

PUBLIC

HSBC India – Global Markets overview



Part 1. Hedging FX and Rate Exposures

FX and Rates Market Overview

◆ FX Spot and Forwards

- Over 15 active interbank counterparties
- Very Liquid spot market – estimated daily volume of USD 5 bn and typical lot size of USD 1-3 mio
- 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 2-3 bn with typical Interbank lot size of USD 10 mio

◆ Options

- An active Options market with daily volume of:
- USD 100 Mio – 150 Mio and 6-7 Interbank counterparties
- Only European Vanilla or structures which are a combination of European Vanilla options are allowed
- Market is liquid up to 5 Years but quotes up to 10 Years

◆ Market Characteristics

- Market timing from 9:00 a.m. to 4:30 p.m. IST
- Active involvement of the Central Bank (Reserve Bank of India)
- Reserve Bank prohibits any speculative access to the Rupee

◆ Rates Market

Swap Market:

- OIS: Fixed against FBIL MIBOR (proxy for overnight rates) fixing reset and compounded daily for a specified period of time
- MIFOR: Constructed off USD/INR forward premia and USD LIBOR for same period

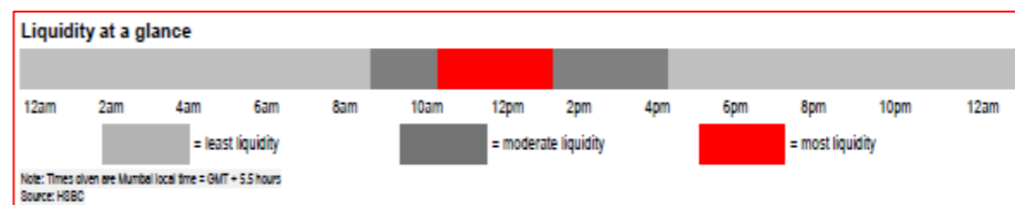
Products for Hedging

◆ FX Forwards

- Forward contracts are the most direct and popular method of eliminating the short-term transaction FX risk

◆ FX Options

- Range of option structures available



Note: Local Time

Source: HSBC

Part 1. Hedging FX and Rate Exposures

Offshore Participants – FX

As an Investor:

◆ Permissible underlying for hedging:

- Capital infusion
- Hedging of Dividends/Coupons
- Hedging of translation risk from investment in India

◆ Products available:

- Spot
- Forwards – Fixed date or Settlement anytime during a window period
- Plain Vanilla FCY Put (Call) INR Call (Put) Options

◆ Regulations:

- For equity inflow:
 - Firm underlying and any necessary approvals a must
 - Equity Inflow hedge can be executed for a tenure of up to six months
 - If cancelled, hedge can not be rebooked for same underlying and exchange gains if any, will have to be foregone
- Dividends can be hedged once declared
- For translation risk hedging:
 - Market value of investment can be hedged
 - If cancelled, hedge cannot be rebooked. However, rollover of existing contracts is allowed

*The above regulations are not exhaustive and for more details, please refer to RBI guidelines which can be accessed at www.rbi.org.in

Part 1. Hedging FX and Rate Exposures

Offshore Participants – FX

As an Operating company:

Helps central treasuries access the liquid onshore markets

◆ Permissible underlying for hedging:

- To hedge FX risk arising from receiving INR invoices
- To hedge FX risk arising from INR denominated parental loans

◆ Products available:

- Spot
- Forwards – Fixed date or Settlement anytime during a window period
- FCY Put (Call) INR Call (Put) Options
- Swaps – Full Currency, Interest Only, Coupon Only, Principal Only

◆ Regulations:

- Onshore bank needs to onboard client by way of KYC as per a prescribed format
- Overseas client to submit in advance and prior to any hedge a copy of the underlying invoice and onshore bank to be satisfied with the underlying
- Such contracts once cancelled cannot be rebooked. Rollovers permitted once
- Certain undertakings and declarations need to be given in writing by the client to the onshore bank

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Part 1. Hedging FX and Rate Exposures

Onshore Participants – FX

◆ Permissible underlying for hedging:

- To hedge FX risk against transaction Specific Documentation:
- To hedge FX risk on account of current account exposures
- To hedge foreign currency interest/principal repayments for liabilities/loans
- To hedge transactions denominated in foreign currency but settled in INR (Eg. – Commodity payments)
- To hedge the contingent foreign exchange exposure arising out of submission of a tender bid in foreign exchange
- To hedge FX risk against Past Performance – for trade in goods and services

