

MSCI China A 50 Connect Index HSBC Derivatives Warrants Launched



With the launch of **Hong Kong's first A-share structured products in 2022** – MSCI China A 50 Connect Index Derivative Warrants (DWs), international investors now have a new tool to manage risk associated with their China-focused investments through a comprehensive A-share investment benchmark.

The MSCI China A 50 Connect Index is designed to comprehensively represent the Chinese economy by including 50 of the largest stocks in the China A-share large-cap universe and by targeting at least two stocks from each sector within the index. The index comprises 50 Stock Connect-eligible shares and has historically high correlation to the performance of main MSCI A-share indices.

Potential for further MSCI A-share inclusion

A-shares remain under-represented in key global indices despite the sheer size of China's onshore equity market. Currently, the inclusion ratio* of China A-shares in the MSCI Emerging Markets Index is

20%

when
compared
to

an inclusion ratio of

100%

(full inclusion),

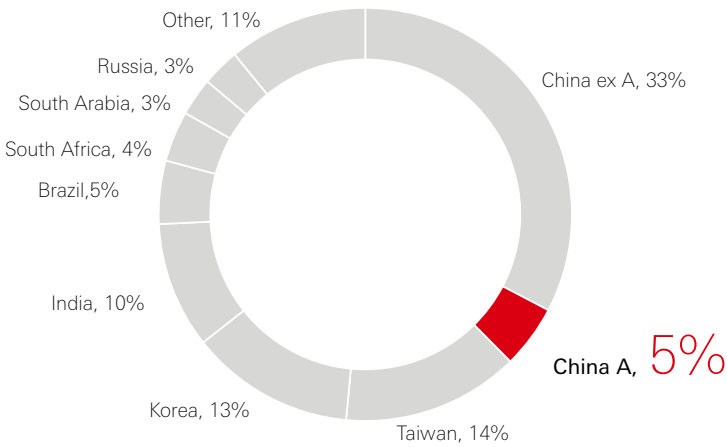
for other major markets such as the US, suggests

significant room
for further inclusion.

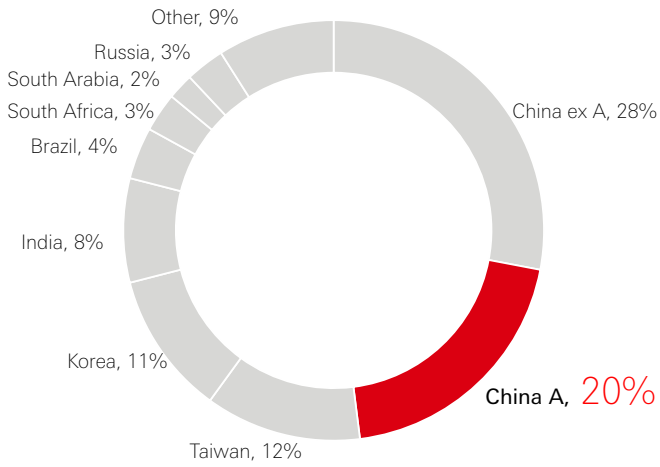


*An inclusion ratio means the proportion of a security's free float-adjusted market capitalization that is allocated to an index, subject to market accessibility.

Current MSCI EM Index with A-share inclusion ratio at 20%



MSCI EM with hypothetical 100% A-shares inclusion



Source: MSCI, data as of 21 June 2021.

The **20%** inclusion factor

translates into



a **5%** index weight of China A-shares in the MSCI Emerging Market Index

which is tracked by

US\$ 1.677 billion worth of funds

at the end of 2021

As the gradual opening-up of China’s capital market provides catalyst for further MSCI inclusion, the inclusion factor sees room for more growth.

Under a full-inclusion scenario



the weight of China A-shares in the MSCI EM Index will be raised to **20%**

which could potentially unleash an inflow of over **US\$ 250 billion** into China A-shares



Access China’s growth story with the most representative A-share index

The MSCI China A 50 Connect Index is highly representative of the A-share market. The index is rebalanced quarterly to mirror the industry composition of the broad A-share market. It has a higher weighting in high-growth sectors often under-represented in traditional A 50 indices, such as IT and health care, allowing investors to capture alpha as China shifts its growth focus to high-tech industries.


In the long term, the MSCI China A 50 Connect Index also outperforms other major A-share benchmarks in terms of price return and total return, making it ideal for investors who are looking to tap into the long-term growth potential of the China market.





