SUPPLEMENTARY LISTING PARTICULARS



#### HSBC Bank plc

(A company incorporated with limited liability in England with registered number 14259)

as Issuer

#### PROGRAMME FOR THE ISSUANCE OF NOTES AND WARRANTS

This supplement (the "**Supplement**") to the offering memorandum dated 18 June 2013 relating to the Programme for the Issuance of Notes and Warrants (as supplemented by the supplement dated 22 August 2013, the "**Offering Memorandum**", which constitutes listing particulars for the purposes of listing on the Official List of the Irish Stock Exchange ("**Listing**") and trading on the Global Exchange Market of the Irish Stock Exchange and, for the avoidance of doubt, which does not constitute (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) or (ii) a base prospectus for the purposes of Directive 2003/71/EC (as amended)) constitutes supplementary listing particulars (pursuant to rule 3.10 of the Global Exchange Market Listing and Admission to Trading – Rules) for the purposes of Listing.

Terms defined in the Offering Memorandum have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Offering Memorandum and any other supplements to the Offering Memorandum prepared by HSBC Bank plc, as issuer (the "**Issuer**") in relation to its Programme for the Issuance of Notes and Warrants.

This Supplement has been approved by the Irish Stock Exchange for the purposes of Listing.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The purpose of this Supplement is to disclose (a) that the Financial Services (Banking Reform) Act 2013 (the "**Banking Reform Act**") has received Royal Assent; (b) certain changes to the Issuer's Board of Directors; (c) updated restrictions and other information relating to the offering of Notes and Warrants in Switzerland; and (d) updated HSBC Managed Indices Rules.

- (a) The Banking Reform Act is expected to enter into force during the first half of 2014 and, among other things, will make certain changes to the Banking Act 2009 (the "Banking Act"), including the introduction of a bail-in option, and to the FSMA, including the introduction of provisions relating to the ring-fencing of deposit-taking and other core activities of UK institutions such as the Issuer. In particular,
  - The bail-in option is introduced as an additional power available to the Bank of England, to enable recapitalisation of an institution which is failing or likely to fail, by allocating losses to its shareholders and unsecured creditors in a manner that ought to respect the hierarchy of claims in an insolvency of a relevant financial institution, consistent with shareholders and creditors of financial institutions not receiving less favourable treatment than they would have done in insolvency. The bail-in option includes the power to cancel a liability or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the bank under resolution and the power to convert a liability from one form to another. The conditions for use of the bail-in option are, in summary, that (i) the Prudential Regulation Authority determines that the bank is failing or likely to fail, (ii) it is not reasonably likely that any other action can be taken to avoid the bank's failure and (iii) the Bank of England determines that it is in the public interest to exercise the bail-in power.
  - On 11 December 2013, European Parliament and Council Presidency negotiators reached political agreement on the proposed Recovery and Resolution Directive (the "**RRD**"). The RRD is expected to enter into force on 1 January 2015 and will introduce a bail-in principle which will apply from 1

January 2016. The UK Government has expressed confidence that the bail-in powers under the Banking Reform Act can be introduced without the risk of having to adapt to a radically different regime when the RRD is implemented.

- The bail-in option under the Banking Act would potentially apply to any debt and derivative securities issued by a bank under resolution, regardless of when they were issued, and would therefore potentially apply to Notes, Warrants and Certificates issued by the Issuer.
- Despite there being pre-conditions for the exercise of the powers under the bail-in option, there remains uncertainty regarding the specific factors which the Bank of England would consider in deciding whether to exercise such powers with respect to the Issuer and its securities. Moreover, as the Bank of England has considerable discretion in relation to how and when it may exercise such powers, holders of the Issuer's securities may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such powers and consequently its potential effect on the Issuer and its securities.
- Details relating to the implementation of the ring-fencing provisions introduced by the Banking Reform Act remain subject to the passing of secondary legislation. A consultation on drafts of such secondary legislation has been completed and the UK Government has stated that it remains committed to having all secondary legislation necessary to implement the recommendations of the Independent Committee on Banking in relation to ring-fencing passed by the end of the current Parliament. However, until such final secondary legislation is passed there remains some uncertainty as to the detailed implementation of the ring-fencing provisions introduced by the Banking Reform Act.
- (b) J W Leng retired as the Issuer's Chairman and from the Issuer's Board of Directors with effect from 31 December 2013 and J F Trueman was appointed as the Issuer's Deputy Chairman on 19 December 2013. P M Shawyer resigned from the Issuer's Board of Directors with effect from 6 January 2014.

(c)

• Delete the six paragraphs appearing under the heading "Switzerland" on pages B-68 to B-69 of the Offering Memorandum and replace them with the following:

#### "Switzerland

The Notes do not constitute participations in a collective investment scheme within the meaning of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 ("CISA"). Therefore, the Notes are not subject to the approval of, or supervision by, the Swiss Financial Market Supervisory Authority FINMA ("FINMA"), and investors in the Notes will not benefit from protection under the CISA or supervision by FINMA.

Neither this Offering Memorandum nor any offering or marketing material relating to the Notes constitute a prospectus within the meaning of (i) Articles 652a or Article 1156 of the Swiss Federal Code of Obligations, (ii) Article 5 CISA and its implementing regulations or (iii) Article 21 of the Additional Rules for the Listing of Derivatives of SIX Swiss Exchange.

The Issuer reserves the right to set forth all information which may be required to be disclosed in a simplified prospectus pursuant to Article 5 CISA in a separate document referred to as a "Pricing Supplement" and/or "Simplified Prospectus" (the "**Simplified Prospectus**") for Notes distributed (such term including any offering and advertising) to qualified investors according to Article 10 Paras. 3 to 4 CISA (the "**Qualified Investors**") and/or non-qualified investors within the meaning of the CISA (the "**Non-Qualified Investors**").

Except as described in this section, Notes constituting structured products within the meaning of Article 5 CISA may not be distributed to Non-Qualified Investors in or in and from Switzerland.

Any Notes constituting structured products within the meaning of Article 5 CISA which are intended to be distributed to Non-Qualified Investors in or in and from Switzerland may only be offered or advertised in accordance with the provisions of the CISA and its implementing regulations. In particular, the CISA requires that a Simplified Prospectus complying with Article 5 CISA, its implementing regulations and the Swiss banking Guidelines on Informing Investors about Structured

Products (as amended from time to time) must be published. A provisional version of such Simplified Prospectus including indicative information must be made available free of charge to any interested person prior to subscribing for the Notes or prior to concluding an agreement to subscribe for the Notes. The definitive version must be made available free of charge to any interested person on issue or on concluding an agreement to subscribe for the Notes.

Notes constituting structured products within the meaning of Article 5 CISA which are not intended to be distributed to Non-Qualified Investors in or in and from Switzerland may only be offered or advertised, and any Pricing Supplements, fact sheets or any other marketing material relating to such Notes may only be distributed, offered or made available to Qualified Investors in or in and from Switzerland by way of private placement which is exclusively addressed to and available for such Qualified Investors. The respective Pricing Supplements, fact sheets or any other marketing material may not be distributed, copied, published or otherwise made public or available for Non-Qualified Investors.

Additional specific selling restrictions, if any, applicable in Switzerland will be included in the Pricing Supplements relating to the relevant Notes."

Delete the six paragraphs appearing under the heading "Switzerland" on pages C-47 to C-48 of the Offering Memorandum and replace them with the following:

#### "Switzerland

The Warrants do not constitute participations in a collective investment scheme within the meaning of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 ("CISA"). Therefore, the Warrants are not subject to the approval of, or supervision by, the Swiss Financial Market Supervisory Authority FINMA ("FINMA"), and investors in the Warrants will not benefit from protection under the CISA or supervision by FINMA.

Neither this Offering Memorandum nor any offering or marketing material relating to the Warrants constitute a prospectus within the meaning of (i) Articles 652a or Article 1156 of the Swiss Federal Code of Obligations, (ii) Article 5 CISA and its implementing regulations or (iii) Article 21 of the Additional Rules for the Listing of Derivatives of SIX Swiss Exchange.

The Issuer reserves the right to set forth all information which may be required to be disclosed in a simplified prospectus pursuant to Article 5 CISA in a separate document referred to as a "Pricing Supplement" and/or "Simplified Prospectus" (the "**Simplified Prospectus**") for Warrants distributed (such term including any offering and advertising) to qualified investors according to Article 10 Paras. 3 to 4 CISA (the "**Qualified Investors**") and/or non-qualified investors within the meaning of the CISA (the "**Non-Qualified Investors**").

Except as described in this section, Warrants constituting structured products within the meaning of Article 5 CISA may not be distributed to Non-Qualified Investors in or in and from Switzerland.

Any Warrants constituting structured products within the meaning of Article 5 CISA which are intended to be distributed to Non-Qualified Investors in or in and from Switzerland may only be offered or advertised in accordance with the provisions of the CISA and its implementing regulations. In particular, the CISA requires that a Simplified Prospectus complying with Article 5 CISA, its implementing regulations and the Swiss banking Guidelines on Informing Investors about Structured Products (as amended from time to time) must be published. A provisional version of such Simplified Prospectus including indicative information must be made available free of charge to any interested person prior to purchasing the Warrants or prior to concluding an agreement to purchase the Warrants. The definitive version must be made available free of charge to any interested person on issue or on concluding an agreement to purchase the Warrants.

Warrants constituting structured products within the meaning of Article 5 CISA which are not intended to be distributed to Non-Qualified Investors in or in and from Switzerland may only be offered or advertised, and any Pricing Supplements, fact sheets or any other marketing material relating to such Warrants may only be distributed, offered or made available to Qualified Investors in or in and from Switzerland by way of private placement which is exclusively addressed to and available for such Qualified Investors. The respective Pricing Supplements, fact sheets or any other

marketing material may not be distributed, copied, published or otherwise made public or available for Non-Qualified Investors.

Additional specific selling restrictions, if any, applicable in Switzerland will be included in the Pricing Supplements relating to the relevant Warrants."

(d) Replace Annex 1 to Part D (*HSBC Managed Indices Rules*) of the Offering Memorandum (which appears on pages D-104 to D-294) with the pages set out in the Annex hereto.

To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in or incorporated by reference in the Offering Memorandum prior to the date of this Supplement, the statement in this Supplement will prevail.

Save as disclosed in this Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Offering Memorandum has arisen or been noted, as the case may be, since the publication of the Offering Memorandum.

22 January 2014

#### ANNEX 1 TO PART D - HSBC MANAGED INDICES RULES

# **HSBC Global Markets Indices**

**Base Terms Module** 

Version 1.1 October 2013

## CONTENTS

## Section

## Page

Introduction	1
Management responsibilities	2
Index calculations and data sources	4
Index maintenance	5
Correction of manifest error	7
Amendments to the Base Terms Module	7
Further information about the Indices	7
	Introduction Management responsibilities Index calculations and data sources Index maintenance Correction of manifest error Amendments to the Base Terms Module Further information about the Indices

## Appendix

1.	Definitions	. 9
2.	Risk factors	11
3.	Disclaimer	16

## 1. Introduction

#### (a) **Overview**

This document constitutes the Base Terms Module, which applies to certain indices (each an "**Index**") which are sponsored, developed and promoted by the Index Sponsor. The provisions set out in the Base Terms Module apply to each Index irrespective of the asset class (or assets classes) to which such Index relates. The Index Description for any Index consists of this Base Terms Module and the Asset Terms Module(s) and the Index Terms Module applicable to such Index.

#### (b) Structure of the Index Description

The Index Description of any Index is composed of three constituent parts, as follows:

- (i) Base Terms Module: this document, setting out the rules and other details which apply to all Indices;
- (ii) Asset Terms Module: setting out the rules and other provisions which apply to the asset class or asset classes (such as equities or foreign exchange) referenced by a specific Index (each, an "Asset Terms Module"); and
- (iii) Index Terms Module: setting out the rules and other provisions which apply to a particular Index (each, an "Index Terms Module").

The Index Rules for any Index are contained in the Index Description for that Index. Each of the three Modules that make up an Index Description should be read together to provide a full description of the Index Rules for that Index. Each Module contains important information about each Index. None of the Modules should be read or interpreted separately from the other Modules that form part of the Index Description.

The Index Description of any Index may be amended, modified or supplemented from time to time pursuant to Section 4 (*Index maintenance*), Section 5 (*Correction of manifest error*) and Section 6 (*Amendments to the Base Terms Module*) below and otherwise as permitted by the Index Rules of that Index. The latest version of the Index Description of any Index will be made available by the Index Sponsor upon request. Users of any Index are responsible for obtaining the latest version of the Index Description.

The modular structure of each Index Description is illustrated in the following diagram:



\* Multiple Investment Products may reference the performance of a single Index

### 2. Management Responsibilities

#### (a) Index Committee

The Index Sponsor has established the Index Committee to oversee the HSBC Global Markets Indices. Among other things, the Index Committee will be responsible for approving new Indices, approving certain amendments and modifications to existing Indices, determining the effects on the Indices of certain exceptional events and periodically reviewing each Index.

The Index Committee is not responsible for assessing the suitability of Indices for Investment Products or for investors in those Investment Products.

The Index Committee comprises core representatives from various functions within HSBC Group. Additional representatives will be appointed in respect of each asset class represented by one or more Indices. Such representatives shall be entitled to vote only in respect of the Indices in the relevant asset class.

The Index Committee meets annually to periodically review the Indices. The Index Committee is also available to meet more frequently to consider new Indices or amendments and modifications to existing Indices. The Index Committee may meet to consider exceptional events that may have an effect on one or more Indices.

#### (b) Index Sponsor

Each Index is sponsored, developed and promoted by the Index Sponsor and is a proprietary Index of the Index Sponsor.

In certain circumstances, the Index Sponsor may be entitled to make certain amendments or modifications to an Index or the terms of any Module. In making any such amendments or modifications, the Index Sponsor will, acting in good faith and a commercially reasonable manner, ensure that such amendments or modifications will result in a methodology that, in the Index Sponsor's determination, is consistent in its intended commercial purpose with the methodology described in the relevant Index Description. Following the amendment or modification of the Index Rules, the Index Sponsor will make available on request a revised version of the Index Description for the related Index. Unless otherwise provided, all calculations and determinations made by the Index Sponsor and/or the Index Calculation Agent will be made by it by reference to such factors as the Index Sponsor and/or the Index Calculation Agent deem appropriate.

To the extent permitted by applicable law, the Index Sponsor shall not be liable (whether in negligence or otherwise) to any person for any direct, indirect, special, punitive, consequential or any other losses or damages incurred by such person that arise out of or in connection with error in the Index and the Index Sponsor is under no obligation to advise any person of any error therein.

The Index Sponsor owns intellectual property rights in each Index and in any Index Description, or any part of an Index Description, which has been supplied by the Index Sponsor. No use or publication may be made of any Index or any related provision without the prior written approval of the Index Sponsor. None of the Index Sponsor, the Index Calculation Agent and any HSBC Group entity will have any responsibility for use of any Index without the express written consent of the Index Sponsor.

#### (c) Index Calculation Agent

The role of the Index Calculation Agent is to provide independent calculation of the periodic value of each Index and make various determinations and adjustments, in each case in accordance with the Index Rules, as set out in the relevant Index Description.

The Index Calculation Agent is responsible for obtaining information for inclusion or use in the calculation of the Indices. The Index Calculation Agent will not independently verify such information and does not guarantee the accuracy or completeness of any Index or any data included therein.

To the extent permitted by applicable law, the Index Calculation Agent shall not be liable (whether in negligence or otherwise) to any person for any direct, indirect, special, punitive, consequential or any other losses or damages incurred by such person that arise out of or in connection with error in the Index and the Index Calculation Agent is under no obligation to advise any person of any error therein.

The Index Calculation Agent in respect of an Index will be the entity specified in the relevant Index Terms Module. If the Index Calculation Agent is not specified in the relevant Index Terms Module for an Index, then the Index Calculation Agent for that Index is, as of 1 October 2013, Euromoney Trading Limited. Prior to this date, the role of the Default Index Calculation Agent was performed by a division of HSBC.

## 3. Index calculations and data sources

#### (a) **Calculations and determinations**

The level of each Index will be calculated by the Index Calculation Agent in accordance with the terms of the relevant Index Terms Module and will be published on the sources specified in the relevant Index Terms Module if any such sources are specified. Unless otherwise provided, all calculations and determinations made by the Index Sponsor and/or the Index Calculation Agent will be made by it in good faith and a commercially reasonable manner by reference to such factors as the Index Sponsor and/or the Index Calculation Agent deem appropriate. The Index Sponsor and the Index Calculation Agent will, as far as practicable, exercise any discretion with the aim of preserving the intended commercial purpose of the index. Neither the Index Sponsor nor the Index Calculation Agent is required to consider the interest of any investor in Investment Products in exercising such discretion.

In addition, in exercising its discretion, the Index Sponsor may take into account the effects of any positions, contracts, transactions or other instruments or arrangements (howsoever described) that the Index Sponsor reasonably believes a provider of any Investment Product referencing the relevant Index may reasonably hold in order to hedge its obligations in respect of the performance of the relevant Index in respect of that Investment Product ("Investment Product Hedging"). In exercising its discretion, the Index Calculation Agent may also take into account the effects of any such Investment Product Hedging as notified to it by the Index Sponsor, which may have a positive or negative impact on the level of the relevant Index.

The calculations and determinations of each of the Index Sponsor and the Index Calculation Agent in relation to each Index and/or any Index Constituent shall be final and binding on all parties in the absence of manifest error.

The term "manifest error" as used in this document shall mean an error that is plain and obvious and can be identified from the results of the calculation or determination itself without: (i) recourse to any underlying data; or (ii) any application or re-application of any formulae.

#### (b) Index calculation and maintenance of data sources

As necessary, the Index Calculation Agent may obtain prices or quotes used for both calculation and maintenance of the level of an Index on any day from the sources and at the times specified in the relevant Index Terms Module. The Index Calculation Agent may supplement data from such sources with other sources as it determines appropriate. The Index Calculation Agent does not guarantee the accuracy of the data from its data vendors nor independently verify such data.

#### (c) Data error

If, in respect of any information which is used by the Index Calculation Agent to make any determination or calculation relevant to an Index, the Index Calculation Agent determines at any time subsequent to such determination or calculation that the source of such information has issued a correction, or has otherwise amended or modified the relevant information in a way that would have materially affected the relevant determination or calculation, the Index Calculation Agent may in its discretion make such redetermination or recalculation in respect of the relevant Index and retrospectively adjust the level of such Index in respect of the period from the original determination or calculation to the time of such redetermination or recalculation to take account of such redetermination or recalculation.

#### (d) **Data disruption**

In the event of a Data Disruption, the Index Calculation Agent shall use reasonable endeavours to source data from alternative sources with the aim of publishing the level of an Index as soon as reasonably practicable. The Index Calculation Agent will not publish the level of an Index until the relevant Data Disruption is over or until it acquires the required data from an alternative source.

#### (e) **Construction**

The provisions of each Index Description (including any non-contractual obligations arising in connection therewith) shall be governed by and construed in accordance with English law.

### 4. Index maintenance

Each Index Description specifies various disruption, modification and termination events relating to the relevant Index, as well as the consequences of the occurrence of such events. Such provisions may be set out in the Asset Terms Module or the Index Terms Module of the relevant Index and are supplemental to the provisions set out below. The provisions set out below may also be amended, modified or supplemented for any Index by the provisions of the applicable Asset Terms Module or Index Terms Module.

#### (a) Amendments and modifications to the Index Rules

Subject to Section 2(b) above, the Index Sponsor may make such amendments or modifications to the Index Rules of any Index for any reason, including without limitation:

- (i) to preserve the intended commercial purpose of any Index, where such amendment or modification is of a formal, minor or technical nature;
- (ii) to ensure the continuation of an Index following the Index Calculation Agent ceasing, or advising that it will cease, for any reason, to calculate the relevant Index; or
- (iii) if:
  - A. market, regulatory, juridical, financial or fiscal circumstances arise,
  - B. such circumstances have not been deliberately caused by the Index Sponsor, and
  - C. in the determination of the Index Sponsor, such amendments or modifications would assist in maintaining the intended commercial purpose of the Index or would ensure that that

Index can continue to be calculated and determined by the Index Sponsor and the Index Calculation Agent.

Following the amendment or modification of the Index Rules, the Index Sponsor will prepare a revised version of the Index Description for the related Index and such revised version will be made available by the Index Sponsor upon request.

#### (b) **Suspension and termination of an Index**

The publication and maintenance of each Index is discretionary. The Index Sponsor may suspend or terminate the publication of an Index at any time including, without limitation, in accordance with the terms of the relevant Asset Terms Module or Index Terms Module. In the event that an Index is suspended or terminated, the Index Sponsor accepts no responsibility for any losses incurred by any party whether incidental or consequential which arise out of any reliance on the continued existence and publication of that Index.

#### (c) Index Restrictions

If either HSBC and/or any of HSBC Group entities in respect of an Index Constituent (whether or not as a holder of such Index Constituent) or an Index, either:

- is or becomes or would become, as the case may be, subject to any legal and/or regulatory reporting and/or disclosure requirements and/or any legal and/or regulatory restrictions; or
- (ii) is or becomes or would become, as the case may be, subject to the imposition of any taxes, duty, withholding, deduction or other charge; or
- (iii) is or becomes or would become, as the case may be, at any time and in the absence of any available exemptions, restricted from dealing in such Index Constituent pursuant to regulatory or legal obligations or internal policies which policies are designed to comply with regulatory or legal obligations applicable to HSBC and/or any of HSBC Group entities,

then, if the Index Sponsor determines at any time that the circumstance described in (i), (ii) or (iii) is material, such Index Constituent shall be a "**Restricted Index Constituent**" and no Restricted Index Constituent shall be an Index Constituent. The Index Sponsor may make such amendments or modifications to the Index Rules for an Index in its discretion as it deems appropriate as a result, including excluding the Restricted Index Constituent from the relevant Index. The Index Sponsor shall also be entitled to make such other consequential amendments or modifications to the Index Rules for an Index as it deems appropriate.

In determining what is "material", the Index Sponsor may have regard to such circumstances as it deems appropriate including, but not limited to, how the relevant circumstance described in (i), (ii) or (iii) above which has occurred would impair or have an impact on the ability of HSBC and/or any of HSBC Group entities to enter into hedging transactions in relation to any Investment Product, if any such entity were to do so.

In the event that the Index Sponsor determines at any time that the circumstance described in (i), (ii) or (iii) above has ceased to be material in relation to any Restricted Index Constituent, then the Index Sponsor will determine that such Index Constituent shall cease to be a Restricted Index Constituent.

The Index Sponsor shall be entitled to make its determinations in respect of an Index Constituent by reference to the relevant circumstances at that time and the Index Sponsor shall not be bound by any previous determination.

## 5. Correction of Manifest Error

Subject to Section 2(b) above, the Index Sponsor may make such amendments or modifications to the Index Rules of any Index to correct any manifest error or proven error or to cure, correct or supplement any ambiguity or defective provision contained in the relevant Index Description. Following the amendment or modification of the Index Rules, the Index Sponsor will prepare a revised version of the Index Description for the related Index and such revised version will be made available by the Index Sponsor upon request.

## 6. Amendments to the Base Terms Module

In addition to the provisions of Section 4 (*Index maintenance*) above and any additional provisions set out in the Index Terms Module for a particular Index, the Index Sponsor anticipates that this Base Terms Module may be amended or modified from time to time to, among other things:

- (a) reflect amendments or modifications to the methodology by which determinations and publications may be made in respect of the Indices;
- (b) clarify the role of the Index Committee to ensure that the Index Rules comply with policies and procedures of the Index Sponsor and appropriately manage conflicts of interests within the HSBC Group; and
- (c) clarify the mode of publication and communication of the Index Rules and any amendment of and communication in relation to the Index Rules.

Following any amendment or modification of the Base Terms Module, the Index Sponsor will prepare a revised version of the Base Terms Module and such revised version will be made available by the Index Sponsor upon request.

Any amendments or modifications to the Base Terms Module that have been approved by the Index Sponsor shall be deemed to be incorporated into the Index Rules for each of the Indices and Investment Products which reference one or more Index shall continue to reference such Index subject to such amendments or modifications to the Base Terms Module.

## 7. Further information about the Indices

Further information about the Indices can be obtained from HSBC upon request. HSBC will make available upon request the following information for each Index:

- (a) the Index Rules;
- (b) amendments or modifications to the Index Rules;

- (c) the level of each Index;
- (d) announcements related to an Index; and
- (e) the relevant Index Constituents, solely to the extent that it is reasonably practicable for HSBC to make such information available;
- (f) relevant additional information about an Index, solely to the extent that it is reasonably practicable for HSBC to make such information available.

Such information can be obtained from HSBC Bank plc at 8 Canada Square, London E14 5HQ, United Kingdom through one of the following contacts:

Equity Indices Email: equity.indices@hsbcib.com

Structured Interest Rate Indices Email: rates.structuring@hsbc.com

FX Indices Email: fx.indices@hsbcib.com

## Appendix 1: Definitions

Except where the context otherwise requires, the following terms used in this Base Terms Module and in each other Module have the following meanings:

"Asset Terms Module" has the meaning set out in Section 1(b)(ii) (*Structure of the Index Description*) of this Base Terms Module.

"Base Terms Module" means this document, setting out the rules and other details which apply to all Indices.

"Data Disruption" means any disruption relating to the manner that the Index Calculation Agent receives or otherwise acquires information which is necessary to make any determination or calculation relevant to an Index, including, without limitation, a failure of electronic data delivery by data providers which normally send such data to the Index Calculation Agent, unavailability of electronic or internet access to data obtained from an online source, or a disruption of any of the Index Calculation Agent's data systems rendering data inaccessible to processes which are required to calculate the level of any Index or otherwise make any relevant determinations.

"**Default Index Calculation Agent**" means, as of 1 October 2013, Euromoney Trading Limited. Prior to this date, the role of the Default Index Calculation Agent was performed by a division of HSBC.

"HSBC" means HSBC Bank plc.

"HSBC Group" means HSBC Holdings plc and any entity (i) in which HSBC Holdings plc, or one of HSBC Holdings plc's direct or indirect subsidiaries, owns directly or indirectly at least 50% or more of the shares; or (ii) over which HSBC Holdings plc, or one of HSBC Holdings plc's direct or indirect subsidiaries, exercises management control even though it owns less than 50% of the shares; or (iii) in respect of which HSBC Holdings plc, or one of HSBC Holdings plc's direct or indirect subsidiaries has entered into a strategic alliance.

"HSBC Global Markets" means the HSBC Global Markets businesses of HSBC.

"**HSBC Global Research**" means the Global Research division of the HSBC Global Banking and Markets businesses of HSBC.

"Index" means any index to which this Base Terms Module relates.

"Index Calculation Agent" means, in respect of an Index, the Index Calculation Agent specified in the relevant Index Terms Module or, if no such Index Calculation Agent is so specified, the Default Index Calculation Agent.

"Index Committee" means the HSBC Global Markets Indices and Strategies Governance Committee, a committee established by HSBC Global Markets.

"Index Constituent" means any constituent of an Index specified or described in the relevant Asset Terms Module or Index Terms Module for such Index, which may include, without limitation, any relevant share, security, index, rate, commodity, currency or any other asset, price, value, reference or indicator that may be used to determine the level of the relevant Index.

"Index Description" means, in respect of an Index, the Base Terms Module, the Asset Terms Module and the Index Terms Module relevant to such Index.

"Index Rules" means, in respect of an Index, the rules defining calculation maintenance, governance and publication of such Index, as set out in the relevant Index Description.

"Index Sponsor" means HSBC Global Markets.

"Index Terms Module" has the meaning set out in Section 1(b)(iii) (*Structure of the Index Description*) of this Base Terms Module.

"Investment Products" means financial products, including derivatives, notes, other instruments or funds, the return on which is linked in whole or in part to the performance of an Index.

"**Module**" means each of the Base Terms Module, any Asset Terms Module and any Index Terms Module.

"**Restricted Index Constituent**" has the meaning set out in Section 4(c) (*Index Maintenance*) of this Base Terms Module.

## Appendix 2: Risk factors

Prior to making an investment decision in respect of any Investment Product, prospective investors should carefully consider all of the information set out in this Base Terms Module, including these risk factors. This Appendix 2 is intended to describe various risk factors associated with an Investment Product which the Index Sponsor believes represent the principal risks relating to an Index. There may be other risks that a prospective investor should consider that are relevant to its particular circumstances, the terms of the Investment Product itself or generally whether arising from market factors or otherwise. Additional risk factors relating to an Index may be set out in the relevant Asset Terms Module(s) or Index Terms Module for that Index and should be carefully considered in conjunction with the risk factors set out below.

