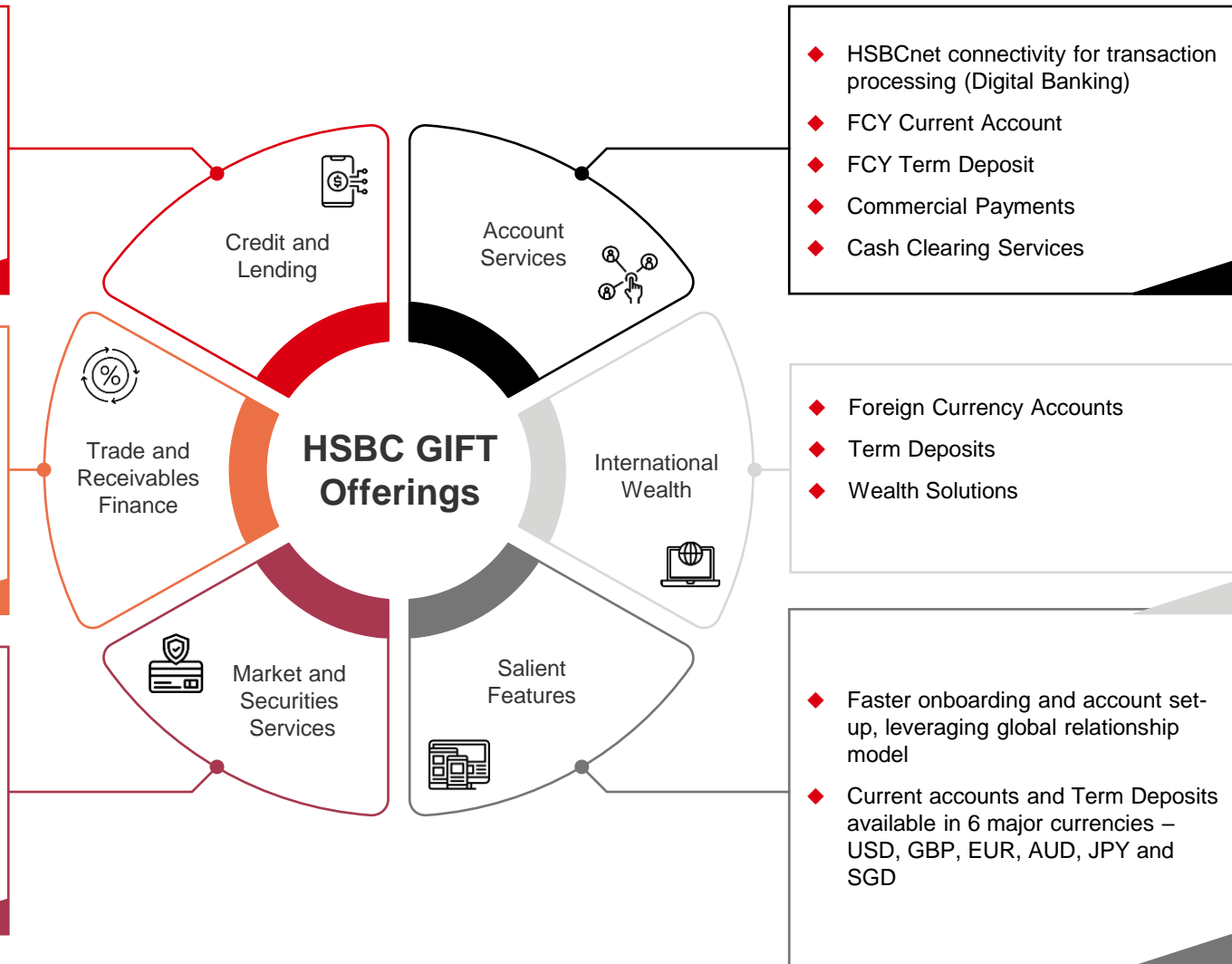
HSBC GIFT City has engagement with Top Accounting / Secretarial firms to assist clients in establishing themselves in GIFT city and support from a tax advisory perspective¹

- ◆ External Commercial Borrowing – FCY and INR
- ◆ Offshore Loans
- ◆ Funding to companies in India via the FPI route
- ◆ Asset backed Finance
- ◆ Revolving Loans
- ◆ Overdraft

- ◆ Import Finance - Buyers Credit
- ◆ Post Shipment Buyer/Seller loan
- ◆ Commodity & Structured Finance
- ◆ DC Reimbursement Finance
- ◆ FI Refinance
- ◆ Guarantee
- ◆ Receivable Finance

- ◆ Total Return Swap (TRS)*
- ◆ INR bond origination and distribution for Debt Capital Markets
- ◆ High yield Private credit
- ◆ FX Solutions for Cash conversion

*to provide access to Indian markets for clients of overseas entities of HSBC Group



1. This is on referral basis and clients must make their own evaluation

HSBC's Digital Proposition



HSBC Evolve and Unitransact Dashboard

Smarter Execution at your fingerprints

What is HSBC Evolve?