◆ Products available:

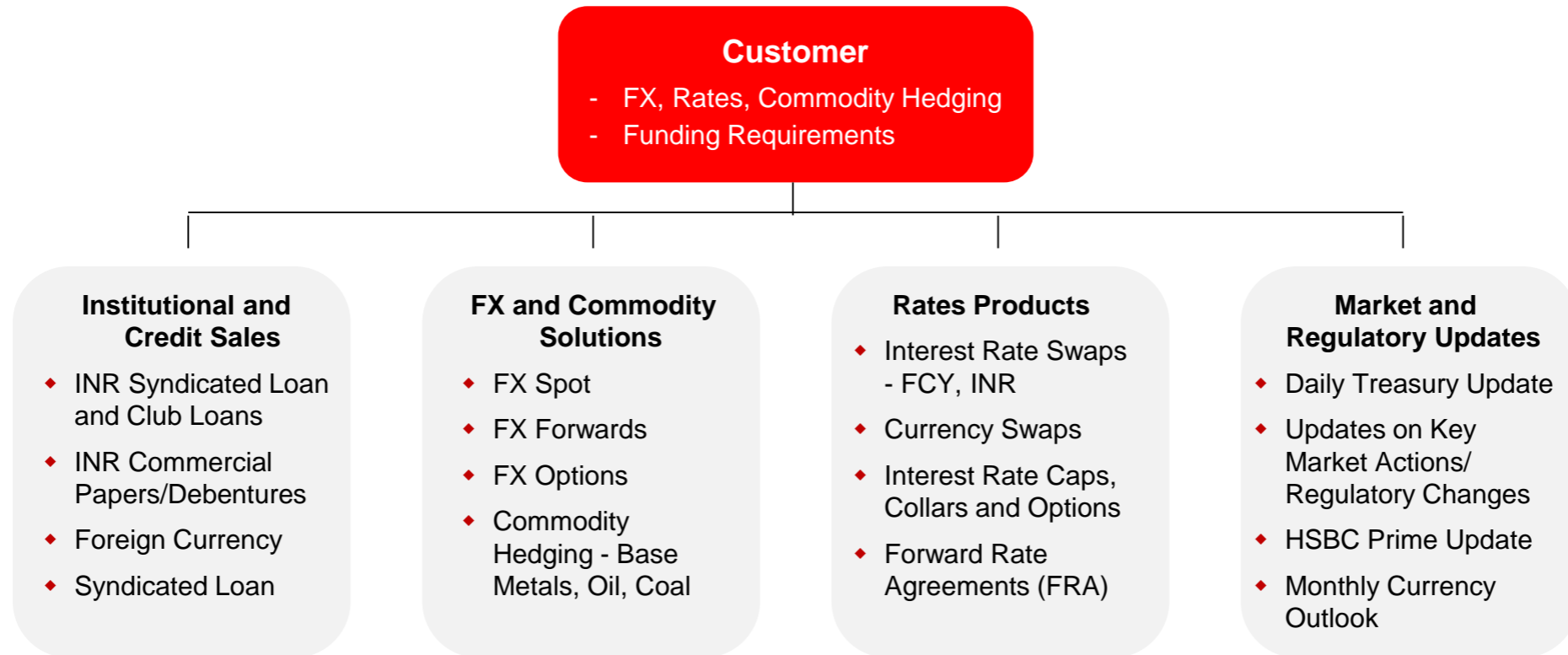
- Spot
- Forwards – for a fixed date or the settlement date could be anytime during a window fixed period
- Plain Vanilla Options – buying a European Vanilla Call/Put Option
- Cost reduction structures (Additional eligibility criteria)
- Covered Options – Corporates are allowed to sell (write) a standalone plain vanilla European option (Call/Put) against contracted exposures (Additional eligibility criteria)
- Swaps – Full Currency, Interest Rate Only, Coupon Only, Principal Only

◆ Regulations:

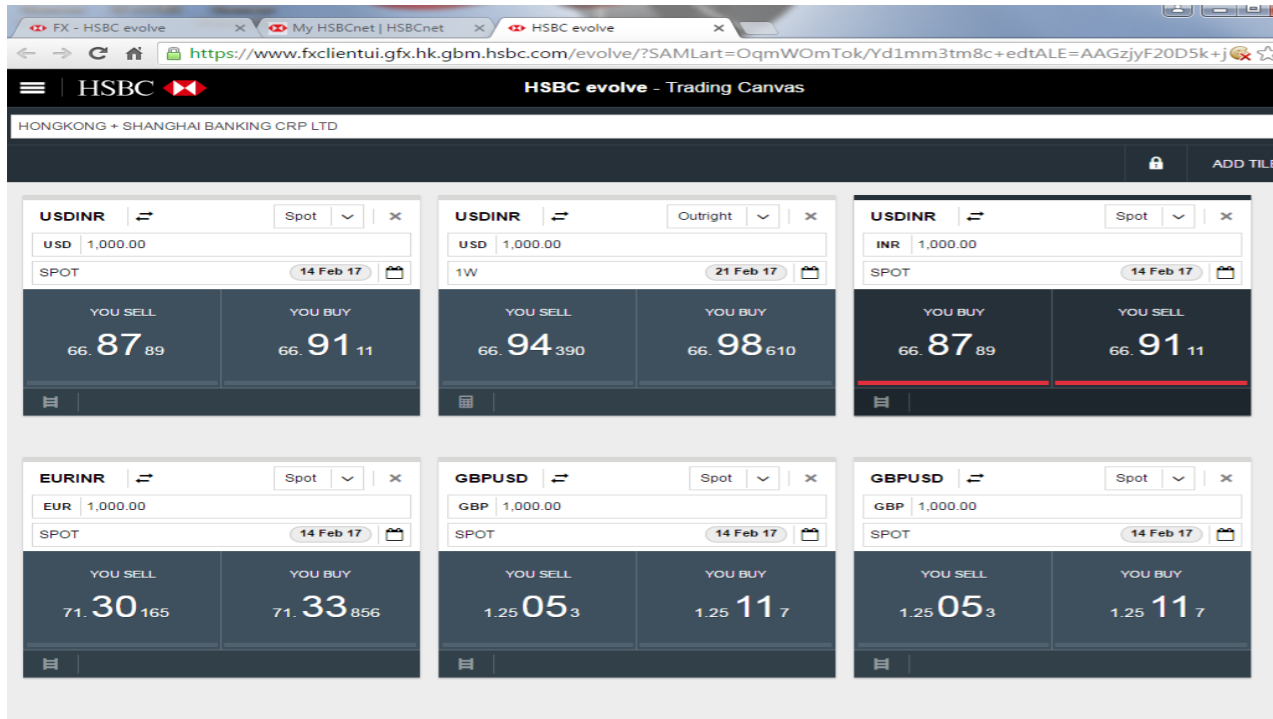
- Tenor and Amount of hedge should not exceed the valid underlying and the applicable statutory auditor certificates to be obtained
- Signed hard copy of specific underlying to be submitted to the Bank within 15 calendar days of executing the FX trade for transaction
- Forward Contracts can be rolled over on or before maturity date

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Part 2. Global Markets Capabilities



Part 2. Global Markets FX – Digital capabilities



- ◆ FX Execution of Cash/Tom/Spot and Forward trades using HSBC propriety FX Platform HSBC FX Evolve
- ◆ MIS of trades executed available realtime on HSBC FX Evolve
- ◆ Execution of cross currency orders using HSBC propriety algorithms
- ◆ Executing digital deal confirmations
- ◆ Dynamic currency conversion and Multi Currency pricing tools for B to C transactions
- ◆ E-FX execution capabilities also available via 3rd party platforms such as Reuters FXALL, Bloomberg FXGo

Part 3. HSBC India Global Markets

- ◆ A strong 39* member dealing room
- ◆ Global Market offices with decentralised coverage across various cities in India, i.e. Mumbai, New Delhi, Pune, Bengaluru 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
- ◆ Preferred bank for large value transactions with specialisation in handling FDI flows. Managed several large ticket FDI/FII flows into the country
- ◆ Preferred bankers to all major corporate and institutional counterparties
- ◆ Preferred bankers to Foreign Institutional Investors, Private Equity Players, Venture Funds – Largest Custodial Bank in India

Part 3. HSBC India Global Markets Contact Details

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