#### (a) General

When considering any Investment Product, prospective investors should be aware that the level of an Index (as determined pursuant to the provisions of the relevant Asset Terms Module(s) and Index Terms Module) can go down as well as up and that the performance of an Index in any future period may not track its past performance. Investment Products may include financial products which take a short position in the relevant Index, in which case the return and/or value of such Investment Products may be adversely affected by increases in the level of the relevant Index. In making any determination in respect of an Index, neither the Index Sponsor nor the Index Calculation Agent are required to take into account the long or short exposure that investors in Investment Products may have to such Index.

Without limiting any of the foregoing and without prejudice to their respective obligations under applicable law and/or under the regulatory system to which they are subject, in no event shall the Index Committee, Index Sponsor or Index Calculation Agent be liable (whether directly or indirectly, in contract, in tort, or otherwise) to any person for any direct, indirect, special, punitive, consequential or any other losses or damages incurred by such person that arise out of or in connection with an Index, including in relation to the performance by the Index Sponsor or the Index Calculation Agent of any part of their respective roles as Index Sponsor or the Index Calculation Agent under the Index Rules even if notified of the possibility of such damages. Notwithstanding the foregoing, nothing shall relieve the Index Sponsor or the Index Calculation fraudulent misrepresentation.

#### (b) Research

Research teams within HSBC may issue research reports on any Index Constituent. These reports are entirely independent of the Index Sponsor's obligations hereunder and are issued without regard to the potential impact on the level of an Index or on any Investment Product.

#### (c) **Discretions**

The terms of each Index as set out in the relevant Index Description confer on each of the Index Sponsor and the Index Calculation Agent a degree of discretion in making determinations and, in the case of the Index Sponsor, in changing the methodology of calculations. Whilst the Index Sponsor and the Index Calculation Agent are required to act in good faith and a commercially reasonable manner by reference to such factors as they deem appropriate in exercising their respective discretions with the aim of preserving the intended commercial purpose of the index, there can be no assurance that the exercise (or the absence of exercise, as the case may be) of any such discretion will not have an impact on the level of any Index. Neither the Index Sponsor nor the Index Calculation Agent is required to consider the interest of any investor in Investment Products in exercising its discretion.

In addition, in exercising its discretion, the Index Sponsor may take into account the effects of any Investment Product Hedging. In exercising its discretion, the Index Calculation Agent may also take into account the effects of any such Investment Product Hedging as notified to it by the Index Sponsor, which may have a positive or negative impact on the level of the relevant Index.

The discretions conferred on the Index Sponsor include permitting it to make amendments to and/or to modify the methodology for calculating the level of each Index, as described in Section 4 (*Index maintenance*) of this Base Terms Module and in the relevant Asset Terms Module(s) and Index Terms Module for an Index.

As a consequence, save as expressly provided in the relevant Index Description, there can be no assurance as to what the Index Constituents will be or the composition of an Index in respect of any future period or their suitability for the investment requirements of any prospective investor in an Investment Product. Changes to the Index Constituents may operate to reduce or increase the level of an Index in respect of any period, which may have an adverse effect on the value or return on an Investment Product.

#### (d) Reliance on information and data sources

Although the Index Calculation Agent will obtain information and data for inclusion in or for use in the calculation of each Index from sources which the Index Calculation Agent considers reliable, the Index Calculation Agent will not independently verify such information and data and does not guarantee the accuracy or the completeness of an Index or any data included therein.

While any inaccuracy in such sources may have an adverse effect on the level of any Index, neither the Index Sponsor nor the Index Calculation Agent accepts any liability for loss or damage of any kind arising from the use of such information in any such calculation or determination.

#### (e) Adjustments and cancellation of an Index

Prospective investors should note carefully the provisions of Section 4 (Index maintenance) of this Base Terms Module and the provisions of the relevant Asset Terms Module or Index Terms Module of an Index. Pursuant to these provisions, amongst others, an Index Constituent may be affected or replaced and/or other determinations and/or adjustments may be made as the Index Sponsor considers appropriate and the method of determining the level of an Index may be amended or modified as a result. In addition, pursuant to Section 4 (Index maintenance) of this Base Terms Module or any relevant provisions of the relevant Asset Terms Module(s) or Index Terms Module, the Index Sponsor or the Index Calculation Agent may determine that a disruption event has occurred and, in such circumstances, the Index Sponsor or the Index Calculation Agent may determine that the level of an Index shall not be determined and published on such day, or that an Index shall be cancelled altogether. If either HSBC and/or any of HSBC Group entities becomes subject to legal or regulatory restrictions, the imposition of tax or any restrictions on dealing in respect of any Index Constituent then the Index Sponsor may determine that that Index Constituent is a Restricted Index Constituent and may no longer be an Index Constituent for the purposes of the relevant Index and the Index Sponsor may

make such amendments or modifications to the Index Rules for an Index as it deems appropriate. Adjustments to the provisions of an Index may operate to reduce or increase the level of an Index in respect of any period, which may have an adverse effect on the value or return on an Investment Product.

#### (f) Change in methodology of an Index

If any market, regulatory, judicial, financial, fiscal or other circumstances arise that would, in the view of the Index Sponsor necessitate or make desirable an amendment or modification of the calculation methodology, the Index Sponsor shall, in accordance with the terms of the Index Rules, be entitled to make such amendment or modification. The Index Sponsor may also make amendments or modifications to the terms of an Index and/or the method of calculating the level of an Index in any manner that it may deem necessary or desirable to correct any manifest error or proven error or to cure, correct or supplement any ambiguity or defective provision contained in the relevant Index Description. The Index Sponsor may also from time to time amend or modify the Base Terms Module to reflect amendments and modifications to the methodology by which determinations may be made in respect of all of the Indices. In particular, the role of the Index Committee shall be reviewed periodically to ensure that the Index Rules comply with policies and procedures of the Index Sponsor and appropriately manage conflicts of interests within the HSBC Group.

The Index Sponsor will, acting in good faith and a commercially reasonable manner, ensure that such amendments and modifications will result in a methodology that, in the Index Sponsor's sole determination, is consistent in its intended commercial purpose with the methodology described in the relevant Index Description. However, no assurance is given that such amendments and modifications will not have an effect on the level of the relevant Index.

#### (g) **Conflicts of interest**

Conflicts of interest may exist or arise between the Index Sponsor and HSBC Group entities acting in other capacities, including as issuer, obligor, dealer, sponsor or calculation agent of Investment Products linked to an Index and/or one or more of any of the Index Constituents, or performing research roles including roles similar to that described in any Index Description. Each relevant HSBC Group entity will pursue actions and take steps that it deems appropriate to protect its interests without regard to the consequences for investors in any Investment Products or otherwise. HSBC Group entities may be in possession at any time of information in relation to one or more Index Constituents which may not be available to investors in any Investment Products. There is no obligation on any HSBC Group entity to disclose to any investor in any Investment Products any such information except as provided by law or regulation.

HSBC Group entities shall be entitled to receive fees or other payments pursuant to Investment Products or otherwise and to exercise all rights, including rights of termination or resignation, which they may have, even though so doing may have a detrimental effect on investors in any Investment Products.

Any research carried out by the Index Sponsor or the Index Calculation Agent for the purposes of developing an Index and calculating its levels may or may not be considered by HSBC when HSBC is deciding to buy or sell proprietary positions. These, or other transactions in which HSBC engages for its account, may be conducted in a manner inconsistent with the research and the administration of an Index and/or any Index Constituent.

The Index Sponsor and/or any member of the HSBC Group may, as an issuer of, or counterparty to, Investment Products or otherwise, engage in hedging activities that may impact, directly or indirectly, the level of an Index Constituent (and consequently the terms of an Index) on any day meaning such level may be different from the level which it would otherwise have been. While the Index Sponsor believes that such activity will not have a material impact on the level of an Index Constituent or an Index on any day, no assurance can be given that market, financial or other circumstances will not arise which result in the level of an Index Constituent or an Index being negatively impacted.

#### (h) **Investment Products linked to an Index**

The Index Sponsor is not obliged to enter into or promote Investment Products that are linked to an Index or any Index Constituent and the Index Sponsor makes no express or implied representations or warranties as to: (i) the advisability of purchasing or assuming any risk in connection with any such transaction; (ii) the levels at which any Index stands at any particular time on any particular date; (iii) the results to be obtained by the issuer of any security or any counterparty or any such issuer's security holders or customers or any such counterparty's counterparties or customers or any other person or entity from the use of an Index or any data used or published in connection with that Index.

#### (i) **Fiduciary duties**

Subject always to the regulatory obligations of any member of the HSBC Group in performing each or any of the roles of issuer, obligor, dealer, sponsor or calculation agent of Investment Products linked to an Index and/or one or more of any of the Index Constituents or performing research roles including roles similar to that described in any Index Description, members of the HSBC Group do not act on behalf of, or accept any duty of care or any fiduciary duty to any investors in any Investment Product or any other person.

#### (j) Currency risks

Each Index is calculated in the currency specified in the relevant Index Terms Module for an Index by converting where necessary the prices of the relevant Index Constituents into that currency.

Where the currency of an Index Constituent is not the same as the currency specified in the relevant Index Terms Module, the rate of exchange at which the price of an Index Constituent is converted into the relevant currency will likely change from time to time. This may affect the level of the relevant Index. Accordingly, any investment linked to an Index may involve exchange rate risks.

#### (k) Past performance

No historic performance data may be available for certain newly-created indices. Back-tested data may be available but does not represent actual performance nor is it an indication of future performance.

The methodology of each Index and the strategy for each Index were developed with the advantage of hindsight. In reality, it is not possible to invest with the advantage of hindsight and therefore any comparison is purely theoretical. Past performance is not indicative of future returns.

## Appendix 3: Disclaimer

This document is issued by HSBC Bank plc. HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority and is a member of the HSBC Group.

The Index is sponsored, developed and promoted by HSBC Bank plc (the "Index Sponsor") and it is calculated by the Index Calculation Agent. The Index Sponsor has no responsibility for the calculation of the Index and does not guarantee or represent or warrant the accuracy or completeness of the Index or the data comprised therein.

Except in the case of fraudulent misrepresentation and without prejudice to its obligations under applicable law and/or the regulatory system to which it is subject, no liability (whether directly or indirectly, in contract, in tort, or otherwise) is accepted by: (a) the Index Sponsor, (b) any other member, division, affiliate or agent of the HSBC Group, (c) the Index Calculation Agent, or (d) any division, affiliate or agent of the Index Calculation Agent, whatsoever for any direct, indirect, special, punitive, consequential or any other losses or damages incurred by such person that arise out of or in connection with any Index, including in relation to the performance by the Index Sponsor or the Index Calculation Agent in their respective roles under the Index Rules for any such Index.

Neither the Index Sponsor nor the Index Calculation Agent makes any representation, warranty or guarantee whatsoever as to the performance of any Index. Any investment products referencing an Index ("Investment Products") can fluctuate in price or value and prices, values or income may fall against an investor's interests. Changes in rates of exchange and rates of interest may have an adverse effect on the level of an Index and the value, price or income of any Investment Product.

You are solely responsible for making your own independent appraisal of, and investigation into, any Index referred to in this document and its components and you should not rely on any information in this document as constituting investment advice. None of the Index Sponsor, the Index Calculation Agent or any of their respective affiliates is responsible for providing you with legal, tax or other specialist advice and you should make your own arrangements in respect of this accordingly. Neither the Index Sponsor nor the Index Calculation Agent can be held responsible for any errors, intentional or unintentional on the part of external data providers, nor for any delays in publishing any Index.

This document is intended solely for professional clients and eligible counterparties (as defined in the rules of the FCA) and is not intended for the use of retail clients (as defined in the rules of the FCA). No opinions are expressed as to the merits or suitability of any Index or any Investment Products. Investments in Investment Products may not be suitable for all requirements and if you have any doubts, seek advice from your investment adviser.

The Index Calculation Agent, the Index Sponsor and any of their respective affiliates, together with their respective directors, officers and employees may have traded for their own account as principal, or together with its officers, directors and employees may have a long or short position in any related instrument mentioned in this material.

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## **HSBC Global Markets Indices**

Asset Terms Module (Equities)

Version 2.1 October 2013

## CONTENTS

## Section

1.	Introduction	1
2.	Market Disruption Events	. 1
3.	Share Adjustment Events	2
4.	Index Adjustment Events	3
5.	Merger Event, Tender Offer, Delisting, Nationalisation and Insolvency	4
6.	Additional provisions for ETFs	5
7.	Additional provisions for Depositary Receipts	5
8.	Additional provisions for Country Specific Events	5
9.	Underlying Index Disclaimer	6

## Appendix

## Page

1.	Definitions7
2.	Disclaimer

## Page

## 1. Introduction

#### (a) General

This Asset Terms Module (Equities) may be incorporated into the Index Description for an Index by reference in the Index Terms Module for that Index. This Asset Terms Module sets out the rules for an Index linked to one or more types of equity instruments.

Depending on the specific type and the exact nature of the asset to which the Index relates, as specified in the Index Terms Module for that Index, this Asset Terms Module shall be interpreted accordingly.

This Asset Terms Module (Equities) must be read, and must be interpreted, in conjunction with the Base Terms Module and the relevant Index Terms Module. This is not a stand alone document and should not be read or interpreted separately from the other Modules which comprise the Index Description.

#### (b) **Definitions**

- (i) Any capitalised terms not defined in Appendix 1 (*Definitions*) of this Asset Terms Module shall have the meaning as given to those terms in the Base Terms Module.
- (ii) Any reference to an underlying share (an **"Underlying Share"**) in an Index Description incorporating this Asset Terms Module shall have the following meaning:
  - A. if an Index references an index or a basket or baskets of indices, then an Underlying Share for that Index is each constituent of that index or each constituent of one of the relevant indices; and
  - B. if an Index references a share or basket or baskets of shares, then the Underlying Share for that Index is that share or each share within the relevant basket of shares.
- (iii) If an Index references an index or a basket or baskets of indices, any reference to an underlying index (the "Underlying Index") in an Index Description incorporating this Asset Terms Module means such index or each of the relevant indices.
- (iv) For the purposes of any Index Description incorporating this Asset Terms Module, a "share" may include a unit in an ETF.
- (v) Each reference to an Index in this Asset Terms Module is a reference to an Index the rules for which are set out an Index Description incorporating this Asset Terms Module.

## 2. Market Disruption Events

If the Index Calculation Agent determines that a Market Disruption Event has occurred, then:

- (a) if such day would otherwise be a day on which an Index is rebalanced or reconstituted (however described) (an "**Index Rebalancing Date**"), the Index Calculation Agent shall, following consultation with the Index Sponsor, either:
  - (i) determine that such day shall still be the Index Rebalancing Day, in which case the Index Calculation Agent shall determine the level of the Index on such day (A) by making any determinations and/or adjustments to the Index Rules for an Index as the Index Calculation Agent determines appropriate by reference to the prevailing market conditions and such other factors as the Index Calculation Agent determines appropriate in order to rebalance or reconstitute the relevant Index (however described or effected in the Index Terms Module) and (B) by taking into account any amendments or modifications (if any) to the Index Rules for an Index as the Index Sponsor determines appropriate and as notified to the Index Calculation Agent by the Index Sponsor; or
  - (ii) determine that such day shall not be the Index Rebalancing Day, but it shall be such other day as the Index Calculation Agent shall select, in which case no rebalancing or reconstituting (however described) of the Index or determination of the level of an Index shall be made on what would otherwise have been that Index Rebalancing Day; and
- (b) if such day is an Index Valuation Date but would not otherwise be an Index Rebalancing Day, the Index Calculation Agent shall, following consultation with the Index Sponsor either:
  - (i) determine the level of the Index on such day (A) by making any determinations and/or adjustments to the Index Rules for an Index as the Index Calculation Agent determines appropriate by reference to the prevailing market conditions and such other factors as Index Calculation Agent determines appropriate in order to rebalance or reconstitute the relevant Index (however described or effected in the Index Terms Module) and (B) by taking into account any amendments or modifications (if any) to the Index Rules for an Index as the Index Sponsor determines appropriate and as notified to the Index Calculation Agent by the Index Sponsor; or
  - (ii) determine that no level of that Index shall be determined for such day.

## 3. Share Adjustment Events

- (a) If the Index Calculation Agent determines that a Share Adjustment Event has occurred, then following the declaration by the issuer of an Underlying Share of the terms of any Share Adjustment Event, the Index Calculation Agent will determine whether such Share Adjustment Event has a dilutive or concentrative effect on the theoretical value of the Underlying Share and, if the Index Calculation Agent determines that such Share Adjustment Event has such effect then:
  - (i) on any Index Valuation Date following such determination, the Index Calculation Agent may in its discretion, either (A) publish the level of the Index on such day, following consultation with the Index Sponsor, by making any determinations and/or adjustments to the Index Rules for an Index as the Index Calculation Agent determines appropriate by

reference to the prevailing market conditions and such other factors as the Index Calculation Agent determines appropriate to account for that dilutive or concentrative effect of the relevant Share Adjustment Event, or (B) decide that it shall not publish the level of the relevant Index on such date and shall postpone the publication of the level of the Index until the Index Sponsor makes any determinations pursuant to (ii) below; and

- (ii) the Index Sponsor may make any amendments or modifications (if any) to the Index Rules for an Index as the Index Sponsor determines appropriate to account for that dilutive or concentrative effect of the relevant Share Adjustment Event and determine the effective date of any such amendment or modification. The Index Sponsor may, without limitation, take into account the adjustment (if any) in respect of such Share Adjustment Event made by a Related Exchange to options contracts or futures contracts on the relevant Underlying Share traded on that Related Exchange when determining the appropriate adjustment;
- (b) When calculating the dilutive or concentrative effect of any Share Adjustment Event for the purposes of Section 3(a) above, the amount or value of the Share Adjustment Event shall be deemed adjusted by such amount as the Index Calculation Agent deems appropriate to take account of any tax, duty, withholding, deduction or other charge whatsoever, including but not limited to taking into account any tax, duty, withholding, deduction or other charge in respect of any Underlying Share(s) that the Index Sponsor reasonably believes a provider of any Investment Product referencing the relevant Index may reasonably hold in order to hedge its obligations in respect of the performance of the relevant Index would sustain or incur as a result of the Share Adjustment Event.

## 4. Index Adjustment Events

#### (a) Underlying Successor Index or Underlying Successor Sponsor

- (i) If at any relevant time the Index Calculation Agent determines, following consultation with the Index Sponsor, that an Underlying Index is not calculated and published by the person who was the index sponsor as of the date of the relevant Index Terms Module for an Index (the "Underlying Index Sponsor"), but it is calculated and published by a successor sponsor (the "Underlying Successor Sponsor") acceptable to the Index Sponsor, the Underlying Index will be deemed to be such Underlying Index so calculated and published by that Underlying Successor Sponsor.
- (ii) If at any relevant time the Index Calculation Agent determines, following consultation with the Index Sponsor, that an Underlying Index is replaced by a successor index using, in the determination of the Index Sponsor, the same or a substantially similar formula for and method of calculation as used in the calculation of that Underlying Index (an "Underlying Successor Index"), then the Underlying Index will be deemed to be that Underlying Successor Index.
- (iii) For the avoidance of doubt, the provisions of this Section 4(a) shall apply to each Underlying Successor Index and each Underlying

Successor Sponsor, *mutatis mutandis*, as if such Underlying Successor Index is the Underlying Index and such Underlying Successor Sponsor is the Underlying Index Sponsor.

#### (b) Underlying Index Events

If the Index Calculation Agent determines that an Underlying Index Event has occurred, then:

- (i) on any Index Valuation Date following such determination, the Index Calculation Agent may, in its discretion, either (A) publish the level of the Index on such day, following consultation with the Index Sponsor, by making any determinations and/or adjustments to the Index Rules for an Index as the Index Calculation Agent determines appropriate by reference to the prevailing market conditions and such other factors as the Index Calculation Agent determines appropriate to account for economic effect of the relevant Underlying Index Event, or (B) decide that it shall not publish the level of the relevant Index on such date and shall postpone the publication of the level of the Index until the Index Sponsor makes any determinations pursuant to (ii) below; and
- (ii) the Index Sponsor may make any amendments or modifications (if any) to the Index Rules for an Index as the Index Sponsor determines appropriate to account for the economic effect of the relevant Underlying Event (including substituting the Index with another index that, in the commercially reasonable determination of the Index Sponsor, preserves the intended commercial purpose of the Index) and determine the effective date of any such amendment or modification.

## 5. Merger Event, Tender Offer, Delisting, Nationalisation and Insolvency

If the Index Calculation Agent determines that a Merger Event, Tender Offer, Delisting, Nationalisation or Insolvency has occurred in relation to an Underlying Share and/or the relevant issuer of an Underlying Share, then:

- (a) on any Index Valuation Date following such determination, the Index Calculation Agent may, in its discretion, either (i) publish the level of the Index on such day, following consultation with the Index Sponsor, by making any determinations and/or adjustments to the Index Rules for an Index as the Index Calculation Agent determines appropriate by reference to the prevailing market conditions and such other factors as the Index Calculation Agent determines appropriate to account for economic effect of the relevant event, or (ii) decide that it shall not publish the level of the relevant Index on such date and shall postpone the publication of the level of the Index until the Index Sponsor makes any determinations pursuant to (b) below; and
- (b) the Index Sponsor may make any amendments or modifications (if any) to the Index Rules for an Index as the Index Sponsor determines appropriate to account for the economic effect of such Merger Event, Tender Offer, Delisting, Nationalisation or Insolvency (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Underlying Shares), which may, but need not, be determined by

## 6. Additional provisions for ETFs

This Section 6 applies to the extent that an Underlying Share in an Index is a unit in an ETF. If the Index Calculation Agent determines thatan Extraordinary Fund Event has occurred in respect of an Underlying Share which is a unit in an ETF (an "Affected ETF"), then the Index Calculation Agent may, at the direction of the Index Committee:

- (a) replace the Affected ETF with an alternative ETF that has been announced by the respective sponsor of such alterative ETF as constituting a successor ETF to the Affected ETF, provided that such alternative ETF (i) is comprised of identical or substantially similar underlying constituents as the Affected ETF and (ii) uses similar formulas and methods of calculation as the Affected ETF (any such alternative ETF, a "Successor ETF");
- (b) replace the Affected ETF with an alternative ETF that, although not a Successor ETF, (i) is intended to provide a substantially similar investment exposure as the Affected ETF and (ii) uses similar formulas and methods of calculation as the Affected ETF (any such alternative ETF, a "Substitute ETF");
- (c) to the extent that no Successor ETF or Substitute ETF is available or if the Index Committee does not direct that any such ETF be utilised, the Index Calculation Agent may remove the Affected ETF from the Index and either (i) reallocate the remaining ETF Constituents proportionally or (ii) allocate the remaining ETF Constituents non-proportionally, in each case, in a manner that most closely replicates the profile of the ETF Basket before removal of the Affected ETF; or
- (d) to the extent that no Successor ETF or Substitute ETF is utilised, and to the extent that no reallocation is utilised, the Index Calculation Agent may terminate the Index.

In the event that a Successor ETF or a Substitute ETF is utilised as described in paragraph (a) or (b), the Index Calculation Agent shall make such adjustments in calculating the level of the Index as are necessary to avoid distortive effects on the level of the Index caused by different initial valuation levels or calculation methodology of the Successor ETF or Substitute ETF.

## 7. Additional provisions for Depositary Receipts

This Section 7 applies to the extent that an Underlying Share in an Index is a depositary receipt. If the Index Calculation Agent determines that the relevant Deposit Agreement is terminated at any time, any reference to any Underlying Share which is a depositary receipt shall thereafter be construed as a reference to the DR Underlying Shares in respect of that depositary receipt, and the Index Calculation Agent will make such adjustment as it, in its discretion, determines to be appropriate and it shall also determine, in its discretion, the effective date of such adjustment.

## 8. Additional provisions for Country Specific Events

If the Index Calculation Agent determines that a Country Specific Event has occurred, then:

- (a) on any Index Valuation Date following such determination, the Index Calculation Agent may, in its discretion, either (i) publish the level of the Index on such day, following consultation with the Index Sponsor, by making any determinations and/or adjustments to the Index Rules for an Index as the Index Calculation Agent determines appropriate by reference to the prevailing market conditions and such other factors as the Index Calculation Agent determines appropriate to account for economic effect of the relevant event, or (ii) decide that it shall not publish the level of the relevant Index on such date and shall postpone the publication of the level of the Index until the Index Sponsor makes any determinations pursuant to (b) below; and
- (b) the Index Sponsor may make any amendments or modifications (if any) to the Index Rules for an Index as the Index Sponsor determines appropriate to account for the economic effect of the relevant Country Specific Event, and determine the effective date of any such amendment or modification.

## 9. Underlying Index Disclaimer

Each Index, is not sponsored, endorsed, sold, or promoted by any Underlying Index or any Underlying Index Sponsor and no Underlying Index Sponsor makes any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of any of its Underlying Indices and/or the levels at which any particular Underlying Index stands at any particular time on any particular date or otherwise. No Underlying Index or Underlying Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the relevant Underlying Index and no Underlying Index Sponsor is under an obligation to advise any person of any error therein. No Index Sponsor is making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with entering into any Investment Products linked to an Index. The Index Sponsor shall have no liability to any investor in any Investment Products relating to an Index, or to any other person, for any act or failure to act by the Underlying Index Sponsor in connection with the calculation, adjustment or maintenance of an Underlying Index. Except as disclosed in the relevant Index Description, the Index Sponsor and its Affiliates have no affiliation with or control over any Underlying Index or Underlying Index Sponsor or any control over the computation, composition or dissemination of the Underlying Indices. Although the Index Calculation Agent and/or the Index Sponsor will obtain information concerning the Underlying Indices from publicly available sources they believe reliable, they will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Index Sponsor, the Index Calculation Agent or their Affiliates as to the accuracy, completeness and timeliness of information concerning the Underlying Indices.

The foregoing disclaimer shall apply in addition to any disclaimer for a relevant Underlying Index set out in any Index Terms Module.

## Appendix 1: Definitions

Except where the context otherwise requires, the following terms used in this Asset Terms Module or in any relevant Index Terms Module have the following meanings:

"Affiliate" means, in relation to any entity (the "First Entity"), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes "control" means ownership of a majority of the voting power of an entity.

"Country Specific Event" means the occurrence of any of the following events:

- (a) a general moratorium is declared in respect of banking activities in the country in which any Relevant Exchange is located, the relevant instruments are traded or in which the principal financial centre of the currency of denomination of the relevant instruments is located (each a "Relevant Jurisdiction");
- (b) there has occurred, with respect to any security or indebtedness for money borrowed or guaranteed by any governmental, legal, monetary or regulatory authority in a Relevant Jurisdiction (a "**Governmental Authority**"), a default, event of default or other similar condition or event (howsoever described) including, but not limited to:
  - the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee;
  - (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee; or
  - (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation.

The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee;

- (c) any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority has occurred which deprives HSBC or its agents or Affiliates of all or substantially all of its assets in a Relevant Jurisdiction;
- (d) any restrictions, charges, duties or other deductions have been imposed by any applicable Governmental Authority on any dealing by HSBC or its agents or Affiliates in any relevant instruments listed on any exchange (or on any transactions referencing such instruments, including but not limited to foreign exchange transactions) such that HSBC or its agents or Affiliates:
  - (i) is unable to continue to purchase, sell or otherwise deal in relevant instruments (or to enter into, continue or complete such transactions);

- (ii) is unable to perform its obligations under any hedging transaction related to any relevant Investment Products; or
- (iii) will incur a materially increased cost in performing its obligations relating to such hedging positions;
- (e) one of the following settlement disruptions events has occurred:
  - (i) an event has occurred that generally makes it impossible (or materially restricts HSBC's or any of its agents or Affiliates ability) to exchange or convert the currency in which relevant instruments are denominated ("Local Currency") into the currency in which the relevant Index is denominated (the "Index Currency") through customary legal channels for conducting such conversion;
  - (ii) an event has occurred that generally makes it impossible (or materially restricts HSBC's or any of its agents or Affiliates ability) to deliver the Index Currency to accounts outside the Relevant Jurisdiction;
  - (iii) an event has occurred that generally makes it impossible (or materially restricts HSBC's or any of its agents or Affiliates ability) to deliver the Local Currency or, where applicable, the Index Currency to accounts inside a Relevant Jurisdiction or to a party that is a non-resident of a Relevant Jurisdiction;
  - (iv) a change in applicable law or regulation or a change in the promulgation of or interpretation of such law or regulation has occurred in a Relevant Jurisdiction which may affect the ownership in and/or the transferability of the Local Currency;
  - (v) HSBC's or any of its agents or Affiliates ability to determine, or obtain a firm quote for, a rate at which Local Currency can be exchanged for the Index Currency, in an amount which HSBC reasonably considers is necessary to discharge its obligations hereunder or in respect of its hedge positions relating to any Investment Products, for any reason becomes restricted, subject to material charges or deductions, or otherwise impracticable;
  - (vi) the Index Currency is otherwise unavailable in a Relevant Jurisdiction;
  - (vii) reserve requirements or other currency control restrictions adversely affecting any hedging transactions relating to any relevant Investment Products have been introduced;
  - (viii) there occurs in the Relevant Jurisdiction a declaration of national emergency, a disaster or civil unrest that would constitute a national emergency, the imposition of martial law, a declaration of war by or against such Relevant Jurisdiction, or any other such similar event; or
- (f) the occurrence of any of the following events having an adverse effect on any Underlying Shares or an Index:
  - (i) the relevant Governmental Authority has undertaken any action resulting in any of the following:

- A. the enactment, promulgation, execution, ratification or adoption of, or any change in or amendment to, any rule, law, regulation or statute (or in the applicability or official interpretation of any rule, law, regulation or statute) by any Governmental Authority;
- B. the issuance of any order or decree by any Governmental Authority;
- C. any action being taken by a taxing authority in a Relevant Jurisdiction; or
- D. the occurrence of any other act or event at any time relating to withholding or deduction for or on account of tax in relation to any hedge transaction relating to an Investment Product;
- (ii) the imposition of taxes on the transfer of any Index Currency out of any Relevant Jurisdiction; or
- (iii) the imposition of any taxes on any conversion of Local Currency into Index Currency.