1st Leading Warrant and Single Stock CBBC Issuer in 2021*


*Based on monthly average of the outstanding share value in 2021
Source: Hong Kong Exchanges and Clearing Limited

HSBC comes first out of 15 issuers according to several core attributes:

 Local

 Financially strong

 Educator

 Value for money

For those who are aware of HSBC Warrants/CBBCs

Our Products

95% of traders rate our spread and liquidity in line with or above market average

Our Services

Close to 70% of investors gave us a good or very good rating for overall satisfaction

Our Reputation

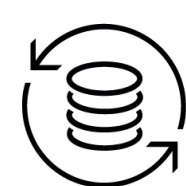
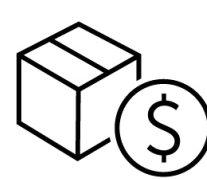
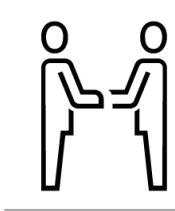
Good reputation is the top consideration for those who use HSBC as their main issuer

Your Issuer

Over 70% of prospective Warrants/CBBCs traders said they are likely or very likely to trade with HSBC

We are always improving:

HSBC’s composite satisfaction score was boosted by improvements in the following areas:

	Liquidity	64% in 2020	➔	67% in 2021	+3%
	Cost of product	59% in 2020	➔	64% in 2021	+5%
	Customer service	66% in 2020	➔	68% in 2021	+2%

#Based on research conducted by Investment Trends in 2021 and 2022
i. HSBC Advertising Analysis August 2022
ii. Hong Kong Leverage Trading Report December 2021
iii. Hong Kong Warrants and CBBCs Report 2021

Source:

- i. Hong Kong Exchanges and Clearing Limited
- ii. MSCI China A 50 Connect Index website: <https://www.msci.com/our-solutions/indexes/china-a-50-connect>
- iii. HSBC Advertising Analysis August 2022
- iv. Hong Kong Leverage Trading Report December 2021
- v. HSBC Hong Kong Warrants and CBBCs Report 2021: <https://www.warrants.hsbc.com.hk/home/pdf/hsbc-warrants-cbbc-infographic-book-en.pdf>

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Important Risk Warning:

The structured products are not collateralized. If the issuer is insolvent or defaults, investors may not recover part or all of the amount due.

Structured products are complex products. Investors should exercise caution in relation to them. The price of the structured products may fall in value as rapidly as it may rise and investors may sustain a total or substantial loss of their investment. Prospective investors should ensure that they understand the nature and risks and seek professional advice where applicable. Investors in derivative warrants (the “Warrants”) linked to the MSCI China A 50 Connect Index (the “**Index**”) may be exposed to additional risks, including -

i. risk for newly launched Index

The Index is a new index launched on 20 August 2021 only. Financial products linked to the Index (including the Warrants) can be volatile and risky.

ii. the index constituents are A-shares traded under the Northbound Stock Connect channel through China Connect

The Index constituents are A-shares listed on Stock Exchanges of Shenzhen and/or Shanghai and are accessible for trading through the Northbound Stock Connect channel. China Connect is relatively new (launched in 2014) and the current regulations are subject to changes.

The A-shares market can be volatile and unstable and it can have a higher propensity for trading suspensions. The trading hours for Index constituents under China Connect follow that of the respective stock exchanges, which differ from the trading hours of the Warrants and the Index Futures Exchange.

For example, trading prices of the Index constituents may be volatile during a period which the Stock Exchange is not open for trading of the Warrants but where the A-share market is open for trading in mainland China. These risks could cause volatility and have a significant impact on the performance of the Index constituents, the Index level and/or price of our Warrants.

iii. less public information about the Index and such information may not be available in Chinese

There may be less publicly available information about the Index than those about Hong Kong indices and some of the Index information may not be available in Chinese. If you do not understand any such information, you should obtain independent advice.

iv. political and economic risks relating to the Index

The Index level may be subject to political, economic, financial and social factors that apply in those geographical regions, which may differ favourably or unfavourably from those factors that apply to Hong Kong. Moreover, economies of those geographical regions may also differ favourably or unfavourably from the Hong Kong economy in important respects such as, including but not limited to, growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency.

v. exchange rate risks

As the trading price of the Index constituents is quoted in Renminbi but the structured products will be settled in Hong Kong Dollars (“HK\$”), there will be an exchange rate risk when we convert Renminbi into HK\$ in the calculation of the cash settlement amount.

Renminbi is subject to foreign exchange control and restrictions by the PRC government. Onshore Renminbi and Renminbi traded outside mainland China (“CNH”) are traded in different and separate markets which operate independently and subject to different foreign exchange control and restrictions. Any tightening of foreign exchange control may adversely affect the liquidity of CNH, and the market value and potential return of the Warrants.

vi. Renminbi interest rate risks

Further liberalisation of interest rates for onshore Renminbi may occur and may influence the interest rate for CNH. Any fluctuation in interest rates for CNH may adversely affect the market value and potential return of the Warrants.

If there is any inconsistency between the English version and the Chinese version, the English version shall prevail. Click [here](#) for “Disclaimer”.