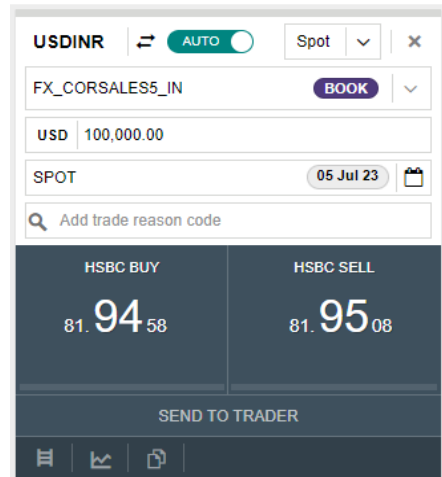
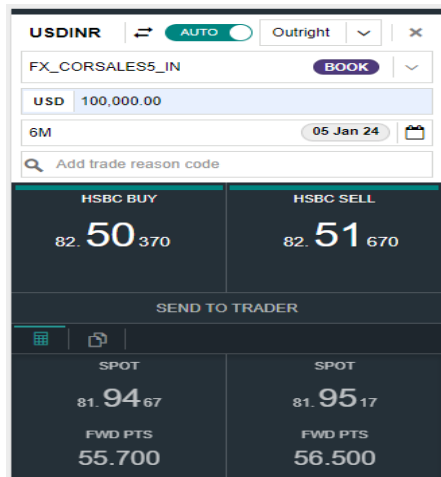
- ◆ HSBC Evolve is an interactive intelligent single dealer platform that allows customers to access a wide range of products, currencies & services for their transactional & risk management activities and offers faster, easier & smarter execution for financial markets products & services.
- ◆ View real-time, two-way price information 24 hours, 5 days a week
- ◆ Ability to trade currencies from 13 restricted markets, access to 200+ onshore pairs
- ◆ Customizable workspace to meet your interests & needs
- ◆ Liquidity management during difficult market conditions

FX / Money Market Execution

- Ability to book Spot, Forwards, Time Options, Swaps, NDFs, Options.
- Place Limit Orders, Rate Alerts.
- Two-way pricing provides greater price transparency.
- HSBC India through the Evolve Platform would like to provide transparent execution
- Ability to customise user access, HQ / Overseas entity users can get access for India entities

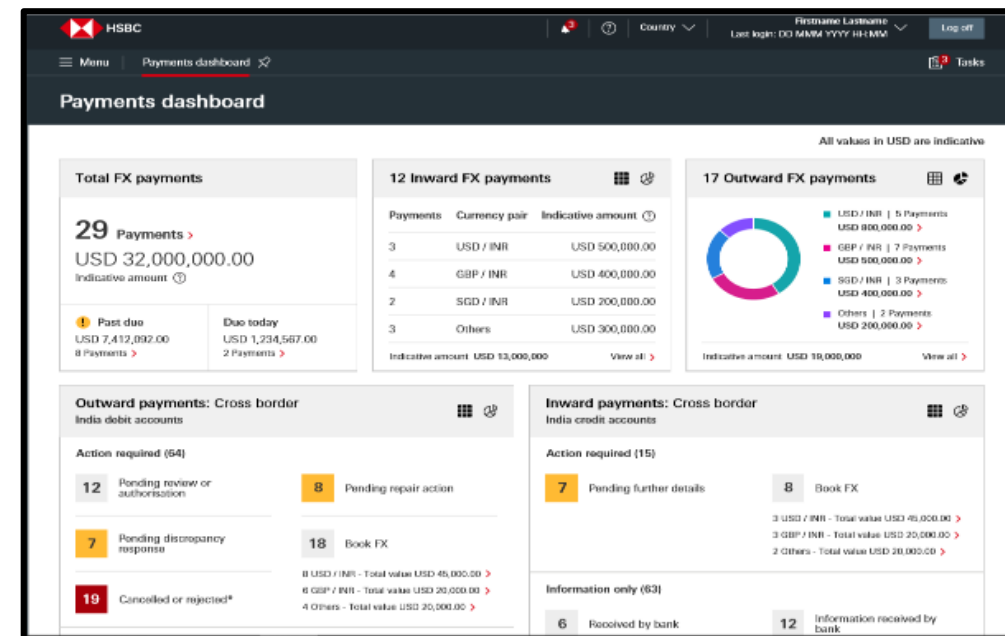
Helping Corporate clients manage day-to-day operations

- Trade execution across global or regional treasuries | Online trade confirmations | Control over account settlement
- Time Options draw-down functionality to help view outstanding balances, manage cash flow, and align FX hedges
- Multi dealer: booking a strip of Forwards or Time options in two clicks



HSBC UniTransact

A digital proposition that simplifies cross border transactions



- ◆ **Dashboard of Transactions** – showing a summary of all cross-border transactions, lists out actionable items and provides alerts to aid timely settlements and resolution of regulatory outstanding requirements
- ◆ **Status of Transactions** – Customized view of transactions, notifications and alerts, real-time status of inward and outward remittances, end-to-end visibility of transaction journey - from initiation to settlement
- ◆ **Digital Communication and Discrepancy Resolution** – Transaction document upload facility, a single window for discrepancy resolution and multiple formats supported
- ◆ **Entitlements and Seamless FX Booking** – Digital FX booking via automated e-channels/HSBC's proprietary platform, multiple FX trade bookings including forward contracts, detailed MIS of transactions and audit trail available

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Thank You