"**Delisting**" means, for an Underlying Share, the relevant Exchange announces that pursuant to the rules of such Exchange, such Underlying Share ceases (or will cease) to be listed, traded or publicly quoted on that Exchange for any reason (other than a Merger Event or Tender Offer) and is not immediately re-listed, re-traded or re-quoted on an exchange, trading system or quotation system acceptable to the Index Calculation Agent.

"**Deposit Agreement**" means, in relation to an Underlying Share which is a depositary receipt, the agreements or other instruments constituting such Underlying Share, as from time to time amended or supplemented in accordance with their terms.

"DR Underlying Shares" means, in respect of a depositary receipt, the relevant shares or other securities which were the subject of the Deposit Agreement for such depositary receipt.

"ETF" means an exchange-traded fund.

"**ETF Disruption Event**" means with respect to an ETF or units in an ETF, in the determination of the Index Calculation Agent the occurrence or existence on any day of:

- (a) a suspension or postponement of the date as of which the Relevant Exchange is scheduled to publish the Trading Price of the ETF;
- (b) the occurrence or continuation of a postponement of the determination of the net asset value (or net asset value per unit) of the ETF in accordance with the Fund Documents;
- (c) the occurrence, or continuation, of a postponement of the reporting of the net asset value (or net asset value per unit) of the ETF by the management company of the ETF, or any other entity delegated the responsibility to the publish such data in respect of the ETF;
- (d) the occurrence, or continuation of, a postponement in the ability of a market participant to trade, create, sell, convert or redeem units in the ETF (whether or not in accordance with the Fund Documents);

- (e) the occurrence, or continuation, of a postponement in the payment o f any or all of the redemption proceeds relating to such units (whether or not in accordance with the Fund Documents);
- (f) a material lack of liquidity in the market for the units in the ETF, compared with the prevailing circumstances as of the date of the Index Terms Module for the relevant Index, as determined by the Index Calculation Agent; or
- (g) a material decrease in assets under management of the ETF compared with the prevailing circumstances as of the date of the Index Terms Module for the relevant Index, as determined by the Index Calculation Agent.

"Exchange" means, in relation to an Underlying Share or an Underlying Index, the Exchange or Exchanges specified for that Underlying Share or Underlying Index in the relevant Index Terms Module or, if no such exchange is specified, any the exchange or trading system or quotation system on which such Underlying Share (or any Underlying Share of an Underlying Index) is primarily listed or quoted, as determined by the Index Calculation Agent.

"Extraordinary Fund Event" means the occurrence of any of the following events in respect of an ETF or a unit or units in such ETF:

- (a) any breach, violation or material modification of the provisions of the Fund Documents including, but not limited to: the constitutive and governing documents of the ETF, the subscription (unit creation) and redemption agreements, any strategy or investment guidelines, and any other agreement entered into by the ETF and/or its service providers that is reasonably likely to affect the value of the ETF;
- (b) the non-execution or partial execution by the ETF, for any reason, of subscription (unit creation) or redemption order in respect of any units in the ETF given by HSBC (or any of its Affiliates) or any entity that acts as a market maker for the ETF (whether or not in accordance with the Fund Documents);
- (c) the ETF:
  - (i) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger);
  - (ii) makes a general assignment or arrangement with or for the benefit of its creditors;
  - (iii) either:
    - A. institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official; or
    - B. has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or other relief under any bankruptcy or insolvency law or

other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in paragraph A. above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof;

- (iv) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (v) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within fifteen days thereafter; or
- (vi) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (i) through (v) above;
- (d) a Fund Service Provider of the ETF ceases to act in its specific capacity;
- (e) a material modification of the investment programme, investment objectives, investment policies, investment strategy, investment process or investment guidelines of the ETF;
- (f) the failure by the ETF to comply with any applicable reporting obligations (including, without limitation, any periodic reporting of the estimated net asset value (or net asset value per unit) of the ETF, periodic statements thereof, return numbers, composition of the ETF and the allocation of capital for the ETF, where applicable);
- (g) a material modification (other than any modifications referred to in (e) above) of the ETF (including, but not limited to, a modification of the prospectus of the ETF, its articles of association or other Fund Documents) or the occurrence of a change, or any event, materially affecting the ETF (including, but not limited to, the interruption, breakdown or suspension of the calculation of the net asset value (or net asset value per unit) of the ETF unless such interruption, breakdown or suspension is cured within two Index Valuation Dates);
- (h) a material modification of the type of assets in which the ETF invests or the trading practices of the ETF (including but not limited to a material deviation from the investment policy and investment objectives set out in the Fund Documents);
- (i) either:
  - (i) the suspension of creation and/or redemptions of units in the ETF;
  - (ii) the ETF repurchases or compulsorily redeems any units in the ETF; or

- (iii) the ETF imposes any restriction, charge or fee in respect of creation, redemption or issue of units in the ETF (other than any restriction, charge or fee in existence as at the date of the Index Terms Module for an Index);
- (j) the ETF, or its management company, sponsor or manager, as applicable, has its authorisation or registration cancelled by any applicable regulatory authority;
- (k) any of the Fund Service Providers to the ETF:
  - becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activities relating to or resulting from the operation of the ETF or its management company, sponsor, investment adviser or administration agent, as applicable;
  - (ii) commits an act which constitutes fraud or criminal activity in the performance of its obligations in respect of the ETF;
  - (iii) makes any material misrepresentation under any document in respect of the ETF; or
  - (iv) announces its intention to cease the business of investment management;
- (I) the occurrence of any
  - (i) reclassification or change of units in an ETF that results in a transfer of or an irrevocable commitment to transfer all of such shares outstanding;
  - (ii) consolidation, amalgamation or merger of the ETF with or into another entity (other than consolidation, amalgamation or merger in which such issuer is the continuing entity and which does not result in any such reclassification or change of all of such shares outstanding); or
  - (iii) other takeover offer for such shares that results in a transfer of or an irrevocable commitment to transfer all such shares (other than such shares owned or controlled by the offeror);
- (m) any ETF Disruption Event, where such ETF Disruption Event continues for a period of 8 Index Valuation Dates;
- (n) any event of default (howsoever described) in respect of a counterparty with which the ETF has a material position, as determined by the Index Calculation Agent pursuant to the terms of the agreement governing that position; or
- (o) a Merger Event, Tender Offer, Delisting, Nationalisation, Insolvency or a Country Specific Event has occurred, as determined by the Index Calculation Agent.

"**Fund Documents**" means in respect of an ETF, the constitutional documents in the form of a prospectus, information memorandum, trust deed or any other analogous documentation setting forth the terms, conditions and rights related to each unit, each as may be amended and supplemented from time to time.

**"Fund Service Provider"** means, in respect of any ETF, any person who is appointed to provide services, directly or indirectly, for that ETF, whether or not specified in the Fund Documents, including any sponsor, fund advisor, fund administrator, operator, management
company, depository, custodian, prime broker, administrator, trustee, registrar and transfer agent and any other person specified as such in the related Fund Documents.

"Index Rebalancing Date" has the meaning set out in Section 2(a) (*Market Disruption Events*) of this Asset Terms Module.

"Index Valuation Date" has the meaning given to it in the relevant Index Terms Module.

"**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the issuer of an Underlying Share either:

- (a) all the relevant shares of that issuer are required to be transferred to a trustee, liquidator or other similar official; or
- (b) holders of the Underlying Share of that issuer become legally prohibited from transferring them.

"Market Disruption Event" means, with respect to an Underlying Share or an Underlying Index:

- (a) the occurrence or existence on any Trading Day during the one half hour period before the Scheduled Closing Time for the Exchange in respect of such Underlying Share or such Underlying Index is listed, as determined by the Index Calculation Agent, or at any time during the regular trading session on any Exchange or Related Exchange without regard to after hours trading or any other trading outside of the regular trading session hours on such day:
  - (i) of any suspension of or limitation imposed on trading (whether by reason of movements in price exceeding limits permitted by any Exchange or any Related Exchange or otherwise):
    - A. on any Exchange as a whole; or
    - B. on any Related Exchange, of any options contracts or futures contracts on or relating to any Underlying Share; or
    - C. on any Exchange, of any Underlying Share; or
  - (ii) of any event that disrupts or impairs (as determined by the Index Calculation Agent) the ability of market participants in general to effect transactions in relation to or to obtain market values for any Underlying Share on any relevant Exchange or to effect transactions in or obtain market values for options contracts or futures contracts on or relating to any Underlying Share on any relevant Related Exchange; or
- (b) the closure on any Trading Day of any Exchange or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange or such Related Exchange, as the case may be, at least one hour prior to the earlier of:
  - (i) the actual closing time for the regular trading session on such Exchange or such Related Exchange on such Trading Day; and

- (ii) the submission deadline (if applicable) for orders to be entered into such Exchange or such Related Exchange system for execution at the Relevant Time on such Trading Day; or
- (c) a general moratorium is declared in respect of banking activities in the country in which any Exchange is located,

in each case, if, in the determination of the Index Calculation Agent, any of the foregoing is material.

"Merger Event" means, in respect of an Underlying Share, any:

- (a) reclassification or change of such Underlying Share that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Shares outstanding to another entity or person;
- (b) consolidation, amalgamation, merger or binding share exchange of the issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which the issuer of such Underlying Share is the continuing entity and which does not result in reclassification or change of all of such Underlying Shares outstanding);
- (c) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Shares of the issuer of such Underlying Share that results in a transfer of or an irrevocable commitment to transfer all such Underlying Shares (other than such Underlying Shares owned or controlled by such other entity or person); or
- (d) consolidation, amalgamation, merger or binding share exchange of the issuer of an Underlying Share or its Affiliates with or into another entity in which the issuer of an Underlying Share is the continuing entity and which does not result in a reclassification or change of all such Underlying Shares outstanding but results in the outstanding Underlying Shares (other than Underlying Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Shares immediately following such event.

"**Nationalisation**" means that all the Underlying Shares of an issuer or all or substantially all of the assets of the issuer of an Underlying Share are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

"**Related Exchange**" means, in respect of an Underlying Share, any exchange, trading system or quotation system on which options contracts or futures contracts on such Underlying Share are traded, as determined by the Index Calculation Agent.

"**Relevant Exchange**" means, in respect of an Underlying Share, such Exchange as the Index Calculation Agent shall select in its discretion.

"**Restricted Share**" has the meaning set out in Section 6(a) (*Index Restrictions*) this Asset Terms Module.

"**Scheduled Closing Time**" means, in relation to an Exchange or Related Exchange and a Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange

on such Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

"Share Adjustment Event" means any of the following:

- (a) a subdivision, consolidation or reclassification of the relevant Underlying Shares (unless it has resulted in a Merger Event) or a free distribution or dividend of any such Underlying Share to existing holders by way of bonus, capitalisation or similar issue;
- (b) a distribution, issue or dividend to existing holders of the relevant Underlying Share of:
  - (i) such Underlying Share; or
  - (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of an Underlying Share equally or proportionately with such payments to holders of such Underlying Share; or
  - (iii) share capital or other securities of another issuer as a result of a "spin-off" or other similar transaction, or
  - (iv) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or in other consideration) at less than the prevailing market price as determined by the Index Calculation Agent;
- (c) any extraordinary or bonus dividend or other cash distribution where such dividend or distribution exceeds 10 per cent. of the last cum-dividend Trading Price of such Underlying Share;
- (d) a call by the issuer of such Underlying Share in respect of such Index Underlying Share that is not fully paid;
- (e) a repurchase by the issuer of an Underlying Share or any of its Affiliates of the relevant Underlying Share whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (f) in respect of the issuer of an Underlying Share, an event that results in any shareholder rights being distributed, or becoming separated from shares of common stock or other shares of the capital stock of the issuer of such Underlying Share pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Index Calculation Agent;
- (g) any redemption of shareholder rights referred to in (f) above; or
- (h) any other event that may have, in the opinion of the Index Calculation Agent, a dilutive, concentrative or other effect on the theoretical value of the relevant Underlying Share.

"**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the issuer of an

Underlying Share, as the case may be, as determined by the Index Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Index Calculation Agent deems relevant.

"Trading Day" means, as determined by the Index Calculation Agent:

- (i) for the purposes of determining what should be an Index Rebalancing Day, a day which is both an Index Valuation Date and a day on which all the Relevant Exchange(s) are scheduled to be open for trading for its/their regular trading sessions; and
- (j) for all other purposes, a day which is both an Index Valuation Date and a day on which any Exchange and/or any Related Exchange is scheduled to be open for its regular trading session.

"**Trading Price**" means, in relation to any Trading Day and an Underlying Share, the official closing price on the Exchange where such Underlying Share is primarily listed, as determined by the Index Calculation Agent.

"**Underlying Index**" has the meaning set out in Section 1(b)(iii) (*Definitions*) of this Asset Terms Module.

"Underlying Index Event" means that, at any relevant time with respect to an Underlying Index and as determined by the Index Calculation Agent, the Underlying Index Sponsor or the Successor Index Sponsor:

- (a) makes or announces that it will make an Underlying Index Modification;
- (b) permanently cancels that Underlying Index; or
- (c) fails to calculate and/or publish the level of the Underlying Index on the day on which the level of such Underlying Index was scheduled to be published.

"Underlying Index Modification" means any material change in the formula for or the method of calculating the Underlying Index or in any way materially modifies the Underlying Index (other than a modification prescribed in that formula or method to maintain the Underlying Index in the event of permitted changes in its constituents and/or other routine events).

"**Underlying Index Sponsor**" has the meaning set out in Section 4(a)(i) (*Underlying Successor Index or Underlying Successor Sponsor*) of this Asset Terms Module.

"**Underlying Share**" has the meaning set out in Section 1(b)(ii) (*Definitions*) of this Asset Terms Module.

"**Underlying Successor Index**" has the meaning set out in Section 4(a)(ii) (*Underlying Successor Index or Underlying Successor Sponsor*) of this Asset Terms Module.

"**Underlying Successor Sponsor**" has the meaning set out in Section 4(a)(i) (*Underlying Successor Index or Underlying Successor Sponsor*) of this Asset Terms Module.

## Appendix 2: Disclaimer

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You are solely responsible for making your own independent appraisal of, and investigation into, any Index referred to in this document and its components and you should not rely on any information in this document as constituting investment advice. None of the Index Sponsor, the Index Calculation Agent or any of their respective affiliates is responsible for providing you with legal, tax or other specialist advice and you should make your own arrangements in respect of this accordingly. Neither the Index Sponsor nor the Index Calculation Agent can be held responsible for any errors, intentional or unintentional on the part of external data providers, nor for any delays in publishing any Index.

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The Index Calculation Agent, the Index Sponsor and any of their respective affiliates, together with their respective directors, officers and employees may have traded for their own account as principal, or together with its officers, directors and employees may have a long or short position in any related instrument mentioned in this material.

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# Supporting Terms Module (Equities & Multi-Asset)

Supporting Terms Module HSBC Global Markets Indices

Version 2.1 October 2013

## CONTENTS

Section

INTRODUCTION
ARTICLE 1: CALCULATION OF DERIVED INDICES4
ARTICLE 2: DETERMINATION OF THE CONSTITUENT LEVEL
ARTICLE 3: TREATMENT OF DIVIDENDS FOR NET TOTAL RETURN
ARTICLE 4: DETERMINATION OF THE RELEVANT FOREIGN EXCHANGE RATE
ARTICLE 5: DETERMINATION OF WITHHOLDING TAX RATE
ARTICLE 6: TRANSACTION COSTS AND APPROVED EXCHANGES
ARTICLE 7: DETERMINATION OF EQUITY CRITERIA
ARTICLE 8: CORPORATE ACTIONS24
ARTICLE 9: WITHHOLDING TAX RATE TABLE

Page

## Introduction

## (a) General

This Supporting Terms Module (Equities & Multi-Asset) sets out calculation methodologies, policies and other terms which are utilised in various HSBC Global Markets Indices. This Supporting Terms Module (Equities & Multi-Asset) may be incorporated in whole or in part by reference in an Index Terms Module for an Index. Once this Supporting Terms Module (Equities & Multi-Asset) has been incorporated, whether in whole or in part, into an Index Terms Module, it is deemed to be an integral part of that Index Terms Module for all purposes.

This Supporting Terms Module (Equities & Multi-Asset) must be read, and must be interpreted, in conjunction with the Base Terms Module, the Asset Terms Module (Equities) and the Index Terms Module for the relevant Index. This is not a stand alone document and should not be read or interpreted separately from the other parts of an Index Description for an Index.

If there is any inconsistency between the terms of this Supporting Terms Module (Equities & Multi-Asset) and the Base Terms Module or Asset Terms Module (Equities), this Supporting Terms Module (Equities & Multi-Asset) shall prevail. If there is any inconsistency between the terms of this Supporting Terms Module (Equities & Multi-Asset) and any other part of the Index Terms Module into which this module has been incorporated, the terms of the main body of the Index Terms Module shall prevail for the purposes of the relevant Index.

### (b) **Definitions**

Any capitalised terms not defined in this Supporting Terms Module (Equities & Multi-Asset) shall have the meaning given to such term in the Base Terms Module, the Asset Terms Module (Equities) or the relevant Index Terms Module for an Index.

### (c) Structure of this Supporting Terms Module

This Supporting Terms Module (Equities & Multi-Asset) consists of a number of Articles. Each Article defines policies, terms or calculation methodologies that may be applied when determining the Index Level for, or any other parameter in respect of, an Index.

# Article 1: Calculation of Derived Indices

## 1. Introduction

This Article defines the methodology by which Derived Indices may be created from another Index (the "**Parent Index**"). Each such Derived Index and Parent Index will belong to the same family of Indices (each a "**Series**"), as specified in the relevant Index Terms Module.

The Index Level of a Parent Index is utilised in order to determine the Index Level of a Derived Index. The methodologies set out in this Article enable the creation of Derived Indices expressed in currencies which are different from the currency in which the Parent Index is expressed or with different funding or dividend reinvestment provisions.

The Parent Index in respect of a Derived Index may be the Base Index, as specified in the relevant Index Terms Module, or it may itself be a Derived Index, enabling multiple iterations to be applied to the Index Level of the Base Index.

Derived Indices and their parameters are listed in the Appendix titled 'Derived Indices' of the relevant Index Terms Module.

## 2. Calculation Methodology

The level of each Derived Index is calculated as a two step process:

- (a) Step One: Calculation of the Index Level of the Parent Index.
- (b) Step Two: Calculation of the Index Level of the Derived Index, using the Index Level of the Parent Index as an input to the calculation.

The methodology used to calculate the Start Date and the Start Index Level of a Derived Index is contained in Section 3 (*Determination of Derived Index Levels on the Base Index Start Date*) of this Article. The term "**Start Date**" for a Derived Index means the date in respect of which the Index Sponsor has determined the Index Level for a Derived Index for the first time. The term "**Start Index Level**" means the Index Level for a Derived Index as of the Start Date.

In order to obtain the Index Level of a Derived Index (the "**Derived Index Level**") in respect of an Index Valuation Date (other than the Base Index Start Date), the Index Calculation Agent will first identify: (i) the Parent Index in respect of that Derived Index, and (ii) the Derived Index Type of the Derived Index.

Then, it will use the Index Level of the Parent Index as the basis, and will obtain the Derived Index Level by changing the type of the Parent Index into the Derived Index Type specified for that Derived Index in the 'Derived Indices' Annex of the relevant Index Terms Module.

The Index Calculation Agent will change the type of the Parent Index into the Derived Index Type by using the relevant formula set out in a particular Section of this Article. The following table details which Section of this Article describes the methodology for each Derived Index Type:

Required Derived Index Type for the Derived Index	Section
Excess Return	Section 4 (Determination of Excess Return Derived Index Levels)
Funded Return	Section 5 (Determination of Funded Return Derived Index Levels)
Net Total Return	Section 6 (Determination of Net Total Return Derived Index Levels)
Currency	Section 7 ( <i>Determination of Currency Derived Index Levels</i> )

# 3. Determination of Derived Index Levels on the Base Index Start Date

The following methodology applies to all Derived Indices:

- (a) the Start Date of each Derived Index is set to the Base Index Start Date of the Base Index in that Series; and
- (b) the Derived Index Level on the Base Index Start Date will be set to be the Base Index Initial Level of the Base Index in the same Series, as follows:

 $S_D(0) = BaseIndexLevel$ 

Where:

- $S_D(0)$  means the Derived Index Level in respect of the Start Date for such Derived Index; and
- *BaseIndexLevel* means the Index Level of the relevant Base Index, as specified in the Base Index Parameters Table of the relevant Index Terms Module.

## 4. Determination of Excess Return Derived Index Levels

The Derived Index Level for an Index with the Derived Index Type being 'Excess Return' is calculated by extracting the borrowing costs from the Index Level of the related Parent Index.

The Index Calculation Agent will calculate the Derived Index Level for the relevant 'Excess Return' Derived Index on each Index Valuation Date t in respect of the Parent Index in accordance with the following formula:

$$S_{D}(t) = S_{D}(t-1) \times \frac{S(t)}{S(t-1)} \times \frac{S_{FIN}(t-1)}{S_{FIN}(t)}$$

Where:

- $S_D(t)$  means the Derived Index Level in respect of Index Valuation Date *t*,
- $S_D(t-1)$  means the Derived Index Level in respect of Index Valuation Date t-1;
- S(t) means the level of the Parent Index in respect of Index Valuation Date *t*;
- S(t-1) means the level of the Parent Index in respect of Index Valuation Date t-1;
- $S_{FIN}(t)$  means the level of the Financing Index in respect of Index Valuation Date *t*,
- $S_{FIN}(t-1)$  means the level of the Financing Index in respect of Index Valuation Date t-1;
- Parent Index means the index specified as such in respect of the relevant Derived Index in the 'Derived Indices' Appendix in the relevant Index Terms Module; and
- Financing Index means the index specified as such in respect of the relevant Derived Index in the 'Derived Indices' Appendix in the relevant Index Terms Module.

## 5. Determination of Funded Return Derived Index Levels

The Derived Index Level for an Index with the Derived Index Type being 'Funded Return' is calculated by adding the performance of a cash deposit to the Index Level of the related Parent Index.

The Index Calculation Agent will calculate the Derived Index Level for the relevant 'Funded Return' Derived Index on each Index Valuation Date t in respect of the Parent Index in accordance with the following formula:

$$S_D(t) = S_D(t-1) \times \frac{S(t)}{S(t-1)} \times \frac{S_{DEP}(t)}{S_{DEP}(t-1)}$$

Where:

$S_D(t)$	means the Derived Index Level in respect of Index Valuation Date <i>t</i> ,
$S_D(t-1)$	means the Derived Index Level in respect of Index Valuation Date $t-1$ ;
S(t)	means the level of the Parent Index in respect of the Index Valuation Date <i>t</i> ,
S(t-1)	means the level of the Parent Index in respect of Index Valuation Date $t-1$ ;
$S_{DEP}(t)$	means the level of the Deposit Index in respect of Index Valuation Date <i>t</i> ,
$S_{DEP}(t-1)$	means the level of the Deposit Index in respect of Index Valuation Date $t-1$ ;
Parent Index	means the index specified as such in respect of the relevant Derived Index in the 'Derived Indices' Appendix in the relevant Index Terms Module; and
Deposit Index	means the index specified as such in respect of the relevant Derived Index in the 'Derived Indices' Appendix in the relevant Index Terms Module.

## 6. Determination of Net Total Return Derived Index Levels

A Derived Index with the Derived Index Type being 'Net Total Return' tracks the total return performance of an investment into the related Parent Index that is a price return index. A 'Net Total Return' Derived Index is calculated as the level of the Parent Index with the addition of dividend payments, but after the subtraction of any applicable withholding tax.

The Index Calculation Agent will calculate the Derived Index Level for the relevant 'Net Total Return' Derived Index on each Index Valuation Date t in respect of the Parent Index in accordance with the following formula:

$$S_D(t) = S_D(t-1) \times \frac{S(t) + TotalDividend(t)}{S(t-1)}$$

Where:

- $S_D(t)$  means the Derived Index Level in respect of Index Valuation Date *t*;
- $S_D(t-1)$  means the Derived Index Level in respect of Index Valuation Date *t-1*;
- S(t) means the level of the Parent Index in respect of the Index Valuation Date t;

- S(t-1) means the level of the Parent Index in respect of the Index Valuation Date *t*-1;
- Parent Index means the index specified as such in respect of the relevant Derived Index in the 'Derived Indices' Appendix in the relevant Index Terms Module; and
- TotalDividend(t)means the aggregate amount of net dividend income in<br/>respect of all of the Constituents in that Index for Index<br/>Valuation Date t. The amount for each Constituent is<br/>expressed as a percentage and is applied to the relevant<br/>Constituent Amount:

$$TotalDividend(t) = \sum_{j} CA_{j}(t)x \frac{NetDividendAmount_{j}(t)}{PriceLevel_{j}(t)}$$

Where

$CA_{j}(t)$	means, in respect of Constituent <i>j</i> , the Constituent Amount for Constituent <i>j</i> in respect of Index Valuation Date <i>t</i> , as determined in the relevant Index Terms Module;
PriceLevel <sub>j</sub> (t)	means, in respect of Constituent <i>j</i> , the closing value of Constituent <i>j</i> for Index Valuation Date <i>t</i> , expressed in its Constituent Currency, as specified in the relevant Index Terms Module; and
NetDividendAmount <sub>j</sub> (t)	is the Net Dividend Amount for Constituent <i>j</i> in respect of Index Valuation Date <i>t</i> , expressed in its Constituent Currency, as determined in accordance with Article 3 ( <i>Treatment of Dividends for</i> <i>Net Total Return</i> ) of this Supporting Terms Module (Equities & Multi-Asset).

## 7. Determination of Currency Derived Index Levels

A Derived Index with the Derived Index Type being 'Currency' represents the performance of the related Parent Index when expressed in another currency. The 'Currency' Derived Index is calculated as the level of the Parent Index multiplied by the change in the Relevant Foreign Exchange Rate.

The Index Calculation Agent will calculate the Derived Index Level for the relevant 'Currency' Derived Index on each Index Valuation Date t in respect of the Parent Index in accordance with the following formula:

$$S_D(t) = S_D(t-1) \times \frac{S(t)}{S(t-1)} \times \frac{FX(t)}{FX(t-1)}$$

Where:

- $S_D(t)$  means the Derived Index Level in respect of Index Valuation Date *t*;
- $S_D(t-1)$  means the Level of the Derived Index in respect of Index Valuation Date *t-1*;
- S(t) means the level of the Parent Index in respect of the Index Valuation Date t;
- S(t-1) means the level of the Parent Index in respect of the Index Valuation Date *t-1*;
- Parent Index means the index specified as such in respect of the relevant Derived Index in the 'Derived Indices' Appendix in the relevant Index Terms Module;
- *FX*(*t*) means the Relevant Foreign Exchange Rate for Index Valuation Date *t*, as determined pursuant to Article 4 (*Determination of Relevant Foreign Exchange Rate*) of this Supporting Terms Module (Equities & Multi-Asset); and
- FX(t-1) means the Relevant Foreign Exchange Rate for Index Valuation Date *t-1*.

# Article 2: Determination of the Constituent Level

## 1. Introduction

A Constituent specified in an Index Terms Module may have its Constituent Level determined by reference to terms defined in this Article. In order for this Article to apply, the relevant provision of an Index Description needs to make a reference to this Article or to the Constituent Level as defined in this Article.

The Constituent Level for a Constituent on an Index Valuation Date is determined by the Index Calculation Agent according to the 'Constituent Level Calculation Method' specified in the relevant Index Terms Module for such Constituent, and as set out below.

The Constituent Levels of Constituents are not published by the Index Calculation Agent. The Constituent Levels are only calculated using the methodology set out below so that the resulting values would then be used to calculate the Index Level for each Index set out in the relevant Index Terms Module.

## 2. Determination of the Constituent Level

A Constituent Level for a Constituent is calculated to [five] decimal places according to the methodology set out below.

In respect of the Index Valuation Date t that is the Rebalance Calculation Date on which the Constituent j is first introduced into the Index, the Index Calculation Agent will set the Constituent Level to be equal to 100, as below:

$$CL_{i}(t) = 100$$

Where:

 $CL_{j}(t)$  means, in respect of Constituent *j*, the Constituent Level for Constituent *j* in respect of the Index Valuation Date *t* that is a Rebalance Calculation Date on which that Constituent is first introduced to the Index.

The Constituent Level on any subsequent Index Valuation Dates is calculated according to the Constituent Level Calculation Method specified in respect of each Constituent in the relevant Index Terms Module. Each Constituent Level Calculation Method is defined as follows:

## (a) Equity - Price Return

If the Constituent Level Calculation Method of the Constituent specified in the relevant Index Terms Module is 'Equity - Price Return', then the Constituent Level will, in respect of each Index Valuation Date, be equal to the value of the Constituent Level on the immediately preceding Index Valuation Date, multiplied by the quotient of the prices for the corresponding Underlying Share on the current and the immediately preceding Index Valuation Dates,

adjusted for relevant currency movements over the same period, and is calculated as follows:

$$CL_{j}(t) = CL_{j}(t-1) \times \frac{PriceLevel_{j}(t)}{PriceLevel_{j}(t-1)} \times \frac{FX_{j}(t)}{FX_{j}(t-1)}$$

Where:

- $CL_{j}(t)$  means, in respect of Constituent *j*, the Constituent Level for Constituent *j* in respect of Index Valuation Date *t*,
- $CL_{j}(t-1)$  means, in respect of Constituent *j*, the Constituent Level for Constituent *j* in respect of Index Valuation Date *t*-1;
- $PriceLevel_j(t)$ means, in respect of Constituent *j*, the closing value of<br/>Underlying Share *j* for Index Valuation Date *t*, expressed<br/>in its Constituent Currency;
- $PriceLevel_{j}(t-1)$  means, in respect of Constituent *j*, the closing value of Underlying Share *j* for Index Valuation Date *t-1*, expressed in its Constituent Currency;
- $FX_{j}(t)$  means, in respect of Constituent *j*, the Relevant Foreign Exchange Rate in respect of Index Valuation Date *t* for Constituent *j* as defined in Article 4 (*Determination of Relevant Foreign Exchange Rate*) of this Supporting Terms Module (Equities & Multi-Asset); and
- $FX_{j}(t-1)$  means, in respect of Constituent *j*, the Relevant Foreign Exchange Rate in respect of Index Valuation Date *t-1* for Constituent *j*.

#### (b) Equity - Net Total Return

If the Constituent Level Calculation Method of the Constituent specified in the Index Terms Module is 'Equity - Net Total Return', then the Constituent Level will, in respect of each Index Valuation Date, be equal to the value of the Constituent Level on the immediately preceding Index Valuation Date, multiplied by the total returns of the corresponding Underlying Share, including Net Dividend Amount from, and excluding, the immediately preceding Index Valuation Date to, and including, the current Index Valuation Date, adjusted for relevant currency movements, and is calculated as follows:

$$CL_{j}(t) = CL_{j}(t-1) \times \frac{PriceLevel_{j}(t) + NetDividendAmount_{j}(t)}{PriceLevel_{j}(t-1)} \times \frac{FX_{j}(t)}{FX_{j}(t-1)}$$

Where:

 $CL_{j}(t)$  means, in respect of Constituent *j*, the Constituent Level for Constituent *j* in respect of Index Valuation Date *t*,

$CL_{\pm}(t-1)$	means, in respect of Constituent <i>j</i> , the Constituent
]、 ,	Level for Constituent <i>j</i> in respect of Index Valuation
	Date <i>t-1</i> ;

- $PriceLevel_j(t)$ means, in respect of Constituent *j*, the closing<br/>value of Underlying Share *j* for Index Valuation<br/>Date *t*, expressed in its Constituent Currency.
- $PriceLevel_j(t-1)$ means, in respect of Constituent *j*, the closing<br/>value of Underlying Share *j* for Index Valuation<br/>Date *t-1*, expressed in its Constituent Currency.
- $FX_{j}(t)$  means, in respect of Constituent *j*, the Relevant Foreign Exchange Rate in respect of Index Valuation Date *t* for Constituent *j* as defined in Article 4 (*Determination of Relevant Foreign Exchange Rate*) of this Supporting Terms Module (Equities & Multi-Asset); and
- $FX_{j}(t-1)$  means, in respect of Constituent *j*, the Relevant Foreign Exchange Rate in respect of Index Valuation Date *t-1* for Constituent *j*.

#### (c) Index Return

If the Constituent Level Calculation Method of the Constituent specified in the Index Terms Module is 'Index Return', then the Constituent Level will, in respect of each Index Valuation Date, be equal to the value of the Constituent Level on the immediately preceding Index Valuation Date, multiplied by the quotient of the prices for the Underlying Index *j* on the current and immediately preceding Index Valuation Dates, adjusted for relevant currency movements over the same period, and calculated as follows:

$$CL_{j}(t) = CL_{j}(t-1) \times \frac{IndexLevel_{j}(t)}{IndexLevel_{i}(t-1)} \times \frac{FX_{j}(t)}{FX_{i}(t-1)}$$

Where:

- $CL_{j}(t)$  means, in respect of Constituent *j*, the Constituent Level for Constituent *j* in respect of Index Valuation Date *t*,
- $CL_{j}(t-1)$  means, in respect of Constituent *j*, the Constituent Level for Constituent *j* in respect of Index Valuation Date *t-1*;

- $IndexLevel_{j}(t)$  means, in respect of Constituent *j*, the closing level of Underlying Index *j* for Index Valuation Date *t*, expressed in its Constituent Currency;
- IndexLevel<sub>j</sub>(t-1) means, in respect of Constituent *j*, the closing level of Underlying Index *j* for Index Valuation Date *t-1*, expressed in its Constituent Currency;
- $FX_{j}(t)$  means, in respect of Constituent *j*, the Relevant Foreign Exchange Rate for the Index Currency and Constituent Currency in respect of Index Valuation Date *t* for Constituent *j* as defined in Article 4 (*Determination of Relevant Foreign Exchange Rate*) )of this Supporting Terms Module (Equities& Multi-Asset); and
- $FX_{j}(t-1)$  means, in respect of Constituent *j*, the Relevant Foreign Exchange Rate for the Index Currency and Constituent Currency in respect of Index Valuation Date *t-1* for Constituent *j*.

#### (d) NAV Return

If the Constituent Level Calculation Method of the Constituent specified in the relevant Index Terms Module is 'NAV Return', then the Constituent Level will, in respect of each Index Valuation Date, be equal to the value of the Constituent Level on the immediately preceding Index Valuation Date, multiplied by the quotient of the net asset value ("**NAV**") for the Underlying Share on the current and the immediately preceding Index Valuation Dates, adjusted for relevant currency movements over the same period. This method is reserved for fund shares and is calculated as follows:

$$CL_{j}(t) = CL_{j}(t-1) \times \frac{NAVRETURN_{j}(t)}{NAVRETURN_{j}(t-1)} \times \frac{FX_{j}(t)}{FX_{j}(t-1)}$$

Where:

means, in respect of Constituent *j*, the Constituent Level  $CL_i(t)$ for Constituent *j* in respect of Index Valuation Date *t*, means, in respect of Constituent *j*, the Constituent Level  $CL_i(t-1)$ for Constituent *j* in respect of Index Valuation Date *t-1*; means, in respect of Constituent *j*, the official NAV level  $NAVRETURN_{i}(t)$ of Underlying Share *j* for Index Valuation Date *t*, expressed in its Constituent Currency; means, in respect of Constituent *j*, the official NAV level  $NAVRETURN_{i}(t-1)$ of Underlying Share *j* for Index Valuation Date *t-1*, expressed in its Constituent Currency; means, in respect of Constituent *j*, the Relevant Foreign  $FX_{i}(t)$ Exchange Rate for the Index Currency and Constituent

Currency in respect of Index Valuation Date *t* for Constituent *j* as defined in Article 4 (*Determination of Relevant Foreign Exchange Rate*) of this Supporting Terms Module (Equities & Multi-Asset); and

 $FX_{j}(t-1)$  means, in respect of Constituent *j*, the Relevant Foreign Exchange Rate for the Index Currency and Constituent Currency in respect of Index Valuation Date *t-1* for Constituent *j*.

#### (e) Cash Return

If the Constituent Level Calculation Method of the Constituent specified in the relevant Index Terms Module is 'Cash Return', then the Constituent Level will, in respect of each Index Valuation Date, be equal to the value of the Constituent Level on the immediately preceding Index Valuation Date, multiplied by the accrued cash return over the number of calendar days between the current and the immediately preceding Index Valuation Dates, adjusted for relevant currency movements over the same period, and is calculated as follows:

$$CL_{j}(t) = CL_{j}(t-1) \times \left(1 + \frac{CAR_{j}(t) \times d(t)}{Daycount}\right) \times \frac{FX_{j}(t)}{FX_{j}(t-1)}$$

- $CL_{j}(t)$  means, in respect of Constituent *j*, the Constituent Level for Constituent *j* in respect of Index Valuation Date *t*,
- $CL_{j}(t-1)$  means, in respect of Constituent *j*, the Constituent Level for Constituent *j* in respect of Index Valuation Date *t*-1;
- $CAR_{j}(t)$  means, in respect of Constituent *j*, the Cash Asset Rate for Index Valuation Date *t* as defined in the relevant Index Terms Module;
- d(t) means the number of calendar days that have passed between Index Valuation Date *t* and Index Valuation Date *t*-1;
- *Daycount* means the day count convention for the Cash Asset Rate as defined in the relevant Index Terms Module;
- $FX_{j}(t)$  means, in respect of Constituent *j*, the Relevant Foreign Exchange Rate in respect of Index Valuation Date *t* for Constituent *j* as defined in Article 4 (*Determination of Relevant Foreign Exchange Rate*) of this Supporting Terms Module (Equities & Multi-Asset); and
- $FX_{j}(t-1)$  means, in respect of Constituent *j*, the Relevant Foreign Exchange Rate in respect of Index Valuation Date *t-1* for Constituent *j*.

## Article 3: Treatment of Dividends for Net Total Return

## 1. Introduction

In order to calculate the Index Level for an Index specified in the relevant Index Terms Module, it may be necessary to calculate various dividend amounts and timings. This Article provides the relevant methodology for the determination of such amounts and timings. In order for this Article to apply, the relevant provision of an Index Description needs to make a reference to this Article or to any terms defined herein.

## 2. Definition of Dividends

In order for a distribution to be treated according to the terms defined in this Article, the following criteria must be satisfied:

- (a) it must be a cash dividend or have a cash alternative available;
- (b) the dividend impact on the price of the relevant equity, as determined by the Index Calculation Agent on the Index Calculation Date immediately before the Dividend Inclusion Date, is less than 15%; and
- (c) it must not be declared as a special or extra dividend.

Any distribution which meets the criteria above shall be defined as "**Dividend**" for the purposes of this Article. Forms of dividend other than those listed above are not treated in this Article and instead may be considered in Article 8 (*Corporate Actions*) of this Supporting Terms Module (Equities & Multi-Asset).

## 3. Determination of Dividend Inclusion Date

In respect of any Dividend, the "**Dividend Inclusion Date**" shall be the Index Valuation Date for an Index that is the ex-dividend date in respect of such Dividend on the principal exchange of the relevant Constituent, or the date immediately following such date, as determined by the Index Calculation Agent. Section 7 (*Exceptions*) of this Article details exceptions to this approach.

## 4. Determination of the Gross Dividend Amount

The "**Gross Dividend Amount**" shall be the gross Dividend per share of the Constituent as declared by the relevant issuer and expressed in the Constituent Currency. Any currency conversions, if required, are effected by the Index Calculation Agent using the Relevant Foreign Exchange Rate, as determined pursuant to Article 3 (*Determination of the Relevant Foreign Exchange Rate*) of this Supporting Terms Module (Equities & Multi-Asset) as of the Dividend Inclusion Date. Section 7 (*Exceptions*) of this Article details exceptions to this approach.

# 5. Calculation of Net Dividend Amount

The "**Net Dividend Amount**" in respect of Constituent j is the Gross Dividend Amount for Constituent j after the subtraction of withholding tax in accordance with the following formula:

NetDividendAmount  $_{i}(t) = GrossDividendAmount _{i}(t) \times (1 - WitholdingTaxRate _{i}(t))$ 

Where:

GrossDividendAmount <sub>j</sub> (t)	means, in respect of Constituent <i>j</i> , the total Gross Dividend Amount for Constituent <i>j</i> for all Dividends that have a Dividend Inclusion Date in the period from, and excluding, the immediately preceding Index Valuation Date <i>t</i> -1 to, and including, Index Valuation Date <i>t;</i> and	
WitholdingTaxRate <sub>j</sub> (t)	means, in respect of Constituent <i>j</i> , the Withholding Tax Rate, applicable to dividend payments for the country of the principle exchange of Constituent <i>j</i> as determined pursuant to Article 5 ( <i>Determination</i> of Withholding Tax Rate) of this Supporting Terms Module (Equities & Multi-Asset).	

## 6. Corrections of Dividend Amount

In the event that the declared Dividend is different from the actual dividend paid out, the differential will be treated as if it were another Dividend (positive or negative) with a Dividend Inclusion Date of the Index Valuation Date. This additional Dividend will be applied as soon as practically possible following the date on which the Index Calculation Agent determines the actual dividend that was received by the holders of record of the relevant Constituent based in any relevant jurisdiction, as determined by the Index Calculation Agent.

## 7. Exceptions

## (a) **Republic of Korea (South)**

In respect of any Dividend paid to the holders of Underlying Shares of a Constituent listed on an exchange in the Republic of Korea, the Dividend Inclusion Date will be the Index Valuation Date immediately following the date on which the Index Calculation Agent determines that the Dividend is received by investors in the Constituent based in any relevant jurisdiction, as determined by the Index Calculation Agent. In order for a dividend that is paid to an Underlying Share listed in the Republic of Korea to be included in any index calculation, the Underlying Share must have been a Constituent of the relevant Index on both the declared Ex Date and the Dividend Inclusion Date.

## (b) Japan

In respect of any Dividend paid to holders of the Underlying Shares of a Constituent listed on an exchange in Japan, the Gross Dividend Amount will be the estimated Dividend as declared by the relevant issuer. If such issuer has not declared an estimated Dividend, the Gross Dividend Amount will be estimated by the Index Calculation Agent based on previous Dividend payments made by that issuer. In the event that the estimated Dividend is different from the actual Dividend, the differential will be treated as if it were another Dividend (positive or negative) with a Dividend Inclusion Date of the Index Valuation Date as soon as practically possible following the date on which the Index Calculation Agent determines the actual Dividend that was received by investors in the Constituent based in any relevant jurisdiction, as determined by the Index Calculation Agent.

# Article 4: Determination of the Relevant Foreign Exchange Rate

## 1. Introduction

This Article defines methodology by which a foreign exchange rate is determined for any foreign exchange conversion required in this Supporting Terms Module (Equities & Multi-Asset). In order for this Article to apply, the relevant provision of the Index Description needs to make a reference to this Article or to the Relevant Exchange Rate as defined in this Article.

# 2. Policy for determining the Relevant Foreign Exchange Rate

The "**Relevant Foreign Exchange Rate**" shall be defined as the number of units of the currency in which the relevant Index is determined and quoted (the "**Index Currency**"), to one unit of another currency in which any constituent or any relevant level or value in respect of such Index denominated. The source of the Relevant Foreign Exchange Rate is the official WM/Reuters Closing Spot Rate Mid in respect of the relevant Index Valuation Date and is determined by the Index Calculation Agent.

# Article 5: Determination of Withholding Tax Rate

## 1. Introduction

This Article defines the methodology by which the withholding tax rate is determined for the purposes of certain calculations in respect of any relevant Index. In order for this Article to apply, the relevant provision of the Index Description needs to make a reference to this Article or to the Withholding Tax Rate as defined in this Article. This Article deems automatically incorporated into Article 3 (*Treatment of Dividends for Net Total Return*) of this Supporting Terms Module (Equities & Multi-Asset).

# 2. Policy for determining the Withholding Tax Rate

In respect of any dividend re-investment calculations (including, without limitation, as set out in Article 3 (*Treatment of Dividends for Net Total Return*) of this Supporting Terms Module (Equities & Multi-Asset)), the Index Calculation Agent shall determine the rate of withholding tax applicable as being equal to the maximum withholding tax rate faced by a foreign institutional investor without considering any applicable bilateral double tax treaties (the "**Withholding Tax Rate**").

# Article 6: Transaction Costs and Approved Exchanges

## 1. Introduction

An Index Terms Module or any other part of the Index Description for an Index may reference the External Transaction Costs defined in this Article in order to account for certain costs related to Investment Product Hedging (as this term is defined in the Base Terms Module). In order for this Article to apply, the relevant provision of the Index Description needs to make a reference to this Article or to the External Transaction Costs as defined in this Article. When referenced by a given Index Terms Module, the table included in this article lists the exchanges on which shares available for inclusion in HSBC Global Markets Indices may trade. It also outlines the External Transaction Costs faced by HSBC as at [June 2012].

## 2. Policy for determining External Transaction Costs

In respect of each Constituent of an Index, the "**External Transaction Costs**" shall represent the transaction costs that would apply to a foreign institutional investor who enters into a hypothetical transaction referencing that Constituent. The External Transaction Costs are determined by the Index Sponsor.

The "Buy External Transaction Costs" are those External Transaction Costs which would be incurred by a buyer of any Constituent, whereas the "Sell External Transaction Costs" are those which would be incurred by a seller of such Constituent.

## 3. Listing of Approved Exchanges

A table of the External Transaction Costs for the country of the principal exchange of a Constituent is below. The Index Sponsor will review the table on a regular basis, and, acting in a commercially reasonable manner, may revise the rates without notice:

Country	Available Exchange	Buy Transaction Costs	Sell Transaction Costs
Australia	Australian Stock		
	Exchange	2 bps	2 bps
Austria	Wiener Borse	15 bps	15 bps
Belgium	Euronext	5 bps	5 bps
Denmark	Copenhagen Stock		
	Exchange	5 bps	5 bps
Finland	Helsinki Stock		
	Exchange	5 bps	5 bps
France	Euronext	5 bps	5 bps
Germany	Xetra	5 bps	5 bps
Hong Kong	Hong Kong Stock		
	Exchange	13 bps	13 bps
Indonesia	Jakarta Stock		
	Exchange	30 bps	40 bps
Italy	Borsaltaliana	5 bps	5 bps
Japan	Tokyo + Osaka Stock	2 bps	2 bps

	Exchange		
Republic of	Korean Stock		
Korea	Exchange + KOADAQ	13 bps	43 bps
Malaysia	Kuala Lumpar Stock		
	Exchange	36 bps	36 bps
Netherlands	Euronext	5 bps	5 bps
New Zealand	New Zealand Stock		
	Exchange	25 bps	25 bps
Norway	Oslo Bors	5 bps	5 bps
Philippines	Philippines Stock		
	Exchange	29 bps	79 bps
Portugal	Euronext	5 bps	5 bps
Singapore	Singapore Stock		
	Exchange	7 bps	7 bps
Spain	Bolsa de Madrid	5 bps	5 bps
Sweden	OMX -		
	Stockholmborsen	5 bps	5 bps
Switzerland	SWX, Virt-X	5 bps	5 bps
Taiwan	Taiwan Stock		
	Exchange	9 bps	39 bps
Thailand	Stock Exchange of		
	Thailand	27 bps	27 bps
United Kingdom	London Stock		
	Exchange	5 bps	5 bps
United States	NYSE, AMEX, BSE,		
	NASDAQ		
	&Archepelago	0 bps	0 bps

# Article 7: Determination of Equity Criteria

## 1. Introduction

In order to calculate the Index Level for an Index specified in the relevant Index Terms Module, it may be necessary to calculate or determine various factors or terms relating to Constituents which are equities. This Article provides the relevant methodology and definitions for the determination of any such aspects factors or terms. In order for this Article to apply, the relevant provision of an Index Description needs to make a reference to this Article or to any terms defined herein.

## 2. Determination of Market Capitalisation

In respect of any Underlying Share, "**Market Capitalisation**" is calculated by taking the number of issued shares outstanding on the determination date and multiplying by the closing price per share on the determination date. The amount is expressed in USD and the Index Calculation Agent may convert any amount in any other currency into USD using the Relevant Foreign Exchange Rate.

## 3. Determination of Free Float Factor

In respect of any Underlying Share, the Index Calculation Agent shall determine the percentage of shares available to the public (the "**Free Float Factor**") by subtracting the number of shares held by insiders and those deemed to be stagnant shareholders from the number of shares outstanding.

## 4. Determination of Free Float Market Capitalisation

"Free Float Market Capitalisation" in respect of any Underlying Share is calculated by multiplying the Market Capitalisation by the Free Float Factor.

## 5. Determination of Available Foreign Investor Amount

The "**Available Foreign Investor Amount**" is the maximum number of shares that may be held by a foreign investor minus the number of shares actually held by foreign investors, expressed as a percentage of the number of issued shares.

## 6. Determination of Average Daily Transacted Value

The "**Daily Transacted Value**" for an Underlying Share in respect of any day *t* on which the exchange on which that Underlying Share is listed is open for business is calculated by multiplying the number of shares traded on that day by that day's closing price of the Underlying Share and converting the amount into Index Currency.

 $DailyTransactedValue = DailyTradedVolume \times Closing Price \times FX_{i}(t)$ 

*DailyTransactedValue* means the Daily Transacted Value for the Underlying Share in respect of day *t*,

DailyTradedVolumemeans the daily traded volume for the Underlying Share<br/>in respect of day t, as determined by the Index<br/>Calculation Agent;Closin g Pricemeans the closing price for the Underlying Share on day<br/>t, as determined by the Index Calculation Agent; and $FX_j(t)$ means the Relevant Foreign Exchange Rate, as defined<br/>in Article 4 (Determination of Relevant Foreign Exchange<br/>Rate) of this Supporting Terms Module (Equities & Multi-<br/>Asset), in respect of day t for an amount of the Index<br/>Currency equal to one unit of the currency in which the<br/>Underlying Share is denominated on its principal<br/>exchange.

The "Average Daily Transacted Value" is determined by taking the arithmetic average of the Daily Transacted Values over the [30] days on which the Underlying Share was traded immediately prior to the relevant date of determination.

# Article 8: Corporate Actions

## 1. Introduction

In order to calculate the Index Level for an Index specified in the relevant Index Terms Module, it may be necessary to determine how various corporate actions impact the relevant Constituents of that Index in the form of Underlying Shares. This Article describes the general approach to which the Index Calculation Agent will endeavour to follow when making adjustments to the Index Level in order to properly reflect the impact of certain corporate actions undertaken by issuers of Constituents in the form of Underlying Shares.

## 2. Policy for Corporate Action adjustments

For any Index referencing one or more Underlying Shares, in the event of a corporate action occurring that triggers a Share Adjustment Event for a specific Constituent which is an Underlying Share, the Index Calculation Agent may, in accordance with Section 3 (*Share Adjustment Events*) of the Asset Terms Module (Equities), make modifications to the Index calculation by adjusting the Constituent Level of the relevant Constituent and, if necessary, adjusting the Constituent Weight.

These adjustments will be applied to the calculation of the Index Level for the Index Valuation Date on which the relevant Constituent's Share Adjustment Event is made effective (the "**Ex Date**"), or, if that date is not an Index Valuation Date, the immediately following Index Valuation Date.

The Index Calculation Agent will implement these adjustments in three steps:

- (1) it shall determine the Price Adjustment Factor required to reflect the change in share price attributable to a Share Adjustment Event for an affected Constituent. If no Share Adjustment Event has occurred, then the Price Adjustment Factor equals one for that Constituent;
- (2) it shall apply the Price Adjustment Factor to the Constituent Level of that Constituent for the Index Valuation Date immediately preceding the Ex Date in order to calculate a new Constituent Level (the "Adjusted Constituent Level"); and
- (3) it shall determine if the Share Adjustment Event involves a change in the share capital of the Underlying Share and, if so, calculate new Constituent Weights (the "Adjusted Constituent Weights") for the Index Valuation Date immediately preceding the Ex Date for all Constituents of the relevant Index by applying the Price Adjustment Factor to the affected Constituent and also determining and applying a Divisor Adjustment Factor to the Constituent Weights for all Constituents of the relevant Index.

The newly calculated Adjusted Constituent Level for the relevant Constituent and Adjusted Constituent Weights for all Constituents replace the unadjusted Constituent Level and Constituent Weights in respect of the Index Valuation Date immediately preceding the Ex Date for the purposes of calculating the Index Level of the relevant Index on the Ex Date. If multiple Share Adjustment Events have the same Ex Date, Price Adjustment Factors will be calculated for each Share Adjustment Event and applied in succession on that Ex Date, or, if the Ex Date is not an Index Valuation Date, the immediately following Index Valuation Date.

The Adjusted Constituent Levels and Adjusted Constituent Weights are calculated in accordance with the following formulas:

#### (a) Adjusted Constituent Level

$$CL_{i}^{adjusted}(t-1) = CL_{i}(t-1) \times PAF_{i}(t)$$

#### Where:

Index Valuation Date <i>t</i>	means the Index Valuation Date that is also the Ex Date in respect of the relevant Share Adjustment Event, or, if the Ex Date is not an Index Valuation Date, the immediately following Index Valuation Date;
$CL_{j}(t-1)$	represents the Constituent Level for Constituent $j$ in respect of the Index Valuation Date immediately preceding Index Valuation Date $t$ , calculated in accordance with the relevant Index Terms Module;
$PAF_{j}(t)$	means the Price Adjustment Factor for Constituent j

$$PAF_{j}(t)$$
 means the Price Adjustment Pactor for Constituent  $j$   
as determined by the Index Calculation Agent in  
respect of Index Valuation Date  $t$ , and

$$CL_{j}^{adjusted}(t-1)$$
 means the Adjusted Constituent Level for Constituent   
*j* in respect of the Index Valuation Date immediately preceding Index Valuation Date *t*.

### (b) Divisor Adjustment Factor

$$DAF(t) = \sum_{j} CC_{j}(t) \times w_{j}(t-1)$$

Where:

Index Valuation means the Index Valuation Date that is also the Ex Date t Date in respect of the relevant Share Adjustment Event, or, if the Ex Date is not an Index Valuation Date, the immediately following Index Valuation Date; means the Divisor Adjustment Factor in respect of the DAF(t)Index Valuation Date t, means the Capital Change for Constituent *j* in respect  $CC_{i}(t)$ of Index Valuation Date t determined by the Index Calculation Agent by reference to the table set out in Section 3 (Price Adjustment Factor Table) below; and  $w_{i}(t-1)$ means the Constituent Weight for Constituent *j* in respect of the Index Valuation Date immediately

preceding Index Valuation Date *t*, calculated in accordance with the relevant Index Terms Module.

## (c) Adjusted Constituent Weights

$$w_{j}^{adjusted}(t-1) = \frac{w_{j}(t-1) \times (1 + CC_{j}(t))}{1 + DAF(t)}$$

Where:

- IndexValuationmeans the Index Valuation Date that is also the ExDate tDate in respect of the relevant Share Adjustment<br/>Event, or, if the Ex Date is not an Index Valuation<br/>Date, the immediately following Index Valuation Date;
- $w_j^{adjusted}(t-1)$  means the Adjusted Constituent Weight for Constituent *j* in respect of the Index Valuation Date immediately preceding Index Valuation Date *t*,
- $w_j(t-1)$  means the Constituent Weight for Constituent *j* in respect of the Index Valuation Date immediately preceding Index Valuation Date *t*, calculated in accordance with the relevant Index Terms Module;
- $CC_{j}(t)$  means the Capital Change for Constituent *j* in respect of Index Valuation Date *t* determined by the Index Calculation Agent by reference to the table set out in Section 3 (*Price Adjustment Factor Table*) below; and
- *DAF* (*t*) means the Divisor Adjustment Factor on Index Valuation Date *t*.

# 3. Price Adjustment Factor Table

The following table provides examples as to how the Index Calculation Agent may determine the Price Adjustment Factors and/or Capital Change in respect of a Constituent affected by one of the following Share Adjustment Events:

Event Type	Description	Price Adjustment Factor	Capital Change
Redenomin- ation	A conversion of nominal value and currency of the equity shares on a 1 for 1 basis	1	0
Renominal- isation	A conversion of nominal value and currency of the equity shares	Ratio1 / Ratio2	0
Reverse Stock Split / Stock Consolid-	A consolidation of the existing equity shares into new shares	Ratio1 / Ratio2	0

ation			
Scrip Issue / Stock Dividend	A free distribution of additional shares in the same class of equity as already held	Ratio1 / (Ratio1 + Ratio2)	0
Stock Split / Subdivision	A subdivision of the existing equity shares into new shares	Ratio1 / Ratio2	0
Rights Issue	Right to purchase additional shares at a discount to the underlying equity share price	$\frac{Ratio2 \times Event\Pr{ice+Ratio1 \times \Pr{ice(t-1)}}}{(Ratio2 + Ratio1) \times \Pr{ice(t-1)}}$	$\frac{Ratio2 \times Event\Pr ice}{\Pr ice(t-1)}$
Special Dividend	A cash distribution paid from the company's capital	$1 - \frac{Event \operatorname{Pr} ice}{\operatorname{Pr} ice(t-1)}$	$-\frac{Event \operatorname{Pr} ice}{\operatorname{Pr} ice(t-1)}$

#### Where:

- Ratio 1 means the number of issued equity shares of the relevant type existing immediately prior to the occurrence of the relevant corporate action;
- Ratio 2 means the number of newly issued equity shares of the relevant type created upon the occurrence of the relevant corporate action. For the avoidance of doubt, stock splits and reverse stock splits are considered exchanges, not additions, of newly issued equity shares for the existing issued equity share holdings;
- Event Price means a price per the relevant equity share in respect of the relevant corporate action (e.g., rights price, special dividend amount, scrip issue share price etc.); and
- Price means the closing price per relevant equity share in respect of the relevant date.

## Article 9: Definitions

Except where the context otherwise requires, the following terms used in this Supporting Terms Module (Equities & Multi-Asset) have the following meanings:

"Adjusted Constituent Level" has the meaning set out at Section 2(2) of Article 8 (*Policy for Corporate Action adjustments*) of this Supporting Terms Module (Equities & Multi-Asset).

"Adjusted Constituent Weight" has the meaning set out at Section 2(3) of Article 8 (*Policy for Corporate Action adjustments*) of this Supporting Terms Module (Equities & Multi-Asset).

"Available Foreign Investor Amount" has the meaning set out in Article 7 (*Determination of Equity Criteria*) of this Supporting Terms Module (Equities & Multi-Asset).

"Average Daily Transacted Value" has the meaning set out in Article 7 (*Determination of Equity Criteria*) of this Supporting Terms Module (Equities & Multi-Asset).

"Base Index" is the index specified in the relevant Index Terms Module.

"Base Index Start Date" means the date set out in the Base Index Parameters Table of the relevant Index Terms Module.

"**Capital Change**" is as determined by the Index Calculation Agent pursuant to Section 3 of Article 8 (*Price Adjustment Factor Table*) of this Supporting Terms Module (Equities & Multi-Asset).

"Cash Asset Rate" means the date set out in the Base Index Parameters Table of the relevant Index Terms Module.

"Constituent" is as specified in the relevant Index Terms Module.

"**Constituent Amount**" has the meaning given to this term in the relevant Index Terms Module.

"**Constituent Currency**" means, in respect of each Constituent, the currency as determined pursuant to the relevant Index Terms Module.

"**Constituent Level**" means, in respect of each Constituent, the level of such Constituent, as determined pursuant to Article 2 (*Determination of Constituent Level*) of this Supporting Terms Module (Equities & Multi-Asset).

"**Constituent Level Calculation Method**" means the calculation method specified in the relevant Index Terms Module for such Constituent, and as set out in Article 2 (*Determining the Constituent Level*) of this Supporting Terms Module (Equities & Multi-Asset).

"**ConstituentWeight**"means a percentage amount determined pursuant to Section 7 (*Determination of the Constituent Weights*) of the Index Calculation Module (Allocation).

"**Daily Transacted Value**" has the meaning set out in Article 7 (*Determination of Equity Criteria*) of this Supporting Terms Module (Equities & Multi-Asset).

"**Derived Index**" has the meaning set out in Section 1 of Article 1 *(Introduction)* of this Supporting Terms Module (Equities & Multi-Asset).

"**Derived Index Level**" has the meaning set out in Section 2 of Article 1 (*Calculation Methodology*) of this Supporting Terms Module (Equities & Multi-Asset).

"**Derived Index Type**" has the meaning set out in Section 2 of Article 1 (*Calculation Methodology*) of this Supporting Terms Module (Equities & Multi-Asset), being one of: (a) Excess Return; (b) Funded Return; (c) Net Total Return; or (d) Currency.

"**Dividend**" has the meaning set out in Section 2 of Article 3 (*Definition of Dividends*) of this Supporting Terms Module (Equities & Multi-Asset).

"**Dividend Inclusion Date**" has the meaning set out in Section 3 of Article 3 (*Determination of Dividend Inclusion Date*) of this Supporting Terms Module (Equities & Multi-Asset).

"**Divisor Adjustment Factor**" has the meaning set out in Section 2 of Article 8 (*Policy for Corporate Action adjustments*) of this Supporting Terms Module (Equities & Multi-Asset).

"**Ex Date**" has the meaning set out at Section 2 of Article 8 (*Policy for Corporate Action adjustments*) of this Supporting Terms Module (Equities & Multi-Asset).

"External Transaction Costs" has the meaning set out at Section 2 of Article 6 (*Transaction Costs and Approved Exchanges*) of this Supporting Terms Module (Equities & Multi-Asset).

"**Financing Index**" means the index specified as such in respect of the relevant Derived Index in the 'Derived Indices' Appendix of the relevant Index Terms Module.

"Free Float Factor" has the meaning set out in Article 7 (*Determination of Equity Criteria*) of this Supporting Terms Module (Equities & Multi-Asset).

"Free Float Market Capitalisation" has the meaning set out in Article 7 (*Determination of Equity Criteria*) of this Supporting Terms Module (Equities & Multi-Asset).

"Gross Dividend Amount" has the meaning set out in Section 4 of Article 3 (*Determination of Gross Dividend Amount*) of this Supporting Terms Module (Equities & Multi-Asset).

"Index Calculation Agent" means, in respect of an Index, the Index Calculation Agent specified in the relevant Index Terms Module or, if no such Index Calculation Agent is so specified, the Default Index Calculation Agent.

"Index Currency" has the meaning set out in Section 2 of Article 4 (*Policy for determining the Relevant Foreign Exchange Rate*) of this Supporting Terms Module (Equities & Multi-Asset).

"Index Description" has the meaning set out Appendix 1 (*Definitions*) of the Base Terms Module.

"Index Level" has the meaning set out in Section 3 (Overview of process for the calculation of the Index) of the Index Calculation Module (Allocation).

"Index Valuation Date"has the meaning given to this term in the relevant Index Terms Module.

"Investment Product Hedging" has the meaning set out in Section 3 (Index calculations and data sources) of the Base Terms Module.

"**Net Dividend Amount**" has the meaning set out in Section 5 of Article 3 (*Determination of Net Dividend Amount*) of this Supporting Terms Module (Equities & Multi-Asset).

"**Parent Index**" has the meaning set out in Section 1 of Article 1 (*Introduction*) of this Supporting Terms Module (Equities & Multi-Asset), and means the index specified as such in respect of the relevant Derived Index in the 'Derived Indices' Appendix of the relevant Index Terms Module.

"**Price Adjustment Factor**" is as determined by the Index Calculation Agent pursuant to Section 3 of Article 8 (*Price Adjustment Factor Table*) of this Supporting Terms Module (Equities & Multi-Asset).

"**Rebalance Execution Date**" has the meaning determined in the relevant Index Terms Module.

"Relevant Foreign Exchange Rate" has the meaning set out in Section 2 of Article 4 (*Policy for determining the Relevant Foreign Exchange Rate*) of this Supporting Terms Module (Equities & Multi-Asset).

"Series" means the Parent and Derived Indices making up a family of related Indices.

"Share Adjustment Event" has the meaning set out in the Asset Terms Module (Equities).

"**Start Date**" has the meaning set out in Section 2 of Article 1 (*Calculation Methodology*) of this Supporting Terms Module (Equities & Multi-Asset).

"**Start Index Level**" has the meaning set out in Section 2 of Article 1 (*Calculation Methodology*) of this Supporting Terms Module (Equities & Multi-Asset).

"Underlying Share" has the meaning set out in the Asset Terms Module (Equities).

"Withholding Tax Rate" has the meaning set out in Article 5 (*Determination of Withholding Tax Rate*) of this Supporting Terms Module (Equities & Multi-Asset).
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# HSBC Europe Super Ten Index Series

Index Terms Module HSBC Global Markets Indices

Version 1.1 October 2013

1.	INTRODUCTION
2.	OVERVIEW OF THE INDEX SERIES 4
3.	INDEX CALCULATION
4.	BASE INDEX PARAMETERS TABLE6
5.	DETERMINATION OF INDEX REBALANCING7
6.	DEFINITION OF THE RESEARCH PUBLICATION
7.	DETERMINATION OF UNDERLYING SHARES
8.	LIQUIDITY CONSTRAINTS 8
9.	DETERMINATION OF CONSTITUENTS AND THE CONSTITUENT LEVEL 9
10.	DETERMINATION OF TARGET WEIGHTS10
11.	DATA PROVIDER DISCLAIMER11
12.	RESEARCH PROVIDER DISCLAIMER12
13.	STANDARD & POOR'S DISCLAIMER12
API	PENDIX 1: DEFINITIONS
API	PENDIX 2: DERIVED INDICES
API	PENDIX 3: PUBLICATION SOURCES18
DIS	CLAIMER

## 1. Introduction

#### (a) General

This Index Terms Module (including provisions incorporated by reference herein), together with the Base Terms Module and Asset Terms Module (Equities) forms the Index Description for each of the Indices identified herein.

The Index Terms Module incorporates by reference various provisions from the Index Calculation Module (Allocation) and the Supporting Terms Module (Equities & Multi-Asset). Such referenced provisions from the Index Calculation Module (Allocation) and the Supporting Terms Module (Equities & Multi-Asset) are deemed an integral part of this Index Terms Module for all purposes.

The complete Index Description for each Index in the HSBC Europe Super Ten Index Series (the "**Series**") is set out in five separate documents: (1) the Base Terms Module, (2) the Asset Terms Module (Equities), (3) this Index Terms Module (HSBC Europe Super Ten Index Series), (4) the Index Calculation Module (Allocation), (5) the Supporting Terms Module (Equities & Multi-Asset). This can be presented as follows:



#### (b) **Definitions**

Any capitalised term not defined in this Index Terms Module shall have the meaning given to such term in the Base Terms Module, the Asset Terms Module (Equities), the Index Calculation Module (Allocation) or the Supporting Terms Module (Equities & Multi-Asset), as applicable.

This Index Terms Module must be read, and must be interpreted, in conjunction with the Base Terms Module, the Asset Terms Module (Equities), the Index Calculation Module (Allocation) and the Supporting Terms Module (Equities & Multi-Asset). This is not a stand-alone document and should not be read or interpreted separately from the other parts of an Index Description for an Index.

If there is any inconsistency between the terms of this Index Terms Module, the Base Terms Module or the Asset Terms Module (Equities), the terms of this Index Terms Module shall prevail for the purposes of the relevant Index. If there is any inconsistency between the Index Calculation Module (Allocation), the Supporting Terms Module (Equities & Multi-Asset) and the provisions of this Index Terms Module, the terms of this Index Terms Module set out in this document shall prevail for the purposes of the relevant Index.

#### (c) Index Calculation Agent

Each Index in the Series is calculated by Standard & Poor's Financial Services LLC ("**S&P**"), which is the Index Calculation Agent with respect to each Index. S&P shall make all calculations and determinations which are assigned to the Index Calculation Agent under any part of the Index Description for any Index.

## 2. Overview of the Index Series

#### (a) General information about the Series

Indices within the Series track the return of a portfolio of equity shares, each representing a company selected by the Research Provider to be a member of the 'Europe Super Ten' portfolio. The portfolio of shares will be revised from time to time at the discretion of the Research Provider, as further detailed in this Index Terms Module.

#### (b) Indices within the Series

This Series comprises several separate Indices, each as set out in Appendix 3 (*Publication Sources*) to this Index Terms Module. The main body of this Index Terms Module sets out the rules for the primary Index in the Series (the "**Base Index**"). The additional Indices (each, a "**Derived Index**") are derived from the Base Index by applying further parameters to the Base Index, as detailed further herein. The list of Derived Indices is set out in Appendix 2 (*Derived Indices*) to this Index Terms Module.

## 3. Index calculation

#### (a) Calculation of the Base Index

The Index Calculation Agent will calculate the Index Level of the Base Index on each Index Valuation Date according to the methodology described in the Index Calculation Module (Allocation) and using the parameters set out in, and determined pursuant to, this Index Terms Module. The Index Level for the Base Index is calculated by reference to, and quoted in, the Base Currency.

The Base Index Initial Level, which represents the Index Level of the Base Index as of the Base Index Start Date, is set out in the Base Index Parameters Table set out in Section 4 (*Base Index Parameters Table*) below.

#### (b) Calculation of Derived Indices

The Index Calculation Agent will calculate the Index Level of each Derived Index, as further described in Article 1 (*Calculation of Derived Indices*) of the Supporting Terms Module (Equities & Multi-Asset), by utilising the Index Level of the Base Index and the terms of Appendix 2 (*Derived Indices*) to this Index Terms Module.

#### (c) **Publication**

The Index Levels for each of the Indices described in this Index Terms Module are calculated on each Index Valuation Date for that Index and released by the Publication Time on that day. The Index Levels are published on the pages specified in Appendix 3 (*Publication Sources*) to this Index Terms Module. The Index Levels are calculated to two decimal places.

#### (d) Market Disruption Event

If a Market Disruption Event has occurred and is continuing, the Index Sponsor may, in its discretion, increase the amount of the External Transaction Costs as it considers appropriate in order to reflect the effect of such Market Disruption Event on any positions, contracts, transactions or other instruments or arrangements (howsoever described) that the Index Sponsor reasonably believes a provider of any Investment Product referencing the relevant Index may reasonably hold in order to hedge its obligations in respect of such Investment Product. This paragraph is supplemental to the provisions of the Asset Terms Module (Equities) relating to Market Disruption Events.

#### (e) **Research Publication Disruption Event**

If the Index Calculation Agent determines that any of the following events (each a "**Research PublicationDisruption**") has occurred:

- (i) the Research Provider announces that it ceases to publish the details of the 'Europe Super Ten' portfolio or it has not issued a publication including the details of that portfolio for more than 6 months; or
- (ii) the Research Provider makes any material change, adjustment or modification to the 'Europe Super Ten' report methodology or structure

(whether that would be a modification of the relevant methodology, change in name or a change in number of covered equity stocks),

then the Index Sponsor may amend the Index Description for this Series as it considers appropriate with the aim of preserving the intended commercial purpose of each Index, and it shall determine the date as of which any such amendments shall become effective.

If, following the occurrence of an a Research Publication Disruption, the Index Sponsor determines that no amendment to the Index Description would produce a commercially reasonable result, the Index Sponsor may terminate any Index in the Series and cease to calculate the Index Level for the affected Indices.

#### (f) Cash Asset Disruption

If the Index Calculation Agent determines that a Cash Asset Disruption Event has occurred, then either (i) the Index Sponsor shall replace the Cash Asset Rate with any other appropriate rate or (ii) the Index Calculation Agent shall determine the value of the Cash Asset Rate in its sole discretion by reference to such other similar rates or values as it considers appropriate.

### 4. Base Index Parameters Table

The Base Index Parameters Table below sets out the parameters that are utilised to calculate the Index Level of the Base Index in accordance with the Index Calculation Module (Allocation).

Index Identifier	EURO10.1
Index	HSBC Europe Super Ten Equity Price Return Index (EUR)
Base Currency	EUR
Index Adjustment Factor	0%
Buy External Transaction Cost	The arithmetic average of the Buy External Transaction Cost and Sell External Transaction Cost for each Constituent, as specified in Article 6 ( <i>Transaction Costs and Approved</i> <i>Exchanges</i> ) of the Supporting Terms Module (Equities & Multi-Asset), and calculated below: (Buy External Transaction Cost + Sell External Transaction Cost) / 2
Sell External Transaction Cost	The arithmetic average of the Buy External Transaction Cost and Sell External Transaction Cost for each Constituent, as specified in Article 6 ( <i>Transaction Costs and Approved</i> <i>Exchanges</i> ) of the Supporting Terms Module (Equities & Multi-Asset), and calculated below: (Buy External Transaction Cost + Sell External Transaction

	Cost) / 2
Execution Lag	0
Base Index Initial Level	1000.00
Base Index Start Date	17 November 2011
Cash Asset Rate	1 Month Euribor (Bloomberg: EUR001M Index)
Day Count	360
Index Calculation Methodology	According to the methodology defined in the Index Calculation Module (Allocation)
Index Calculation Agent	Standard & Poor's Financial Services LLC
Corporate Action Methodology and Treatment of Dividends	The Index Calculation Agent shall apply the policies in respect of any corporate actions set out in Article 8 ( <i>Corporate Actions</i> ) of the Supporting Terms Module (Equities & Multi-Asset). The Index Calculation Agent shall comply with Article 3 ( <i>Treatment of Dividend</i> ) of the Supporting Terms Module
	(Equities & Multi-Asset).

## 5. Determination of Index Rebalancing

Each "Index Rebalancing" is triggered upon the release of a new research publication (the "Research Publication", as described below) on any relevant date (the "Research Publication Date"), as determined by the Index Calculation Agent.

Any changes in respect of Index Rebalancing are calculated on the date (the "Rebalance Calculation Date") that:

- (i) occurs at least five Index Valuation Dates following the Research Publication Date; and
- (ii) is an Index Valuation Date on which all exchanges where each incoming, outgoing or unchanged Constituent is listed are open for trading during their regular trading hours, as determined by the Index Calculation Agent.

Target Weights for new Constituents, as determined pursuant to Section 9 below (*Determination of Constituents and the Constituent Level*) will be calculated as of the Rebalance Calculation Date. The changes will be implemented as of the Rebalance Execution Date, in accordance with the terms of the Index Calculation Module (Allocation).

## 6. Definition of the Research Publication

The Research Publication is the most recent publication which the Index Calculation Agent determines satisfies the following criteria:

- (a) it must be authored by the Research Provider; and
- (b) it must contain a list of equity shares described as the 'Europe Super Ten' portfolio.

As at the Base Index Start Date of the Base Index, the Research Publication is the 'Europe Super Ten' publication dated [17 October] 2011.

On any Index Valuation Date from, and including, each Rebalance Execution Date, the portfolio (the "**Research Portfolio**") of the Base Index consists of each of the equity shares ("**Portfolio Members**") included in the 'Europe Super Ten' portfolio, as set out in the Research Publication published on the relevant Research Publication Date immediately preceding such Rebalance Execution Date.

## 7. Determination of Underlying Shares

On each Rebalance Calculation Date, the Index Calculation Agent will determine the Underlying Share for each Portfolio Member of the Research Portfolio in the following manner with the aim of selecting the most liquid and accessible share listing:

(a) Using the Bloomberg code for each Portfolio Member that is included in the Research Publication, the Index Calculation Agent will determine the Underlying Share for that Portfolio Member to be the share, or depository receipt of the share, that (A) has the highest 30 day average daily transacted value and (B) trades on an exchange listed in the Listing of Approved Exchanges set out in Article 6 (*Transaction Costs and Approved Exchanges*) of the Supporting Terms Module (Equities & Multi-Asset).

# Additionally, only depository receipts will be considered for companies listed on exchanges in India and the People's Republic of China (excluding the Special Administrative Region of Hong Kong).

(b) The "**Constituent Currency**", as used in Article 2 (*Determination of the Constituent Level*) of the Supporting Terms Module (Equities & Multi-Asset), for each Underlying Share shall be determined by the Index Calculation Agent as being the currency in which that Underlying Share is denominated.

## 8. Liquidity Constraints

Only those Underlying Shares that meet certain minimum conditions set out in this Section 8 (the "**Liquidity Constraints**") will become Constituents of the Base Index as of the relevant Rebalance Execution Date. The Liquidity Constraints are also used to determine the Target Weight of each Constituent as at such date.

On each Rebalance Calculation Date, the Index Calculation Agent shall test each Underlying Share against the following Liquidity Constraints to determine whether such Underlying Share qualifies as a Constituent of the Base Index:

 (a) Minimum Available Foreign Investor Amount – as of the relevant Research Publication Date, each issuer of an Underlying Share must have an Available Foreign Investor Amount, equal to or greater than [15%], as defined in Article 7 (*Determination of Equity Criteria*) of the Supporting Terms Module (Equities & Multi-Asset);

The conditions set out in the following sub-paragraphs (b) and (c) below shall only apply in respect of Underlying Shares that are not already Constituents of the Base Index as at the Index Valuation Date immediately preceding the relevant Rebalance Calculation Date:

- (b) Minimum Free Float Market Capitalisation as of the relevant Research Publication Date, each issuer of an Underlying Share must have a Free Float Market Capitalisation of at least the USD equivalent of USD [1,500,000,000], as defined in Article 7 (*Determination of Equity Criteria*) of the Supporting Terms Module (Equities & Multi-Asset); and
- (c) Minimum Average Daily Transacted Value- as of the relevant Research Publication Date, each Underlying Share must have an Average Daily Transacted Valueof at least the USD equivalent of USD [10,000,000], as defined in Article 7 (*Determination of Equity Criteria*) of the Supporting Terms Module (Equities & Multi-Asset).

## 9. Determination of Constituents and the Constituent Level

#### (a) **Constituents**

As of the Base Index Start Date for the Base Index and, as of each Rebalance Execution Date thereafter, "**Constituents**" of the Base Index will consist of:

- (i) the Underlying Shares of the Research Portfolio Members that comply with the Liquidity Constraints, as defined in Section 8 (*Liquidity Constraints*); and
- (ii) cash in EUR (the "**Cash Asset**") as described in Section 10 (*Determination of Target Weights*). The Cash Asset grows at the Cash Asset Rate defined in the Base Index Parameters Table.

The Index Calculation Agent will review the Constituents of the Base Index at each Rebalance Calculation Date and will add Constituents to, or remove Constituents from, the Base Index pursuant to the procedures described below.

#### (b) **Determination of the Constituent Level**

For each Constituent, the Index Calculation Agent will calculate the Constituent Level as defined in Article 2 (*Determination of the Constituent Level*) of the Supporting Terms Module (Equities & Multi-Asset) by applying the 'Equity -Price Return' Constituent Level Calculation Method for the Underlying Shares and the 'Cash Return' Constituent Level Calculation Method for the Cash Asset.

The Constituent Levels will then be used to calculate the Index Level of the Base Index, as set out in the Index Calculation Module (Allocation). For the avoidance of doubt the calculation of the Index Level of the Base Index does not incorporate ordinary dividends paid in respect of any shares.

## 10. Determination of Target Weights

The Target Weight on the Base Index Start Date, and on each Rebalance Calculation Date thereafter, for each Underlying Share that will become, or continue to be, a Constituent on the immediately following Rebalance Execution Date will be determined first by assigning a Liquidity Factor to each such Constituent other than the Cash Asset, and then by comparing the Liquidity Factor of such Constituent against the Liquidity Factors of each other Constituent, as set out below. The Target Weight for the Constituent which is the Cash Asset will depend on the sum of Target Weights allocated to the Constituents which are Underlying Shares, as set out further below.

#### (a) **Determination of the Liquidity Factor**

The Liquidity Factor for a Constituent that complies with the Liquidity Constraints is equal to the ratio of (i) that Constituent's Average Daily Transacted Value, as calculated in Article 7 (*Determination of Equity Criteria*) of the Supporting Terms Module (Equities & Multi-Asset), and (ii) a target Average Daily Transacted Value set to USD 20,000,000, subject to a cap of 1.

The Liquidity Factor for each Constituent j in respect of Rebalance Calculation Date t shall be calculated by reference to the formula below:

$$LF_{j}(t) = \min\left(1, \frac{ADTV_{j}}{ADTV_{t \operatorname{arg} et}}\right)$$

Where:

- $LF_{j}(t)$  means the Liquidity Factor for Constituent *j* on Rebalance Calculation Date *t*;
- ADTV<sub>j</sub> means, in respect of Constituent *j*, the Average Daily Transacted Value as of the Research Publication Date immediately preceding Rebalance Calculation Date *t*, and
- *ADTV*<sub>*t* arg *et*</sub> means the target Average Daily Transacted Value, which is set to USD 20,000,000.

# (b) Determination of the Target Weight for a Constituent which is an Underlying Share

Once the Liquidity Factor is calculated, the Target Weight for each Constituent is then determined by dividing its Liquidity Factor by the sum of the Liquidity Factors in respect of all Constituents determined in respect of that Rebalance Calculation Date, subject to a cap of 15%.

The Target Weight for each Constituent j which is an Underlying Share in respect of Rebalance Calculation Date t shall be calculated by reference to the formula below:

$$tw_{j}(t) = \min\left(15\%, \frac{LF_{j}(t)}{\sum_{j} LF_{j}(t)}\right)$$

Where:

$$tw_j(t)$$
means the Target Weight for Constituent  $j$  on  
Rebalance Calculation Date  $t$ ; and $LF_j(t)$ means the Liquidity Factor for Constituent  $j$  on  
Rebalance Calculation Date  $t$ .

## (c) Determination of the Target Weight for a Constituent which is the Cash Asset

The Target Weight of the Cash Asset will equal 100% minus the sum of the Target Weights in respect of all Constituents which are Underlying Shares.

The Target Weight for the Cash Asset in respect of Rebalance Calculation Date *t* shall be calculated by reference to the formula below:

$$cash(t) = 1 - \sum_{j} tw_{j}(t)$$

Where:

 $tw_j(t)$  means the Target Weight for Constituent *j* which is an Underlying Share on Rebalance Calculation Date *t*.

## 11. Data Provider Disclaimer

Neither the Index Sponsor, nor the Index Calculation Agent, nor any of their respective affiliates has any relationship with, is affiliated with or receives compensation from any organisations that have created or published or provided the information that serves as a reference for the Index (collectively the "**Data Providers**"). Neither the Index Sponsor, nor the Index Calculation Agent, nor any of their respective affiliates assumes any responsibility for the unavailability or miscalculation of, or any error or omission in, any of the rates used to make any determination in respect of the Index or any Investment Products which reference the Indices.

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## Appendix 1: Definitions

Except where the context otherwise requires, the following terms used in this Index Terms Module have the following meanings:

"Available Foreign Investor Amount" has the meaning set out in Article 7 (*Determination of Equity Criteria*) of the Supporting Terms Module (Equities & Multi-Asset).

"Average Daily Transacted Value" has the meaning set out in Article 7 (*Determination of Equity Criteria*) of the Supporting Terms Module (Equities & Multi-Asset).

"**Base Currency**" has the meaning set out in the Base Index Parameters Table, as set out in Section 4 (*Base Index Parameters Table*) of this Index Terms Module.

"**Base Index**" has the meaning set out in Section 2(b) (*Overview of the Index Series*) of this Index Terms Module.

"Base Index Initial Level" has the value set out in the Base Index Parameters Table, as set out in Section 4 (*Base Index Parameters Table*) of this Index Terms Module.

"BaseIndex Parameters Table" means the table set out in Section 4 (Base Index Parameters Table) of this Index Terms Module.

"Base Index Start Date" means the date set out in the Base Index Parameters Table, as set out in Section 4 (*Base Index Parameters Table*) of this Index Terms Module.

"Buy External Transaction Cost" has the value set out in the Base Index Parameters Table, as set out in Section 4 (*Base Index Parameters Table*) of this Index Terms Module.

"Cash Asset" has the meaning set out in Section 10 (*Determination of Target Weights*) of this Index Terms Module.

**"Cash Asset Disruption Event"** means, in respect of the relevant Index Valuation Date and as determined in its discretion by the Index Calculation Agent:

- (a) the Cash Asset Rate is not available for any reason;
- (b) as a result of lack of liquidity in the relevant interbank market or otherwise, the relevant Cash Asset Rate does not reflect the relevant costs of funding of the Index Sponsor; or
- (c) there is any other disruption which disrupts the ability of market participants to effect transactions or obtain quotes in respect of the Cash Asset Rate.

"Cash Asset Rate" has the meaning set out in the Base Index Parameters Table, as set out in Section 4 (*Base Index Parameters Table*) of this Index Terms Module.

"**Constituent**" means each equity share identified in accordance with the procedure set out in Section 9 (*Determination of Constituents and the Constituent Level*) of this Index Terms Module.

"**Constituent Currency**" means, in respect of each Constituent, the currency as determined pursuant to Section 7(b) (*Determination of Constituents*) of this Index Terms Module.

"**Constituent Level**" means, in respect of each Constituent, the level of such Constituent as determined pursuant to Article 2 (*Determination of Constituent Level*) of the Supporting Terms Module (Equities & Multi-Asset).

"**Constituent Level Calculation Method**" means the calculation method set out in Article 2 (*Determination of Constituent Level*) of the Supporting Terms Module (Equities & Multi-Asset).

"Data Providers" has the meaning set out in Section 11 (*Data Provider Disclaimer*) of this Index Terms Module.

"**Derived Currency**" means a currency in which any Derived Index is determined and quoted, unless such currency is the Base Currency.

"**Derived Index**" has the meaning set out in Section 2(b) (*Overview of the Index Series*) of this Index Terms Module.

"**Execution Lag**" has the meaning set out in the Base Index Parameters Table, as set out in Section 4 (*Base Index Parameters Table*) of this Index Terms Module.

"External Transaction Costs" has the meaning set out in Article 6 (*Transaction Costs and Approved Exchanges*) of the Supporting Terms Module (Equities & Multi-Asset).

"Free Float Market Capitalisation" has the meaning set out in Article 7 (*Determination of Equity Criteria*) of the Supporting Terms Module (Equities & Multi-Asset).

"Index" means the Base Index and each of the Derived Indices.

"Index Adjustment Factor" has the value set out in the Base Index Parameters Table, as set out in Section 4 (*Base Index Parameters Table*) of this Index Terms Module.

"Index Calculation Agent" means S&P.

"Index Description" has the meaning set out Appendix 1 (*Definitions*) of the Base Terms Module.

"Index Level" has the meaning set out in Section 3 (*Overview of process for the calculation of the Index*) of the Index Calculation Module (Allocation).

"Index Rebalancing" means a rebalancing of the Index, as determined pursuant to Section 5 (*Determination ofIndex Rebalancing*) of this Index Terms Module.

"Index Sponsor" has the meaning set out Appendix 1 (*Definitions*) of the Base Terms Module.

"Index Valuation Date" means in respect of an Index any day on which an exchange or exchanges for no more than two Constituents are scheduled to be closed for business, as determined by the Index Calculation Agent.

"**Investment Product**" has the meaning set out Appendix 1 (*Definitions*) of the Base Terms Module.

"Liquidity Constraints" has the meaning set out in Section 8 (*Determination of Liquidity Constraints*) of this Index Terms Module.

"Liquidity Factor" has the meaning set out in Section 10(a) (*Determination of the Liquidity Factor*) of this Index Terms Module.

"London Business Day" means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency) in London.

"**Market Disruption Event**" has the meaning set out Appendix 1 (*Definitions*) of the Asset Terms Module (Equities).

"**Portfolio Member**" has the meaning set out in Section 6 (*Definition of the Research Publication*) of this Index Terms Module.

"**Publication Time**" means, in respect of an Index, 6 p.m. New York time on each Index Valuation Date.

"**Rebalance Calculation Date**" has the meaning set out in Section 5 (*Determination of Index Rebalancing*) of this Index Terms Module.

"**Rebalance Execution Date**" has the meaning set out in Section 5(c) (*Determination of the Rebalance Execution Date*) of the Index Calculation Module (Allocation).

"**Research Portfolio**" has the meaning set out in Section 6 (*Definition of the Research Publication*) of this Index Terms Module.

"Research Provider" means the research division of HSBC Bank plc.

"**Research Publication**" means a publication which the Index Calculation Agent determines would meet the criteria set out in Section 6 (*Definition of the Research Publication*) of this Index Terms Module.

"**Research Publication Date**" means has the meaning set out in Section 5 (*Determination of Index Rebalancing*) of this Index Terms Module.

"**Research PublicationDisruption**"has the meaning set out in Section 3 (*Index Calculation*) of this Index Terms Module.

"**Sell External Transaction Cost**" means the value set out in the Base Index Parameters Table, as set out in Section 4 (*Base Index Parameters Table*) of this Index Terms Module.

"Series" has the meaning set out in Section 1(a) (*Introduction*) of this Index Terms Module.

"S&P" means Standard & Poor's Financial Services LLP.

"Target Weight" has the meaning set out in Section 10 (*Determination of Target Weights*) of this Index Terms Module.

"Underlying Share" has the meaning set out in the Asset Terms Module (Equities).

## Appendix 2: Derived Indices

The following Indices are derived directly or indirectly from the Base Index. Derived Indices are calculated in accordance with Article 1 (Calculation of Derived Indices) of the Supporting Terms Module (Equities & Multi-Asset).

Index Identifier	Index Name	Derived Index Type	Parent Index	Derived Currency	Deposit Index	Financing Index
EURO10.2	HSBC Europe Super Ten Equity Net Total Return Index (EUR)	Net Total Return	EURO10.1 HSBC Europe Super Ten Equity Price Return Index (EUR)	N/A	N/A	N/A
EURO10.3	HSBC Europe Super Ten Equity Net Total Return Index (USD)	Currency	EURO10.2 HSBC Europe Super Ten Equity Net Total Return Index (USD)	USD	N/A	N/A

## Appendix 3: Publication Sources

Index Identifier	Index Name	Bloomberg Code	Reuters Code
EURO10.2	HSBC Europe Super Ten Equity Net Total Return Index (EUR)		
EURO10.3	HSBC Europe Super Ten Equity Net Total Return Index (USD)		

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# HSBC Asia Super Ten Index Series

Index Terms Module HSBC Global Markets Indices

Version 1.2 October 2013

1.	INTRODUCTION
2.	OVERVIEW OF THE INDEX SERIES 4
3.	INDEX CALCULATION
4.	BASE INDEX PARAMETERS TABLE
5.	DETERMINATION OF INDEX REBALANCING7
6.	DEFINITION OF THE RESEARCH PUBLICATION
7.	DETERMINATION OF UNDERLYING SHARES
8.	LIQUIDITY CONSTRAINTS
9.	DETERMINATION OF CONSTITUENTS AND THE CONSTITUENT LEVEL 9
10.	DETERMINATION OF TARGET WEIGHTS 10
11.	DATA PROVIDER DISCLAIMER11
12.	RESEARCH PROVIDER DISCLAIMER12
13.	STANDARD & POOR'S DISCLAIMER 12
14.	DOCUMENT VERSION CONTROL
AP	PENDIX 1: DEFINITIONS 14
AP	PENDIX 2: DERIVED INDICES 17
AP	PENDIX 3: PUBLICATION SOURCES18
DIS	CLAIMER

## 1. Introduction

#### (a) General

This Index Terms Module (including provisions incorporated by reference herein), together with the Base Terms Module and Asset Terms Module (Equities) forms the Index Description for each of the Indices identified herein.

The Index Terms Module incorporates by reference various provisions from the Index Calculation Module (Allocation) and the Supporting Terms Module (Equities & Multi-Asset). Such referenced provisions from the Index Calculation Module (Allocation) and the Supporting Terms Module (Equities & Multi-Asset) are deemed an integral part of this Index Terms Module for all purposes.

The complete Index Description for each Index in the HSBC Asia Super Ten Index Series (the "**Series**") is set out in five separate documents: (1) the Base Terms Module, (2) the Asset Terms Module (Equities), (3) this Index Terms Module (HSBC Asia Super Ten Index Series), (4) the Index Calculation Module (Allocation), (5) the Supporting Terms Module (Equities & Multi-Asset). This can be presented as follows:



#### (b) **Definitions**

Any capitalised term not defined in this Index Terms Module shall have the meaning given to such term in the Base Terms Module, the Asset Terms Module (Equities), the Index Calculation Module (Allocation) or the Supporting Terms Module (Equities & Multi-Asset), as applicable.

This Index Terms Module must be read, and must be interpreted, in conjunction with the Base Terms Module, the Asset Terms Module (Equities), the Index Calculation Module (Allocation) and the Supporting Terms Module (Equities & Multi-Asset). This is not a stand-alone document and should not be read or interpreted separately from the other parts of an Index Description for an Index.

If there is any inconsistency between the terms of this Index Terms Module, the Base Terms Module or the Asset Terms Module (Equities), the terms of this Index Terms Module shall prevail for the purposes of the relevant Index. If there is any inconsistency between the Index Calculation Module (Allocation), the Supporting Terms Module (Equities & Multi-Asset) and the provisions of this Index Terms Module, the terms of this Index Terms Module set out in this document shall prevail for the purposes of the relevant Index.

#### (c) Index Calculation Agent

Each Index in the Series is calculated by Standard & Poor's Financial Services LLC ("**S&P**"), which is the Index Calculation Agent with respect to each Index. S&P shall make all calculations and determinations which are assigned to the Index Calculation Agent under any part of the Index Description for any Index.

## 2. Overview of the Index Series

#### (a) General information about the Series

Indices within the Series track the return of a portfolio of equity shares, each representing a company selected by the Research Provider to be a member of the 'Asia Super Ten' portfolio. The portfolio of shares will be revised from time to time at the discretion of the Research Provider, as further detailed in this Index Terms Module.

#### (b) Indices within the Series

This Series comprises several separate Indices, each as set out in Appendix 3 (*Publication Sources*) to this Index Terms Module. The main body of this Index Terms Module sets out the rules for the primary Index in the Series (the "**Base Index**"). The additional Indices (each, a "**Derived Index**") are derived from the Base Index by applying further parameters to the Base Index, as detailed further herein. The list of Derived Indices is set out in Appendix 2 (*Derived Indices*) to this Index Terms Module.

## 3. Index calculation

#### (a) Calculation of the Base Index

The Index Calculation Agent will calculate the Index Level of the Base Index on each Index Valuation Date according to the methodology described in the Index Calculation Module (Allocation) and using the parameters set out in, and determined pursuant to, this Index Terms Module. The Index Level for the Base Index is calculated by reference to, and quoted in, the Base Currency.

The Base Index Initial Level, which represents the Index Level of the Base Index as of the Base Index Start Date, is set out in the Base Index Parameters Table set out in Section 4 (*Base Index Parameters Table*) below.

#### (b) Calculation of Derived Indices

The Index Calculation Agent will calculate the Index Level of each Derived Index, as further described in Article 1 (*Calculation of Derived Indices*) of the Supporting Terms Module (Equities & Multi-Asset), by utilising the Index Level of the Base Index and the terms of Appendix 2 (*Derived Indices*) to this Index Terms Module.

#### (c) **Publication**

The Index Levels for each of the Indices described in this Index Terms Module are calculated on each Index Valuation Date for that Index and released by the Publication Time on that day. The Index Levels are published on the pages specified in Appendix 3 (*Publication Sources*) to this Index Terms Module. The Index Levels are calculated to two decimal places.

#### (d) Market Disruption Event

If a Market Disruption Event has occurred and is continuing, the Index Sponsor may, in its discretion, increase the amount of the External Transaction Costs as it considers appropriate in order to reflect the effect of such Market Disruption Event on any positions, contracts, transactions or other instruments or arrangements (howsoever described) that the Index Sponsor reasonably believes a provider of any Investment Product referencing the relevant Index may reasonably hold in order to hedge its obligations in respect of such Investment Product. This paragraph is supplemental to the provisions of the Asset Terms Module (Equities) relating to Market Disruption Events.

#### (e) **Research Publication Disruption Event**

If the Index Calculation Agent determines that any of the following events (each a "**Research PublicationDisruption**") has occurred:

- (i) the Research Provider announces that it ceases to publish the details of the 'Asia Super Ten' portfolio or it has not issued a publication including the details of that portfolio for more than 6 months; or
- (ii) the Research Provider makes any material change, adjustment or modification to the 'Asia Super Ten' report methodology or structure

(whether that would be a modification of the relevant methodology, change in name or a change in number of covered equity stocks),

then the Index Sponsor may amend the Index Description for this Series as it considers appropriate with the aim of preserving the intended commercial purpose of each Index, and it shall determine the date as of which any such amendments shall become effective.

If, following the occurrence of an a Research Publication Disruption, the Index Sponsor determines that no amendment to the Index Description would produce a commercially reasonable result, the Index Sponsor may terminate any Index in the Series and cease to calculate the Index Level for the affected Indices.

#### (f) Cash Asset Disruption

If the Index Calculation Agent determines that a Cash Asset Disruption Event has occurred, then either (i) the Index Sponsor shall replace the Cash Asset Rate with any other appropriate rate or (ii) the Index Calculation Agent shall determine the value of the Cash Asset Rate in its sole discretion by reference to such other similar rates or values as it considers appropriate.

### 4. Base Index Parameters Table

The Base Index Parameters Table below sets out the parameters that are utilised to calculate the Index Level of the Base Index in accordance with the Index Calculation Module (Allocation).

Index Identifier	ASIA10.1
Index	HSBC Asia Super Ten Equity Price Return Index (USD)
Base Currency	USD
Index Adjustment Factor	0%
Buy External Transaction Cost	The arithmetic average of the Buy External Transaction Cost and Sell External Transaction Cost for each Constituent, as specified in Article 6 ( <i>Transaction Costs and Approved</i> <i>Exchanges</i> ) of the Supporting Terms Module (Equities & Multi-Asset), and calculated below: (Buy External Transaction Cost + Sell External Transaction Cost) / 2
Sell External Transaction Cost	The arithmetic average of the Buy External Transaction Cost and Sell External Transaction Cost for each Constituent, as specified in Article 6 ( <i>Transaction Costs and Approved</i> <i>Exchanges</i> ) of the Supporting Terms Module (Equities & Multi-Asset), and calculated below: (Buy External Transaction Cost + Sell External Transaction

6

	Cost) / 2	
Execution Lag	0	
Base Index Initial Level	1000.00	
Base Index Start Date	17 November 2011	
Cash Asset Rate	U.S.1 Month Constant Maturity Treasury Rate as published by the US Federal Reserve (Bloomberg: H15T1M Index)	
Day Count	360	
Index Calculation Methodology	According to the methodology defined in the Index Calculation Module (Allocation)	
Index Calculation Agent	Standard & Poor's Financial Services LLC	
Corporate Action Methodology and Treatment of	The Index Calculation Agent shall apply the policies in respect of any corporate actions set out in Article 8 ( <i>Corporate Actions</i> ) of the Supporting Terms Module (Equities & Multi-Asset).	
Dividends	The Index Calculation Agent shall comply with Article 3 ( <i>Treatment of Dividend</i> ) of the Supporting Terms Module (Equities & Multi-Asset).	

## 5. Determination of Index Rebalancing

Each "Index Rebalancing" is triggered upon the release of a new research publication (the "Research Publication", as described below) on any relevant date (the "Research Publication Date"), as determined by the Index Calculation Agent.

Any changes in respect of Index Rebalancing are calculated on the Index Valuation Date (the "**Rebalance Calculation Date**") that:

(i) occurs at least five Index Valuation Dates following the Research Publication Date;

and

(ii) is the first Index Valuation Date on which all exchanges where each incoming, outgoing or unchanged Constituent is listed are open for trading during their regular trading hours, as determined by the Index Calculation Agent.

Target Weights for new Constituents, as determined pursuant to Section 9 below (*Determination of Constituents and the Constituent Level*) will be calculated as of the Rebalance Calculation Date. The changes will be implemented as of the Rebalance

Execution Date, in accordance with the terms of the Index Calculation Module (Allocation).

## 6. Definition of the Research Publication

The Research Publication is the most recent publication which the Index Calculation Agent determines satisfies the following criteria:

- (a) it must be authored by the Research Provider; and
- (b) it must contain a list of equity shares described as the 'Asia Super Ten' portfolio.

As at the Base Index Start Date of the Base Index, the Research Publication is the 'Asia Super Ten' publication dated 10 November 2011.

On any Index Valuation Date from, and including, each Rebalance Execution Date, the portfolio (the "**Research Portfolio**") of the Base Index consists of each of the equity shares ("**Portfolio Members**") included in the 'Asia Super Ten' portfolio, as set out in the Research Publication published on the relevant Research Publication Date immediately preceding such Rebalance Execution Date.

## 7. Determination of Underlying Shares

On each Rebalance Calculation Date, the Index Calculation Agent will determine the Underlying Share for each Portfolio Member of the Research Portfolio in the following manner with the aim of selecting the most liquid and accessible share listing:

(a) Using the Bloomberg code for each Portfolio Member that is included in the Research Publication, the Index Calculation Agent will determine the Underlying Share for that Portfolio Member to be the share, or depository receipt of the share, that (A) has the highest 30 day average daily transacted value and (B) trades on an exchange listed in the Listing of Approved Exchanges set out in Article 6 (*Transaction Costs and Approved Exchanges*) of the Supporting Terms Module (Equities & Multi-Asset).

Additionally, only depository receipts will be considered for companies listed on exchanges in India and the People's Republic of China (excluding the Special Administrative Region of Hong Kong).

(b) The "**Constituent Currency**", as used in Article 2 (*Determination of the Constituent Level*) of the Supporting Terms Module (Equities & Multi-Asset), for each Underlying Share shall be determined by the Index Calculation Agent as being the currency in which that Underlying Share is denominated.

## 8. Liquidity Constraints

Only those Underlying Shares that meet certain minimum conditions set out in this Section 8 (the "**Liquidity Constraints**") will become Constituents of the Base Index as of the relevant Rebalance Execution Date. The Liquidity Constraints are also used to determine the Target Weight of each Constituent as at such date.

On each Rebalance Calculation Date, the Index Calculation Agent shall test each Underlying Share against the following Liquidity Constraints to determine whether such Underlying Share qualifies as a Constituent of the Base Index:

(a) Minimum Available Foreign Investor Amount – as of the relevant Research Publication Date, each issuer of an Underlying Share must have an Available Foreign Investor Amount, equal to or greater than [15%], as defined in Article 7 (*Determination of Equity Criteria*) of the Supporting Terms Module (Equities & Multi-Asset);

The conditions set out in the following sub-paragraphs (b) and (c) below shall only apply in respect of Underlying Shares that are not already Constituents of the Base Index as at the Index Valuation Date immediately preceding the relevant Rebalance Calculation Date:

- (b) Minimum Free Float Market Capitalisation as of the relevant Research Publication Date, each issuer of an Underlying Share must have a Free Float Market Capitalisation of at least USD 1,500,000,000, as defined in Article 7 (*Determination of Equity Criteria*) of the Supporting Terms Module (Equities & Multi-Asset); and
- (c) Minimum Average Daily Transacted Value- as of the relevant Research Publication Date, each Underlying Share must have an Average Daily Transacted Valueof at least USD 10,000,000, as defined in Article 7 (*Determination of Equity Criteria*) of the Supporting Terms Module (Equities & Multi-Asset).

## 9. Determination of Constituents and the Constituent Level

#### (a) **Constituents**

As of the Base Index Start Date for the Base Index and, as of each Rebalance Execution Date thereafter, "**Constituents**" of the Base Index will consist of:

- (i) the Underlying Shares of the Research Portfolio Members that comply with the Liquidity Constraints, as defined in Section 8 (*Liquidity Constraints*); and
- (ii) cash in USD (the "**Cash Asset**") as described in Section 10 (*Determination of Target Weights*). The Cash Asset grows at the Cash Asset Rate defined in the Base Index Parameters Table.

The Index Calculation Agent will review the Constituents of the Base Index at each Rebalance Calculation Date and will add Constituents to, or remove Constituents from, the Base Index pursuant to the procedures described below.

#### (b) **Determination of the Constituent Level**

For each Constituent, the Index Calculation Agent will calculate the Constituent Level as defined in Article 2 (*Determination of the Constituent Level*) of the Supporting Terms Module (Equities & Multi-Asset) by applying the 'Equity -Price Return' Constituent Level Calculation Method for the Underlying Shares and the 'Cash Return' Constituent Level Calculation Method for the Cash Asset. The Constituent Levels will then be used to calculate the Index Level of the Base Index, as set out in the Index Calculation Module (Allocation). For the avoidance of doubt the calculation of the Index Level of the Base Index does not incorporate ordinary dividends paid in respect of any shares.

### 10. Determination of Target Weights

The Target Weight on the Base Index Start Date, and on each Rebalance Calculation Date thereafter, for each Underlying Share that will become, or continue to be, a Constituent on the immediately following Rebalance Execution Date will be determined first by assigning a Liquidity Factor to each such Constituent other than the Cash Asset, and then by comparing the Liquidity Factor of such Constituent against the Liquidity Factors of each other Constituent, as set out below. The Target Weight for the Constituent which is the Cash Asset will depend on the sum of Target Weights allocated to the Constituents which are Underlying Shares, as set out further below.

#### (a) **Determination of the Liquidity Factor**

The Liquidity Factor for a Constituent that complies with the Liquidity Constraints is equal to the ratio of (i) that Constituent's Average Daily Transacted Value, as calculated in Article 7 (*Determination of Equity Criteria*) of the Supporting Terms Module (Equities & Multi-Asset), and (ii) a target Average Daily Transacted Value set to USD 20,000,000, subject to a cap of 1.

The Liquidity Factor for each Constituent j in respect of Rebalance Calculation Date t shall be calculated by reference to the formula below:

$$LF_{j}(t) = \min\left(1, \frac{ADTV_{j}}{ADTV_{t \operatorname{arg} et}}\right)$$

Where:

- $LF_{j}(t)$  means the Liquidity Factor for Constituent *j* on Rebalance Calculation Date *t*;
- ADTV<sub>j</sub> means, in respect of Constituent *j*, the Average Daily Transacted Value as of the Research Publication Date immediately preceding Rebalance Calculation Date *t*, and
- *ADTV*<sub>*target*</sub> means the target Average Daily Transacted Value, which is set to USD 20,000,000.

# (b) Determination of the Target Weight for a Constituent which is an Underlying Share

Once the Liquidity Factor is calculated, the Target Weight for each Constituent is then determined by dividing its Liquidity Factor by the sum of

the Liquidity Factors in respect of all Constituents determined in respect of that Rebalance Calculation Date, subject to a cap of 15%.

The Target Weight for each Constituent j which is an Underlying Share in respect of Rebalance Calculation Date t shall be calculated by reference to the formula below:

$$tw_{j}(t) = \min\left(15\%, \frac{LF_{j}(t)}{\sum_{j} LF_{j}(t)}\right)$$

Where:

- $tw_j(t)$  means the Target Weight for Constituent *j* on Rebalance Calculation Date *t;* and
- $LF_{j}(t)$  means the Liquidity Factor for Constituent *j* on Rebalance Calculation Date *t*.

# (c) Determination of the Target Weight for a Constituent which is the Cash Asset

The Target Weight of the Cash Asset will equal 100% minus the sum of the Target Weights in respect of all Constituents which are Underlying Shares.

The Target Weight for the Cash Asset in respect of Rebalance Calculation Date *t* shall be calculated by reference to the formula below:

$$cash(t) = 1 - \sum_{j} tw_{j}(t)$$

Where:

- *cash*(*t*) means the Target Weight for the Cash Asset on Rebalance Calculation Date *t;* and
- $tw_j(t)$  means the Target Weight for Constituent *j* which is an Underlying Share on Rebalance Calculation Date *t*.

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## 14. Document Version Control



5.Determination of Index Rebalancing



Initial Release Clarification of rebalance calculation date conditions

## Appendix 1: Definitions

Except where the context otherwise requires, the following terms used in this Index Terms Module have the following meanings:

"Available Foreign Investor Amount" has the meaning set out in Article 7 (*Determination of Equity Criteria*) of the Supporting Terms Module (Equities & Multi-Asset).

"Average Daily Transacted Value" has the meaning set out in Article 7 (*Determination of Equity Criteria*) of the Supporting Terms Module (Equities & Multi-Asset).

"**Base Currency**" has the meaning set out in the Base Index Parameters Table, as set out in Section 4 (*Base Index Parameters Table*) of this Index Terms Module.

"Base Index" has the meaning set out in Section 2(b) (*Overview of the Index Series*) of this Index Terms Module.

"Base Index Initial Level" has the value set out in the Base Index Parameters Table, as set out in Section 4 (*Base Index Parameters Table*) of this Index Terms Module.

"BaseIndex Parameters Table" means the table set out in Section 4 (Base Index Parameters Table) of this Index Terms Module.

"Base Index Start Date" means the date set out in the Base Index Parameters Table, as set out in Section 4 (*Base Index Parameters Table*) of this Index Terms Module.

"Buy External Transaction Cost" has the value set out in the Base Index Parameters Table, as set out in Section 4 (*Base Index Parameters Table*) of this Index Terms Module.

"Cash Asset" has the meaning set out in Section 10 (*Determination of Target Weights*) of this Index Terms Module.

**"Cash Asset Disruption Event"** means, in respect of the relevant Index Valuation Date and as determined in its discretion by the Index Calculation Agent:

- (a) the Cash Asset Rate is not available for any reason;
- (b) as a result of lack of liquidity in the relevant interbank market or otherwise, the relevant Cash Asset Rate does not reflect the relevant costs of funding of the Index Sponsor; or
- (c) there is any other disruption which disrupts the ability of market participants to effect transactions or obtain quotes in respect of the Cash Asset Rate.

"Cash Asset Rate" has the meaning set out in the Base Index Parameters Table, as set out in Section 4 (*Base Index Parameters Table*) of this Index Terms Module.

"**Constituent**" means each equity share identified in accordance with the procedure set out in Section 9 (*Determination of Constituents and the Constituent Level*) of this Index Terms Module.

"**Constituent Currency**" means, in respect of each Constituent, the currency as determined pursuant to Section 7(b) (*Determination of Constituents*) of this Index Terms Module.

"**Constituent Level**" means, in respect of each Constituent, the level of such Constituent as determined pursuant to Article 2 (*Determination of Constituent Level*) of the Supporting Terms Module (Equities & Multi-Asset).

"**Constituent Level Calculation Method**" means the calculation method set out in Article 2 (*Determination of Constituent Level*) of the Supporting Terms Module (Equities & Multi-Asset).

"Data Providers" has the meaning set out in Section 11 (*Data Provider Disclaimer*) of this Index Terms Module.

"**Derived Currency**" means a currency in which any Derived Index is determined and quoted, unless such currency is the Base Currency.

"**Derived Index**" has the meaning set out in Section 2(b) (*Overview of the Index Series*) of this Index Terms Module.

"**Execution Lag**" has the meaning set out in the Base Index Parameters Table, as set out in Section 4 (*Base Index Parameters Table*) of this Index Terms Module.

"External Transaction Costs" has the meaning set out in Article 6 (*Transaction Costs and Approved Exchanges*) of the Supporting Terms Module (Equities & Multi-Asset).

"Free Float Market Capitalisation" has the meaning set out in Article 7 (*Determination of Equity Criteria*) of the Supporting Terms Module (Equities & Multi-Asset).

"Index" means the Base Index and each of the Derived Indices.

"Index Adjustment Factor" has the value set out in the Base Index Parameters Table, as set out in Section 4 (*Base Index Parameters Table*) of this Index Terms Module.

"Index Calculation Agent" means S&P.

"Index Description" has the meaning set out Appendix 1 (*Definitions*) of the Base Terms Module.

"Index Level" has the meaning set out in Section 3 (*Overview of process for the calculation of the Index*) of the Index Calculation Module (Allocation).

"Index Rebalancing" means a rebalancing of the Index, as determined pursuant to Section 5 (*Determination ofIndex Rebalancing*) of this Index Terms Module.

"Index Sponsor" has the meaning set out Appendix 1 (*Definitions*) of the Base Terms Module.

"Index Valuation Date" means in respect of an Index any day on which an exchange or exchanges for no more than two Constituents are scheduled to be closed for business, as determined by the Index Calculation Agent.

"**Investment Product**" has the meaning set out Appendix 1 (*Definitions*) of the Base Terms Module.

"Liquidity Constraints" has the meaning set out in Section 8 (*Determination of Liquidity Constraints*) of this Index Terms Module.

"Liquidity Factor" has the meaning set out in Section 10(a) (*Determination of the Liquidity Factor*) of this Index Terms Module.

"London Business Day" means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency) in London.

"**Market Disruption Event**" has the meaning set out Appendix 1 (*Definitions*) of the Asset Terms Module (Equities).

"**Portfolio Member**" has the meaning set out in Section 6 (*Definition of the Research Publication*) of this Index Terms Module.

"**Publication Time**" means, in respect of an Index, 6 p.m. New York time on each Index Valuation Date.

"**Rebalance Calculation Date**" has the meaning set out in Section 5 (*Determination of Index Rebalancing*) of this Index Terms Module.

"**Rebalance Execution Date**" has the meaning set out in Section 5(c) (*Determination of the Rebalance Execution Date*) of the Index Calculation Module (Allocation).

"**Research Portfolio**" has the meaning set out in Section 6 (*Definition of the Research Publication*) of this Index Terms Module.

"Research Provider" means the research division of HSBC Bank plc.

"**Research Publication**" means a publication which the Index Calculation Agent determines would meet the criteria set out in Section 6 (*Definition of the Research Publication*) of this Index Terms Module.

"**Research Publication Date**" means has the meaning set out in Section 5 (*Determination of Index Rebalancing*) of this Index Terms Module.

"**Research PublicationDisruption**"has the meaning set out in Section 3 (*Index Calculation*) of this Index Terms Module.

"**Sell External Transaction Cost**" means the value set out in the Base Index Parameters Table, as set out in Section 4 (*Base Index Parameters Table*) of this Index Terms Module.

"Series" has the meaning set out in Section 1(a) (*Introduction*) of this Index Terms Module.

"S&P" means Standard & Poor's Financial Services LLP.

"**Target Weight**" has the meaning set out in Section 10 (*Determination of Target Weights*) of this Index Terms Module.

"Underlying Share" has the meaning set out in the Asset Terms Module (Equities).
## Appendix 2: Derived Indices

The following Indices are derived directly or indirectly from the Base Index. Derived Indices are calculated in accordance with Article 1 (Calculation of Derived Indices) of the Supporting Terms Module (Equities & Multi-Asset).

Index Identifier	Index Name	Derived Index Type	Parent Index	Derived Currency	Deposit Index	Financing Index
ASIA10.2	HSBC Asia Super Ten Equity Net Total Return Index (USD)	Net Total Return	ASIA10.1 HSBC Asia Super Ten Equity Price Return Index (USD)	N/A	N/A	N/A
ASIA10.3	HSBC Asia Super Ten Equity Net Total Return Index (EUR)	Currency	ASIA10.2 HSBC Asia Super Ten Equity Net Total Return Index (USD)	EUR	N/A	N/A

# Appendix 3: Publication Sources

	Index Identifier	Index Name	Bloomberg Code	Reuters Code
ASI	A10.1	HSI	EASUP Index	
	HSE Equ Inde	BC Asia Super Ten ity Price Return ex (USD)		
	ASIA10.2	HSBC Asia Super Ten Equity Net Total Return Index (USD)	HSIEASUN Index	
	ASIA10.3	HSBC Asia Super Ten Equity Price Return Index (EUR)	HSIEASEP Index	
	ASIA10.4	HSBC Asia Super Ten Equity Net Total Return Index (EUR)	HSIEASEN Index	

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# **HSBC Global Markets Indices**

Index Terms Module (HSBC Uniform EUR Core Index)

Version 19.1 October 2013

#### CONTENTS

#### Section

1.	Introduction	1
2.	Overview of the Index	1
3.	Index publication	1
4.	Disruption Events	2
5.	Calculation of the Index Level	3
6.	Calculation of the Futures Return	3
7.	Determination of the Indicator	5
8.	Trading Strategy	5
9.	Indicators and barriers	7
10.	Data Provider disclaimer	11

## Appendix

#### 

#### Page

Page

## 1. Introduction

#### (a) General

This Index Terms Module, together with the Base Terms Module, forms the Index Description for the HSBC Uniform EUR Core Index (the "**Index**").

This Index Terms Module must be read, and must be interpreted, in conjunction with the Base Terms Module. This is not a stand alone document and should not be read or interpreted separately from the other parts of the Index Description for the Index. If there is any inconsistency between the terms of this Index Terms Module and the Base Terms Module, the terms of this Index Terms Module shall prevail.

#### (b) **Definitions**

Any capitalised term not defined in Appendix 1 (*Definitions*) of this Index Terms Module shall have the meaning given to such term in the Base Terms Module.

#### (c) Index Parameters

Certain parameters for the Index, which are used to determine the Index Level for the Index as described herein, are set out in the Parameters Table in Appendix 2 (*Parameters Table*).

## 2. Overview of the Index

The HSBC Uniform EUR Core Index has been developed as an index aiming to benefit from price moves in the EURIBOR Future. The values for the Index Level of the Index are available for each Index Valuation Date from the Base Date, at which time the Index Level was set at the Initial Index Level.

#### 3. Index publication

(a) The "Index Valuation Date" means each Business Day from and including the Start Date of the Index.

Subject to the occurrence of any Data Disruption or Market Disruption Event, the Index Level for the Index is calculated on each Index Valuation Date (following the Base Date). The Index Level is normally released by 5 p.m. London time on the relevant Index Valuation Date.

- (b) The Index Level is calculated in EUR only. The calculation method for the Index does not incorporate any deductions for transaction costs, taxes or fees.
- (c) The Index Level is published on the pages specified in the Parameters Table.
- (d) The "**Observation Time**" is 4 p.m. London time. For the purposes of calculating the historic data in respect of the back-testing period (i.e. between the Base Date and 01.06.2011) the Index Calculation Agent may have used a different Observation Time than 4 p.m.

## 4. Disruption Events

#### (a) Market Disruption Events

If the Index Calculation Agent determines that a Market Disruption Event has occurred in respect of any Index Valuation Date, then no level of that Index shall be determined for such Index Valuation Date and determination of the level of the Index shall be suspended until such time as the Index Calculation Agent determines that the Market Disruption Event no longer exists. If the Market Disruption Event continues for eight Index Valuation Dates, then the Index Sponsor may determine that it will terminate the publication of the Index.

#### (b) Liquidity Disruption Events

If the Index Calculation Agent determines that a Liquidity Disruption Event has occurred in respect of any Index Valuation Date, then the Index Sponsor may determine that it will terminate the publication of the Index. Any event that the Index Calculation Agent determines would constitute a Market Disruption Event and a Liquidity Disruption Event shall be considered to be a Liquidity Disruption Event and the provisions of this Section 4(b) shall apply.

#### (c) Indicator Disruption Events

- If a CMS Rate does not appear on the Display Page on any Index (i) Valuation Date the rate for that Index Valuation Date will be a percentage determined by the Index Calculation Agent on the basis of the mid-market annual swap rate quotations provided by the Reference Banks at approximately 11 a.m. Frankfurt time on the relevant Index Valuation Date. For this purpose, the "mid-market annual swap rate" means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the relevant designated maturity commencing two Business Days after that day and in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to the EUR-EURIBOR-Reuters rate with a designated maturity of six months. The Index Calculation Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for that day will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If the Index Calculation Agent is unable to obtain the relevant rate, then there shall be deemed to be a Market Disruption Event and the provisions of Section 4(a) shall apply accordingly.
- (ii) If the 3 Month Reference Rate does not appear on the Display Page on any Index Valuation Date, the rate for that Index Valuation Date will be a percentage determined by the Index Calculation Agent on the basis of the quarterly money market rate quotations provided by the Reference Banks at approximately 11 a.m. Frankfurt time on the relevant Index Valuation Date. For this purpose, the "quarterly money"

market rate" means the offered rate for a loan, calculated on a Act/360 day count basis, with a term equal to three months commencing two Business Days after that day and in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit with a designated maturity of three months. The Index Calculation Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for that day will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the lowest). If the Index Calculation Agent is unable to obtain the relevant rate, then there shall be deemed to be a Market Disruption Event and the provisions of Section 4(a) shall apply accordingly.

## 5. Calculation of the Index Level

The Index Calculation Agent shall calculate the Index Level on each Index Valuation Date by reference to:

- (a) the Index Level in respect of the immediately preceding Rebalancing Date; and
- (b) the Futures Return from the preceding Rebalancing Date to the relevant Index Valuation Date (as determined pursuant to Section 6 (*Calculation of the Futures Return*) below).

The mathematical expression for calculating the Index Level in respect of Index Valuation Date *t* is as follows:

$$BaseUNI(t) = BaseUNI(n) \ge [1 + (10 \ge R(t))]$$

Where:

BaseUNI(t)	Means the Index Level in respect of Index Valuation Date <i>t</i> ,
BaseUNI(n)	Means the Index Level in respect of the Rebalancing Date immediately preceding Index Valuation Date $t$ , and
R(t)	Means the Futures Return in respect of Index Valuation Date <i>t</i> .

## 6. Calculation of the Futures Return

The Index Calculation Agent shall calculate the Futures Return on each Index Valuation Day by reference to:

 the price of the Fourth Euribor Future in respect of the Rebalancing Date immediately preceding the relevant Index Valuation Day observed by the Index Calculation Agent at the Observation Time on the Relevant Page on the relevant Index Valuation Day;

- (b) the arithmetic average of the relevant prices of the Fourth Euribor Future in respect of the Rebalancing Date immediately preceding the relevant Index Valuation Day, observed by the Index Calculation Agent on the Relevant Page at the Relevant Observation Points on such immediately preceding Rebalancing Date; and
- (c) the relevant Indicator (as determined pursuant to Section 9 (*Determination of the Indicator*) below).

The mathematical expression for calculating the Futures Return from Rebalancing Date n to Index Valuation Day t is as follows:

$$R(t) = \frac{EF(t) - EF(n)}{100} \cdot Indicator(t)$$

R(t) means the Futures Return in respect of Index Valuation Day t; EF(t) means the price of the Fourth Euribor Future in respect of the Rebalancing Date immediately preceding Index Valuation Day t, as observed by the Index Calculation Agent at the Observation Time on the Relevant Page on Index Valuation Day *t*, provided that if Index Valuation Day t is a Rebalancing Date, EF(t) shall be equal to EF(t\*); means the arithmetic average rounded to EF(t\*) four decimal places of the prices of the Fourth Euribor Future in respect of the last Rebalancing Date prior to Index Valuation Day *t* observed by the Index Calculation Agent on the Relevant Page at the Relevant Observation Points on the Index Valuation Dav t. and EF(n) means the arithmetic average rounded to four decimal places of the prices of the Fourth Euribor Future in respect of the Rebalancing Date immediately preceding Index Valuation Day t, observed by the Index Calculation Agent on the Relevant Page at the Relevant Observation Points on the Rebalancing Date immediately preceding Index Valuation Day t; and Indicator(t) means the relevant value of the Indicator in respect of the Index Valuation Day t

Where:

## 7. Determination of the Indicator

The Index Calculation Agent shall calculate the Indicator on each Index Valuation Date by reference to the Trading Strategy as of the immediately preceding Rebalancing Date (as determined pursuant to Section 8 (*Trading Strategy*) below).

In respect of Index Valuation Date *t*, the Indicator shall be equal to:

- (a) 1 (one), if the Trading Strategy as of the Rebalancing Date immediately preceding Index Valuation Date *t* was to buy the Fourth EURIBOR Future; or
- (b) -1 (minus one), if the Trading Strategy as of the Rebalancing Date immediately preceding Index Valuation Date *t* was to sell the Fourth EURIBOR Future.

## 8. Trading Strategy

#### (a) **Overview of Trading Strategy**

On each Rebalancing Date, the Index Calculation Agent shall determine whether the Trading Strategy is to:

- (i) **<u>buy</u>** the Fourth EURIBOR Future;
- (ii) **sell** the Fourth EURIBOR Future

For the avoidance of doubt, there can only be one Trading Strategy determined in respect of each Rebalancing Date.

#### (b) **Determination of the Trading Strategy**

In order to determine the Trading Strategy in respect of Rebalancing Date t, the Index Calculation Agent shall determine the answers to the following questions (as required) in the order specified below, on the relevant Indicator Determination Date:

(i) Is the ratio of the TwosTens Spread over the TwosTens Volatility greater than 2.5?

If the answer is:

- (A) **YES:** the Trading Strategy is to **buy** the Fourth EURIBOR Future until the next following Rebalancing Date; or
- (B) **NO:** the Index Calculation Agent shall consider question 8(b)(ii) below.
- (ii) Is the ratio of the TwosTens Spread over the TwosTens Volatility less than -1.25?

If the answer is:

(A) **YES:** the Trading Strategy is to <u>sell</u> the Fourth EURIBOR Future until the next following Rebalancing Date; or

- (B) **NO:** the Index Calculation Agent shall consider question (iii) below.
- (iii) Is the Rates Trend Indicator strictly greater than the Rates Level Barrier?

If the answer is:

- (A) **YES:** the Trading Strategy is to <u>sell</u> the Fourth EURIBOR Future until the next following Rebalancing Date; or
- (B) **NO:** the Index Calculation Agent shall consider question (iv) below.
- (iv) Is the Spread Trend Indicator strictly less than the Spread Level Barrier?

If the answer is:

- (A) **YES:** the Trading Strategy is to <u>sell</u> the Fourth EURIBOR Future until the next following Rebalancing Date; or
- (B) **NO:** the Trading Strategy is to **buy** the Fourth EURIBOR Future until the next following Rebalancing Date;

#### **Diagram of the Trading Strategy**



#### 9. Indicators and barriers

For the purposes of the Determination of the Trading Strategy under Section 8(b) (Trading Strategy) above:

The "Rates Trend Indicator" takes values between 0 and 100. It aims to have (a) a high value within this range if there is a high likelihood for an upward trend in the 3 Month Reference Rate. If the value of the Rates Trend Indicator exceeds the Rates Level Barrier it is assumed that there in fact is an upwards trend in the 3 Month Reference Rate.

The "Rates Trend Indicator" on an Indicator Determination Date t is the twenty day arithmetic average of the trend indicator relating to the 3 Month Reference Rate (expressed as "TI" in the formula below) and is determined in accordance with the following formula:

$$\mathsf{RTI}(t) = \frac{\sum_{i=t \ 19}^{t} TI(i)}{20}$$

Where:

RTI(t)	Means the Rates Trend Indicator in respect of Indicator Determination Date t;
TI(t)	100 – 100/(1+Ratio (t));

100 - 100/(1 + Ratio (t));

Ratio (t) Average Increase (t) / Average Decrease (t);

(13 x Average Increase (t-1) + Increase (t))/14; Average Increase (t) provided that the Average Increase on the Start Date shall be equal to Average Increase (SD);

(13 x Average Decrease (t-1) + Decrease (t))/14;

provided that the Average Decrease on the Start Date shall be equal to Average Decrease (SD);

Average Decrease (t)

Average Increase (SD)

$$\frac{\sum_{i=Start}^{Start} Increase (i)}{14};$$

Average Decrease (SD)

$$\frac{\sum_{i=\text{Start 13}}^{\text{Start}}}{14};$$

Increase (t)	Maximum (3M(t) – 3M(t-1), 0);
Decrease (t)	Maximum (3M(t-1) – 3M(t), 0); and
3M	Means the 3 Month Reference Rate

(b) The "Rates Level Barrier" is the value the Rates Trend Indicator needs to exceed in order for the trading strategy to assume an upwards trend in the 3 Month Reference Rate. It is adjusted to the current market environment by increasing if the volatility of the three month rate is high and decreasing if the volatility is low. Additionally it is limited in its value as detailed below.

The "**Rates Level Barrier**" is calculated each Indicator Determination Date as 75 plus 15 times 100 times the difference between the Volatility of Absolute Returns of the 3 Month Reference Rate, measured from 20 days prior to the Indicator Determination Date to the Indicator Determination Date and the average over 250 days of the Volatility of Absolute Returns of the 3 Month Reference Rate, measured over 20 days. If the calculated measure exceeds 100 the value for the Rates Level Barrier is set to 100. If the calculated measure is below 80 the value for the Rates Level Barrier is set to 80. The Rates Level Barrier on an Indicator Determination Date *t* is determined in accordance with the following formula:

$$b2_{t} = MAX \left( MIN \left( 75 + 15 \cdot 100 \left( \sigma_{t} \left( ar(3M) \right) - \frac{1}{250} \sum_{j=t-249}^{t} \sigma_{j} \left( ar(3M) \right) \right), 100 \right), 80 \right)$$

Where:

- b2tMeans the Rates Level Barrier in respect of<br/>Indicator Determination Date t;σt (ar(3M))Means the 3 Month Reference Rate Volatility in<br/>respect of Indicator Determination Date t as<br/>defined under (e):
- (c) The "Spread Trend Indicator" takes values between 0 and 100. It aims to have a low value within this range if there is a high likelihood for a downward trend in the TwosTens Spread. If the value of the Spread Level Barrier exceeds the Spread Trend Indicator it is assumed that there in fact is a downwards trend in the TwosTens Spread.

The "**Spread Trend Indicator**" on an Indicator Determination Date t is the twenty day arithmetic average of the trend indicator relating to the TwosTens Spread (expressed as "TI" in the formula below) and is determined in accordance with the following formula:

$$STI(t) = \frac{\sum_{i=t}^{t} TI(i)}{20}$$

Where:

STI(t)	Means the Spread Trend Indicator in respect of
	Indicator Determination Date t;

**TI(t)** 100 – 100/(1+Ratio (t));

**Ratio (t)** Average Increase (t) / Average Decrease (t);

Average	(13 x Average Increase (t-1) + Increase (t))/14;
Increase (t)	provided that the Average Increase on the Start
	Date shall be equal to Average Increase (SD);

Average(13 x Average Decrease (t-1) + Decrease (t))/14;Decrease (t)provided that the Average Decrease on the StartDate shall be equal to Average Decrease (SD);

Average  
Increase (SD) 
$$\frac{\sum_{i=Start-13}^{Start} Increase (i)}{14};$$

Average Decrease (SD)

S

∑Decrease (i)			
i=Start	13		
		14	,

Increase (t)	Maximum $(s(t) - s(t-1), 0);$
--------------	-------------------------------

**Decrease (t)** Maximum (s(t-1) - s(t), 0); and

Means the TwosTens Spread.

(d) The "Spread Level Barrier" is the value the Spread Trend Indicator needs to fall below in order for the trading strategy to assume a downwards trend in the TwosTens Spread. It is adjusted to the current market environment by decreasing if the current ratio between the TwosTens Spread and its volatility is high and increasing if this ratio is low. Additionally it is limited in its value as detailed below.

The "**Spread Level Barrier**" is calculated each Indicator Determination Date as 40 minus 5 times the difference between ratio of the TwosTens Spread and the Volatility of Absolute Returns of the TwosTens Spread, measured from 20 days prior to the Indicator Determination Date to the Indicator Determination Date and the average over 250 days of the ratio of the TwosTens Spread and the Volatility of Absolute Returns of the TwosTens Spread, measured over 20 days. If the calculated measure exceeds 45 the value for the Spread Level Barrier is set to 45. If the calculated measure is below 0 the value for the Spread Level Barrier is determined in accordance with the following formula

$$b3_{t} = MAX \left( MIN \left( 40 - 5 \left( \frac{s_{t}}{\sigma_{t} (ar(s))} - \frac{1}{250} \sum_{j=t-249}^{t} \frac{s_{j}}{\sigma_{j} (ar(s))} \right), 45 \right), 0 \right)$$

Where:

b3 <sub>t</sub>	Means the Spread Level Barrier in respect of Indicator Determination Date <i>t</i> ,
σ <sub>t</sub> (ar(s))	Means the TwosTens Volatility in respect of Indicator Determination Date t as defined under (f);

- st Means the TwosTens Spread on day t
- (e) The "**3 Month Reference Rate Volatility**" is calculated each Indicator Determination Date as the Annualized Volatility of the Absolute Return of the 3 Month Reference Rate measured over the last 20 index valuation days. The 3 Month Reference Rate Volatility on an Indicator Determination Date *t* is determined in accordance with the following formula:

$$\sigma_t(ar(3M))) = \sqrt{\frac{250}{20}} \sum_{j=t-19}^t (ar(3M)_{j-1,j})^2$$

Where:

- σt(ar(3M))Means the 3 Month Reference Rate Volatility in<br/>respect of Indicator Determination Date t<br/>determined over 20 Index Valuation days;
- ar(3M)t-1, tMeans the Absolute Return on the 3 Month<br/>Reference Rate from time t-1 to time t, expressed<br/>as a formula:

$$ar(3M)_{t-1,t} = r(t) - r(t-1)$$
; and

r(t) Means the 3 Month Reference Rate on day t

(f) The **"TwosTens Volatility**" is calculated each Indicator Determination Date as the Annualized Volatility of the Absolute Return of the TwosTens Spread measured over the last 20 index valuation days. The TwosTens Volatility on an Indicator Determination Date *t* is determined in accordance with the following formula:

$$\sigma_t(ar(s)) = \sqrt{\frac{250}{20} \sum_{j=t-19}^{t} (ar(s)_{j-1,j})^2}$$

Where:

σ <sub>t</sub> (ar(s))	Means the TwoTens Volatility in respect of Indicator Determination Date <i>t</i> determined over 20 Index Valuation days;
ar(s) <sub>t-1, t</sub>	Means the Absolute Return on the TwosTens Spread from time $t-1$ to time $t$ , expressed as a formula:
	$ar(s)_{t-1,t} = s(t) - s(t-1)$ ; and
s(t)	Means the TwosTens Spread on day t

## 10. Data Provider disclaimer

None of the Index Sponsor, the Index Calculation Agent or any of their respective affiliates has any relationship with, is affiliated with or has received compensation from any organisations that have created or publish or provide the information that serves as a reference for the Index (collectively the "**Data Providers**"). None of the Index Sponsor, the Index Calculation Agent or any of their respective affiliates assumes any responsibility for the non-availability or miscalculation of, or any error or omission in, any of the rates used to make any determination in respect of the Index. None of the Data Providers sponsor, endorse or promote the Index or any Investment Products which references the Index.

## Appendix 1: Definitions

Except where the context otherwise requires, the following terms used in this Index Terms Module have the following meanings:

"2 Year CMS Rate" means, in respect of any Indicator Determination Date, the EUR-ISDA-EURIBOR Swap Rate-11:00 with a designated maturity of 2 years, expressed as a percentage, as observed on the Display Page at 11 a.m. Frankfurt time on the relevant Indicator Determination Date. For the purposes of any calculations under this Index Terms Module, the relevant value for the 2 Year CMS Rate shall be equal to such rate multiplied by one hundred. (For example, if the relevant rate is equal to 1.5%, the relevant value used in any applicable calculations will be equal to 1.5.)

"3 Month Reference Rate" means, in respect of any Index Valuation Date, the EUR-EURIBOR-Reuters rate with a designated maturity of 3 months, expressed as a percentage, as observed on the Display Page at 11 a.m. Frankfurt time on the relevant Indicator Determination Date. For the purposes of any calculations under this Index Terms Module, the relevant value for the 3 Month Reference Rate shall be equal to such rate multiplied by one hundred. (For example, if the relevant rate is equal to 1.5%, the relevant value used in any applicable calculations will be equal to 1.5.)

"3 Month Reference Rate Volatility" has the meaning set out in Section 9 (*Indicators and barriers*) of this Index Terms Module.

"**10 Year CMS Rate**" means, in respect of any Indicator Determination Date, the EUR-ISDA-EURIBOR Swap Rate-11:00 with a designated maturity of 10 years, expressed as a percentage, as observed on the Display Page at 11 a.m. Frankfurt time on the relevant Indicator Determination Date. For the purposes of any calculations under this Index Terms Module, the relevant value for the 10 Year CMS Rate shall be equal to such rate multiplied by one hundred. (For example, if the relevant rate is equal to 1.5%, the relevant value used in any applicable calculations will be equal to 1.5.)

"Base Date" has the meaning set out in the Parameters Table.

"Business Day" means days which are London Business Days and Frankfurt Business Day.

"CMS Rate" means either the 2 Year CMS Rate or the 10 Year CMS Rate.

"**Display Page**" means (a) in respect of a 2y CMS Rate, the page designated as ISDAFIX2 Page; and (b) in respect of a 10y CMS Rate, the page designated as ISDAFIX2 Page; (c) in respect of the 3 Month Reference Rate, the page designated as EURIBOR3MD= Page, in each case on the Reuters Money 3000 Service (or such other page as may replace that page on that service, or any replacement service, for the purpose of displaying comparable rates, as determined by the Index Calculation Agent).

**"EUR**" means the currency of the European monetary union, the Euro, or its respective successor as determined by the European Central Bank.

"EURIBOR Future" means the Three Month EURIBOR Futures Contract traded on LIFFE.

**"Fourth Euribor Future"** means, in respect of an Index Valuation Day which is on or after a Rebalancing Date immediately preceding a Future Expiry Date, and on or before this Future Expiry Date, the Euribor Future on LIFFE which expires in the month of the fifth Future

Expiry Date from that Index Valuation Day (including the current date if it is a Future Expiry date), as published by LIFFE and determined by the Index Calculation Agent.

In respect of any other Index Valuation Day, the Euribor Future on LIFFE which expires in the month of the fourth Future Expiry Date from that Index Valuation Day, as published by LIFFE and determined by the Index Calculation Agent.

"Frankfurt Business Day" means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency) in Frankfurt.

"Futures Expiry Date" means the second Business Day prior to the third Wednesday in each of March, June, September and December in each year, which corresponds to the second Business Day prior to the last scheduled trading day of the quarterly EURIBOR Future traded on the LIFFE.

"Futures Return" means the value determined under Section 6 (*Calculation of the Futures Return*) of this Index Terms Module.

"Index" has the meaning set out in Section 1(a) (*Introduction*).

"Index Level" means the level of the Index as determined pursuant to Section 5 (*Calculation of the Index Level*) of this Index Terms Module.

"Index Valuation Date" has the meaning given to it in Section 3(a) (*Index Publication*) of this Index Terms Module.

"Indicator" means the value determined pursuant to Section 7 (*Determination of the Indicator*) of this Index Terms Module.

"Indicator Determination Date" means, in respect of a Rebalancing Date, the second Index Valuation Date prior to that Rebalancing Date.

"Initial Index Level" has the meaning set out in the Parameters Table for the Index.

"LIFFE" means the London International Financial Futures and Options Exchange.

"Liquidity Disruption Event" means, in respect of any Index Valuation Date and as determined in its discretion by the Index Calculation Agent, a material reduction in the liquidity of the EURIBOR Future on the LIFFE such that the prices quoted on the Relevant Page do not adequately reflect the price at which a market participant may enter into a position in respect of the EURIBOR Future. Factors which may indicate a Liquidity Disruption Event include, without limitation, a material reduction in the volume of trades in the EURIBOR Future, a material widening of the bid-offer spread in respect of the EURIBOR Future, in each case when compared to historic averages.

"London Business Day" means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency) in London.

"Market Disruption Event" means, in respect of any Index Valuation Date and as determined in its discretion by the Index Calculation Agent any rate or any other value relevant to the determination of the level of the Index is not available or does not accurately reflect the relevant market, any other disruption which disrupts the ability of market

participants to effect transactions or obtain quotes in respect of the relevant rate or value or prevents the Index Calculation Agent from calculating or disseminating the Index Level, including but not limited to:

- (a) any relevant futures exchange not opening for business or severely curtailing its hours of business; or
- (b) trading on a relevant futures exchange being conducted without timely dissemination of closing price data.

"**Parameters Table**" means the table set out in Appendix 2 (*Parameters Table*) of this Index Terms Module.

"Rates Level Barrier" has the meaning set out in Section 9 (*Indicators and barriers*) of this Index Terms Module.

"Rates Trend Indicator" has the meaning set out in Section 9 (*Indicators and barriers*) of this Index Terms Module.

"Rebalancing Date" has the meaning set out in the Parameters Table.

"**Reference Banks**" mean five leading swap dealers in the London interbank market, as selected by the Index Calculation Agent.

"**Relevant Observation Points**" means, in respect of an Index Valuation Date, each time [at our around] the times on such Index Valuation Date specified in the Parameters Table for the Index.

"Relevant Page" means, in case the Fourth Euribor Future expires on the fifth Future Expiry Date from the current Index Valuation Day Thomson Reuters Page FEIcm5 or otherwise, Thomson Reuters Page FEIcm4, or in each case their respective successors, as determined by the Index Calculation Agent.

"**Spread Level Barrier**" has the meaning set out in Section 9 (*Indicators and barriers*) of this Index Terms Module.

"**Start Date**" means 19 January 1999, which is the date on which calculations needed in the determination of the Indicators are performed for the first time.

"**Trading Strategy**" means the trading strategy set out in Section 8 (*Trading Strategy*) of this Index Terms Module.

"**TwosTens Spread**" means, in respect of an Indicator Determination Date, the difference between the 10y CMS Rate minus the 2y CMS Rate observed on such Indicator Determination Date.

"TwosTens Volatility" has the meaning set out in Section 9 (*Indicators and barriers*) of this Index Terms Module.

# Appendix 2: Parameters Table

Index	Base Date	Initial Index Level	Rebalancing Date	Relevant Observation Points (London time)	Bloomberg page
HSBC Uniform EUR Core Index	10 March 2000	100	The third Index Valuation Date prior to the third Wednesday in each calendar month	2 p.m., 2:30 p.m., 3 p.m., 3:30 p.m and 4 p.m.	HSUNEU00 Index

## Appendix 3: Disclaimer

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# **HSBC Global Markets Indices**

Index Terms Module (HSBC Uniform GBP Core Index)

Version 18.1 October 2013

#### CONTENTS

#### Section

1.	Introduction	1
2.	Overview of the Index	1
3.	Index publication	1
4.	Disruption Events	2
5.	Calculation of the Index Level	3
6.	Calculation of the Futures Return	3
7.	Determination of the Indicator	5
8.	Trading Strategy	5
9.	Indicators and barriers	7
10.	Data Provider disclaimer	11

## Appendix

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#### Page

Page

## 1. Introduction

#### (a) General

This Index Terms Module, together with the Base Terms Module, forms the Index Description for the HSBC Uniform GBP Core Index (the "**Index**").

This Index Terms Module must be read, and must be interpreted, in conjunction with the Base Terms Module. This is not a stand alone document and should not be read or interpreted separately from the other parts of the Index Description for the Index. If there is any inconsistency between the terms of this Index Terms Module and the Base Terms Module, the terms of this Index Terms Module shall prevail.

#### (b) **Definitions**

Any capitalised term not defined in Appendix 1 (*Definitions*) of this Index Terms Module shall have the meaning given to such term in the Base Terms Module.

#### (c) Index Parameters

Certain parameters for the Index, which are used to determine the Index Level for the Index as described herein, are set out in the Parameters Table in Appendix 2 (*Parameters Table*).

## 2. Overview of the Index

The HSBC Uniform GBP Core Index has been developed as an index aiming to benefit from price moves in the Short Sterling Future. The values for the Index Level of the Index are available for each Index Valuation Date from the Base Date, at which time the Index Level was set at the Initial Index Level.

#### 3. Index publication

(a) The "Index Valuation Date" means each Business Day from and including the Start Date of the Index.

Subject to the occurrence of any Data Disruption or Market Disruption Event, the Index Level for the Index is calculated on each Index Valuation Date (following the Base Date). The Index Level is normally released by 5 p.m. London time on the relevant Index Valuation Date.

- (b) The Index Level is calculated in GBP only. The calculation method for the Index does not incorporate any deductions for transaction costs, taxes or fees.
- (c) The Index Level is published on the pages specified in the Parameters Table.
- (d) The "**Observation Time**" is 4 p.m. London time. For the purposes of calculating the historic data in respect of the back-testing period (i.e. between the Base Date and 1st of June 2011), the Index Calculation Agent may have used a different Observation Time than 4 p.m.

## 4. Disruption Events

#### (a) Market Disruption Events

If the Index Calculation Agent determines that a Market Disruption Event has occurred in respect of any Index Valuation Date, then no level of the Index shall be determined for such Index Valuation Date and determination of the level of the Index shall be suspended until such time as the Index Calculation Agent determines that the Market Disruption Event no longer exists. If the Market Disruption Event continues for eight Index Valuation Dates, then the Index Sponsor may determine that it will terminate the publication of the Index.

#### (b) Liquidity Disruption Events

If the Index Calculation Agent determines that a Liquidity Disruption Event has occurred in respect of any Index Valuation Date, then the Index Sponsor may determine that it will terminate the publication of the Index. Any event that the Index Calculation Agent determines would constitute a Market Disruption Event and a Liquidity Disruption Event shall be considered to be a Liquidity Disruption Event and the provisions of this Section 4(b) shall apply.

#### (c) Indicator Disruption Events

- If a CMS Rate does not appear on the Display Page on any Index (i) Valuation Date, the rate for that Index Valuation Date will be a percentage determined by the Index Calculation Agent on the basis of the mid-market semi-annual swap rate quotations provided by the Reference Banks at approximately 11 a.m. London time on the relevant Index Valuation Date. For this purpose, the "mid-market semiannual swap rate" means the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on a Act/365 day count basis, of a fixed-for-floating GBP interest rate swap transaction with a term equal to the relevant designated maturity commencing on that day and in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/365 day count basis, is equivalent to GBP-LIBOR-BBA with a designated maturity of six months. The Index Calculation Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for that day will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If the Index Calculation Agent is unable to obtain the relevant rate, then there shall be deemed to be a Market Disruption Event and the provisions of Section 4(a) shall apply accordingly.
- (ii) If the 3 Month Reference Rate does not appear on the Display Page on any Index Valuation Date, the rate for that Index Valuation Date will be a percentage determined by the Index Calculation Agent on the basis of the quarterly money market rate quotations provided by the

Reference Banks at approximately 11 a.m. London time on the relevant Index Valuation Date. For this purpose, the "quarterly money" market rate" means the offered rate for a loan, calculated on a Act/365 day count basis, with a term equal to three month commencing on that day and in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit with a designated maturity of three months. The Index Calculation Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for that day will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If the Index Calculation Agent is unable to obtain the relevant rate, then there shall be deemed to be a Market Disruption Event and the provisions of Section 4(a) shall apply accordingly.

## 5. Calculation of the Index Level

The Index Calculation Agent shall calculate the Index Level on each Index Valuation Date by reference to:

- (a) the Index Level in respect of the immediately preceding Rebalancing Date; and
- (b) the Futures Return from the preceding Rebalancing Date to the relevant Index Valuation Date (as determined pursuant to Section 6 (*Calculation of the Futures Return*) below).

The mathematical expression for calculating the Index Level in respect of Index Valuation Date *t* is as follows:

$$BaseUNI(t) = BaseUNI(n) \ge [1 + (10 \ge R(t))]$$

Where:

BaseUNI(t)	Means the Index Level in respect of Index Valuation Date <i>t</i> ;
BaseUNI(n)	Means the Index Level in respect of the Rebalancing Date immediately preceding Index Valuation Date $t$ , and
R(t)	Means the Futures Return in respect of Index Valuation Date <i>t</i> .

## 6. Calculation of the Futures Return

The Index Calculation Agent shall calculate the Futures Return on each Index Valuation Day by reference to:

(a) the price of the Fourth Short Sterling Future in respect of the Rebalancing Date immediately preceding the relevant Index Valuation Day observed by the Index Calculation Agent at the Observation Time on the Relevant Page on the relevant Index Valuation Day;

- (b) the arithmetic average of the relevant prices of the Fourth Short Sterling Future in respect of the Rebalancing Date immediately preceding the relevant Index Valuation Day, observed by the Index Calculation Agent on the Relevant Page at the Relevant Observation Points on such immediately preceding Rebalancing Date; and
- (c) the relevant Indicator (as determined pursuant to Section 7 (*Determination of the Indicator*) below).

The mathematical expression for calculating the Futures Return from Rebalancing Date n to Index Valuation Day t is as follows:

$$R(t) = \frac{SF(t) - SF(n)}{100} \cdot Indicator(t)$$

Where:

R(t) means the Futures Return in respect of Index Valuation Day t;

- **SF(t)** means the price of the Fourth Short Sterling Future in respect of the Rebalancing Date immediately preceding Index Valuation Day *t*, as observed by the Index Calculation Agent at the Observation Time on the Relevant Page on Index Valuation Day *t*; provided that if Index Valuation Day *t* is a Rebalancing Date, SF(t) shall be equal to SF(t\*);
- SF(t\*) means the arithmetic average rounded to four decimal places of the prices of the Fourth Short Sterling Future in respect of the last Rebalancing Date prior to Index Valuation Day *t* observed by the Index Calculation Agent on the Relevant Page at the Relevant Observation Points on the Index Valuation Day *t*; and
- SF(n) means the arithmetic average rounded to four decimal places of the prices of the Fourth Short Sterling Future in respect of the Rebalancing Date immediately preceding Index Valuation Day t, observed by the Index Calculation Agent on the Relevant Page at the Relevant Observation Points on the Rebalancing immediately Date preceding Index Valuation Day t; and
- Indicator(t) means the relevant value of the Indicator in

respect of the Index Valuation Day t

## 7. Determination of the Indicator

The Index Calculation Agent shall calculate the Indicator on each Index Valuation Date by reference to the Trading Strategy as of the immediately preceding Rebalancing Date (as determined pursuant to Section 8 (*Trading Strategy*) below).

In respect of Index Valuation Date *t*, the Indicator shall be equal to:

- (a) 1 (one), if the Trading Strategy as of the Rebalancing Date immediately preceding Index Valuation Date *t* was to buy the Fourth Short Sterling Future; or
- (b) -1 (minus one), if the Trading Strategy as of the Rebalancing Date immediately preceding Index Valuation Date *t* was to sell the Fourth Short Sterling Future.

## 8. Trading Strategy

#### (a) **Overview of Trading Strategy**

On each Rebalancing Date, the Index Calculation Agent shall determine whether the Trading Strategy is to:

- (i) **<u>buy</u>** the Fourth Short Sterling Future;
- (ii) <u>sell</u> the Fourth Short Sterling Future

For the avoidance of doubt, there can only be one Trading Strategy determined in respect of each Indicator Determination Date.

#### (b) **Determination of the Trading Strategy**

In order to determine the Trading Strategy in respect of Rebalancing Date t, the Index Calculation Agent shall determine the answers to the following questions (as required) in the order specified below, on the relevant Indicator Determination Date:

(i) Is the ratio of the TwosTens Spread over the TwosTens Volatility greater than 2.5?

If the answer is:

- (A) **YES:** the Trading Strategy is to **buy** the Fourth Short Sterling Future until the next following Rebalancing Date; or
- (B) **NO:** the Index Calculation Agent shall consider question 8(b)(ii) below.
- (ii) Is the ratio of the TwosTens Spread over the TwosTens Volatility less than -1.25?

If the answer is:

- (A) **YES:** the Trading Strategy is to <u>sell</u> the Fourth Short Sterling Future until the next following Rebalancing Date; or
- (B) **NO:** the Index Calculation Agent shall consider question (iii) below.
- (iii) Is the Rates Trend Indicator strictly greater than the Rates Level Barrier?

If the answer is:

- (A) **YES:** the Trading Strategy is to <u>sell</u> the Fourth Short Sterling Future until the next following Rebalancing Date; or
- (B) **NO:** the Index Calculation Agent shall consider question (iv) below.
- (iv) Is the Spread Trend Indicator strictly less than the Spread Level Barrier?

If the answer is:

- (A) **YES:** the Trading Strategy is to <u>sell</u> the Fourth Short Sterling Future until the next following Rebalancing Date; or
- (B) **NO:** the Trading Strategy is to **buy** the Fourth Short Sterling Future until the next following Rebalancing Date;

#### (c) **Diagram of the Trading Strategy**



## 9. Indicators and barriers

For the purposes of the Determination of the Trading Strategy under Section 8(b) (*Trading Strategy*) above:

(a) The "Rates Trend Indicator" takes values between 0 and 100. It aims to have a high value within this range if there is a high likelihood for an upward trend in the 3 Months Reference Rate. If the value of the Rates Trend Indicator exceeds the Rates Level Barrier it is assumed that there in fact is an upwards trend in the 3 Months Reference Rate.

The "**Rates Trend Indicator**" on an Indicator Determination Date t is the twenty day arithmetic average of the trend indicator relating to the 3 Month Reference Rate (expressed as "TI" in the formula below) and is determined in accordance with the following formula:

RTI (t) = 
$$\frac{\sum_{i=t}^{t} TI(i)}{20}$$
; where:

Where:

RTI(t)	Means the Rates Trend Indicator in respect of Indicator Determination Date t;
TI(t)	100 – 100/(1+Ratio (t));
Ratio (t)	Average Increase (t) / Average Decrease (t);
Average Increase (t)	(13 x Average Increase (t-1) + Increase (t))/14; provided that the Average Increase on the Start Date shall be equal to Average Increase (SD);
Average Decrease (t)	(13 x Average Decrease (t-1) + Decrease (t))/14; provided that the Average Decrease on the Start Date shall be equal to Average Decrease (SD);
Average Increase (SD)	$\frac{\sum_{i=Start-13}^{Start} Increase(i)}{14};$
Average Decrease (SD)	$\frac{\sum_{i=\text{Start 13}}^{\text{Start}}}{14};$
Increase (t)	Maximum (3M(t) – 3M(t-1), 0);
Decrease (t)	Maximum (3M(t-1) – 3M(t), 0); and
3M	Means the 3 Month Reference Rate

(b) The "Rates Level Barrier" is the value the Rates Trend Indicator needs to exceed in order for the trading strategy to assume an upwards trend in the 3 Month Reference Rate. It is adjusted to the current market environment by increasing if the volatility of the 3 Month Reference Rate is high and decreasing if the volatility is low. Additionally it is limited in its value as detailed below.

The "**Rates Level Barrier**" is calculated each Indicator Determination Date as 75 plus 15 times 100 times the difference between the Volatility of Absolute Returns of the 3M Reference Rate, measured from 20 days prior to the Indicator Determination Date to the Indicator Determination Date and the average over 250 days of the Volatility of Absolute Returns of the 3M Reference Rate, measured over 20 days. If the calculated measure exceeds 100 the value for the Rates Level Barrier is set to 100. If the calculated measure is below 80 the value for the Rates Level Barrier is set to 80. The Rates Level Barrier on an Indicator Determination Date *t* is determined in accordance with the following formula:

$$b2_{t} = MAX \left( MIN \left( 75 + 15 \cdot 100 \left( \sigma_{t} \left( ar(3M) \right) - \frac{1}{250} \sum_{j=t-249}^{t} \sigma_{j} \left( ar(3M) \right) \right), 100 \right), 80 \right)$$

Where:

b2 <sub>t</sub>	Means the Rates Level Barrier in respect of Indicator Determination Date <i>t</i> ,
σ <sub>t</sub> (ar(3M))	Means the 3 Month Reference Rate Volatility in respect of Indicator Determination Date <i>t</i> as defined under (e);
3M	Means the 3 Month Reference Rate.

(c) The "Spread Trend Indicator" takes values between 0 and 100. It aims to have a low value within this range if there is a high likelihood for a downward trend in the TwosTens Spread. If the value of the Spread Level Barrier exceeds the Spread Trend Indicator it is assumed that there in fact is a downwards trend in the TwosTens Spread.

The "**Spread Trend Indicator**" on an Indicator Determination Date t is the twenty day arithmetic average of the trend indicator relating to the TwosTens Spread (expressed as "TI" in the formula below) and is determined in accordance with the following formula:

$$STI(t) = \frac{\sum_{i=t \ 19}^{t} TI(i)}{20}$$

Where:	
STI(t)	Means the Spread Trend Indicator in respect of Indicator Determination Date t;
TI(t)	100 – 100/(1+Ratio (t));
Ratio (t)	Average Increase (t) / Average Decrease (t);
Average Increase (t)	(13 x Average Increase (t-1) + Increase (t))/14; provided that the Average Increase on the Start Date shall be equal to Average Increase (SD);
Average Decrease (t)	(13 x Average Decrease (t-1) + Decrease (t))/14; provided that the Average Decrease on the Start Date shall be equal to Average Decrease (SD);
Average Increase (SD)	$\frac{\sum_{i=Start-13}^{Start}Increase(i)}{14};$
Average Decrease (SD)	$\frac{\sum_{i=Start}^{Start} Decrease(i)}{14};$
Increase (t)	Maximum (s(t) – s(t-1), 0);
Decrease (t)	Maximum $(s(t-1) - s(t), 0)$ ; and
S	Means the TwosTens Spread.

(d) The "Spread Level Barrier" is the value the Spread Trend Indicator needs to fall below in order for the trading strategy to assume a downwards trend in the TwosTens Spread. It is adjusted to the current market environment by decreasing if the current ratio between the TwosTens Spread and its volatility is high and increasing if this ratio is low. Additionally it is limited in its value as detailed below.

The "**Spread Level Barrier**" is calculated each Indicator Determination Date as 40 minus 5 times the difference between ratio of the TwosTens Spread and the Volatility of Absolute Returns of the TwosTens Spread, measured from 20 days prior to the Indicator Determination Date to the Indicator Determination Date and the average over 250 days of the ratio of the TwosTens Spread and the Volatility of Absolute Returns of the TwosTens Spread, measured over 20 days. If the calculated measure exceeds 45 the value for the Spread Level Barrier is set to 45. If the calculated measure is below 0 the value for the Spread Level Barrier is set to 0. The Spread Level Barrier on an Indicator Determination Date *t* is determined in accordance with the following formula

$$b3_{t} = MAX \left( MIN \left( 40 - 5 \left( \frac{s_{t}}{\sigma_{t} (ar(s))} - \frac{1}{250} \sum_{j=t-249}^{t} \frac{s_{j}}{\sigma_{j} (ar(s))} \right), 45 \right), 0 \right)$$

Where:

B3 <sub>t</sub>	Means the Spread Level Barrier in respect of Indicator Determination Date <i>t</i> ,
σ <sub>t</sub> (ar(s))	Means the TwosTens Volatility in respect of Indicator Determination Date t as defined under (f);
St	Means the TwosTens Spread on day t

(e) The "3 Month Reference Rate Volatility" is calculated each Indicator Determination Date as the Annualized Volatility of the Absolute Return of the 3 Month Reference Rate measured over the last 20 index valuation days. The 3 Month Reference Rate Volatility on an Indicator Determination Date *t* is determined in accordance with the following formula:

$$\sigma_t(ar(3M))) = \sqrt{\frac{250}{20} \sum_{j=t-19}^t (ar(3M)_{j=1,j})^2}$$

Where:

- σt(ar(3M))Means the 3 Month Reference Rate Volatility in<br/>respect of Indicator Determination Date t<br/>determined over 20 Index Valuation days;
- ar(3M)t-1, tMeans the Absolute Return on the 3 Month<br/>Reference Rate Spread from time t-1 to time t,<br/>expressed as a formula:

$$ar(3M)_{t-1,t} = r(t) - r(t-1)$$
; and

r(t) Means the 3 Month Reference Rate on day t

(f) The "**TwosTens Volatility**" is calculated each Indicator Determination Date as the Annualized Volatility of the Absolute Return of the TwosTens Spread measured over the last 20 index valuation days. The TwosTens Volatility on an Indicator Determination Date t is determined in accordance with the following formula:

$$\sigma_t(ar(s)) = \sqrt{\frac{250}{20}} \sum_{j=t-19}^t (ar(s)_{j-1,j})^2$$

Where:

- σ<sub>t</sub>(ar(s))Means the TwoTens Volatilty in respect of<br/>Indicator Determination Date t determined over<br/>20 Index Valuation days;
- ar(s)Means the Absolute Return on the TwosTensSpread from time t-1 to time t, expressed as a<br/>formula:

 $ar(s)_{t-1,t} = s(t) - s(t-1)$ ; and

s(t) Means the TwosTens Spread on day t

#### 10. Data Provider disclaimer

None of the Index Sponsor, the Index Calculation Agent or any of their respective affiliates has any relationship with, is affiliated with or has received compensation from any organisations that have created or publish or provide the information that serves as a reference for the Index (collectively the "**Data Providers**"). None of the Index Sponsor, the Index Calculation Agent or any of their respective affiliates assumes any responsibility for the non-availability or miscalculation of, or any error or omission in, any of the rates used to make any determination in respect of the Index. None of the Data Providers sponsor, endorse or promote the Index or any Investment Products which references the Index.

## Appendix 1: Definitions

Except where the context otherwise requires, the following terms used in this Index Terms Module have the following meanings:

"2 Year CMS Rate" means, in respect of any Indicator Determination Date, the swap rate GBP-ISDA-Swap Rate for GBP swaps with a designated maturity of 2 years, expressed as a percentage, as observed on the Display Page at 11 a.m. London time on the relevant Indicator Determination Date. For the purposes of any calculations under this Index Terms Module, the relevant value for the 2 Year CMS Rate shall be equal to such rate multiplied by one hundred. (For example, if the relevant rate is equal to 1.5%, the relevant value used in any applicable calculations will be equal to 1.5.)

"3 Month Reference Rate" means, in respect of any Index Valuation Date, the rate GBP-LIBOR-BBA with a designated maturity of 3 months, expressed as a percentage, as observed on the Display Page at 11 a.m. London time on the relevant Indicator Determination Date. For the purposes of any calculations under this Index Terms Module, the relevant value for the 3 Month Reference Rate shall be equal to such rate multiplied by one hundred. (For example, if the relevant rate is equal to 1.5%, the relevant value used in any applicable calculations will be equal to 1.5.)

"**10 Year CMS Rate**" means, in respect of any Indicator Determination Date, the swap rate GBP-ISDA-Swap Rate for GBP swaps with a designated maturity of 10 years, expressed as a percentage, as observed on the Display Page at 11 a.m. London time on the relevant Indicator Determination Date. For the purposes of any calculations under this Index Terms Module, the relevant value for the 10 Year CMS Rate shall be equal to such rate multiplied by one hundred. (For example, if the relevant rate is equal to 1.5%, the relevant value used in any applicable calculations will be equal to 1.5.)

"Base Date" has the meaning set out in the Parameters Table.

"Business Day" means London Business Day.

"CMS Rate" means either the 2 Year CMS Rate or the 10 Year CMS Rate.

"**Display Page**" means (a) in respect of a 2y CMS Rate, the page designated as GBPSFIX2y= Page; and (b) in respect of a 10y CMS Rate, the page designated as GBPSFIX10y= Page; (c) in respect of the 3 Month Reference Rate, the page designated as LIBOR01 Page, in each case on the Reuters Money 3000 Service (or such other page as may replace that page on that service, or any replacement service, for the purpose of displaying comparable rates, as determined by the Index Calculation Agent).

**"Fourth Short Sterling Future"** means, in respect of the first Index Valuation Day prior to a Future Expiry Date or a Future Expiry Date the Short Sterling Future on LIFFE which expires in the month of the fifth Future Expiry Date from that Index Valuation Day, as published by LIFFE and determined by the Index Calculation Agent.

In respect of any other Index Valuation Day, the Short Sterling Future on LIFFE which expires in the month of the fourth Future Expiry Date from that Index Valuation Day, as published by LIFFE and determined by the Index Calculation Agent.

"Futures Expiry Date" means the third Wednesday in each of March, June, September and
December in each year, which corresponds to the last scheduled trading day of the quarterly Short Sterling Future traded on the LIFFE.

"Futures Return" means the value determined under Section 6 (*Calculation of the Futures Return*) of this Index Terms Module.

"GBP" means pounds sterling or such successor official currency of the United Kingdom.

"Index" has the meaning set out in Section 1(a) (*Introduction*).

"Index Level" means the level of the Index as determined pursuant to Section 5 (*Calculation of the Index Level*) of this Index Terms Module.

"Index Valuation Date" has the meaning given to it in Section 3(a) (*Index Publication*) of this Index Terms Module.

"Indicator" means the value determined pursuant to Section 7 (*Determination of the Indicator*) of this Index Terms Module.

"**Indicator Determination Date**" means, in respect of a Rebalancing Date, the second Index Valuation Date prior to that Rebalancing Date.

"Initial Index Level" has the meaning set out in the Parameters Table for the Index.

"LIFFE" means the London International Financial Futures and Options Exchange.

"Liquidity Disruption Event" means, in respect of any Index Valuation Date and as determined in its discretion by the Index Calculation Agent, a material reduction in the liquidity of the Short Sterling Future on the LIFFE such that the prices quoted on the Relevant Page do not adequately reflect the price at which a market participant may enter into a position in respect of the Short Sterling Future. Factors which may indicate a Liquidity Disruption Event include, without limitation, a material reduction in the volume of trades in the Short Sterling Future, a material widening of the bid-offer spread in respect of the Short Sterling Future, in each case when compared to historic averages.

"London Business Day" means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency) in London.

"Market Disruption Event" means, in respect of any Index Valuation Date and as determined in its discretion by the Index Calculation Agent any rate or any other value relevant to the determination of the level of the Index is not available or does not accurately reflect the relevant market, any other disruption which disrupts the ability of market participants to effect transactions or obtain quotes in respect of the relevant rate or value or prevents the Index Calculation Agent from calculating or disseminating the Index Level, including but not limited to:

- (a) any relevant futures exchange not opening for business or severely curtailing its hours of business; or
- (b) trading on a relevant futures exchange being conducted without timely dissemination of closing price data.

"Parameters Table" means the table set out in Appendix 2 (*Parameters Table*) of this Index

Terms Module.

"Rates Level Barrier" has the meaning set out in Section 9 (*Indicators and barriers*) of this Index Terms Module.

"Rates Trend Indicator" has the meaning set out in Section 9 (*Indicators and barriers*) of this Index Terms Module.

"Rebalancing Date" has the meaning set out in the Parameters Table.

"**Reference Banks**" mean five leading swap dealers in the London interbank market, as selected by the Index Calculation Agent.

"**Relevant Observation Points**" means, in respect of an Index Valuation Date, each time [at our around] the times on such Index Valuation Date specified in the Parameters Table for the Index.

"Relevant Page" means, in case the Fourth Short Sterling Future expires on the fifth Future Expiry Date from the current Index Valuation Day Thomson Reuters Page FSScm5 or otherwise, Thomson Reuters Page FSScm4, or in each case their respective successors, as determined by the Index Calculation Agent.

"Short Sterling Future" means the Three Month Sterling Futures Contract traded on LIFFE.

"**Spread Level Barrier**" has the meaning set out in Section 9 (*Indicators and barriers*) of this Index Terms Module.

"**Start Date**" means 10 December 1990, which is the date on which calculations needed in the determination of the Indicators are performed for the first time.

"**Trading Strategy**" means the trading strategy set out in Section 8 (*Trading Strategy*) of this Index Terms Module.

"**TwosTens Spread**" means, in respect of an Indicator Determination Date, the difference between the 10y CMS Rate minus the 2y CMS Rate observed on such Indicator Determination Date.

"TwosTens Volatility" has the meaning set out in Section 9 (*Indicators and barriers*) of this Index Terms Module.

Index	Base Date	Initial Index Level	Rebalancing Date	Relevant Observation Points (London time)	Bloomberg page
HSBC Uniform GBP Core Index	14 January 1992	100	The first Index Valuation Date prior to the third Wednesday in each calendar month (i.e. one day prior to the last future trading day)	2 p.m., 2:30 p.m., 3 p.m., 3:30 p.m and 4 p.m.	HSUNBP00 Index

## Appendix 3: Disclaimer

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# **HSBC Global Markets Indices**

Index Terms Module (HSBC Uniform USD Core Index)

Version 17.1 October 2013

## CONTENTS

#### Section

1.	Introduction	1
2.	Overview of the Index	1
3.	Index publication	1
4.	Disruption Events	2
5.	Calculation of the Index Level	3
6.	Calculation of the Futures Return	3
7.	Determination of the Indicator	5
8.	Trading Strategy	5
9.	Indicators and barriers	7
10.	Data Provider disclaimer	11

## Appendix

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#### Page

Page

## 1. Introduction

#### (a) General

This Index Terms Module, together with the Base Terms Module, forms the Index Description for the HSBC Uniform USD Core Index (the "**Index**").

This Index Terms Module must be read, and must be interpreted, in conjunction with the Base Terms Module. This is not a stand alone document and should not be read or interpreted separately from the other parts of the Index Description for the Index. If there is any inconsistency between the terms of this Index Terms Module and the Base Terms Module, the terms of this Index Terms Module shall prevail.

#### (b) **Definitions**

Any capitalised term not defined in Appendix 1 (*Definitions*) of this Index Terms Module shall have the meaning given to such term in the Base Terms Module.

#### (c) Index Parameters

Certain parameters for the Index, which are used to determine the Index Level for the Index as described herein, are set out in the Parameters Table in Appendix 2 (*Parameters Table*).

## 2. Overview of the Index

The HSBC Uniform USD Core Index has been developed as an index aiming to benefit from price moves in the Eurodollar Future. The values for the Index Level of the Index are available for each Index Valuation Date from the Base Date, at which time the Index Level was set at the Initial Index Level.

## 3. Index publication

(a) The "Index Valuation Date" means each Business Day from and including the Start Date of the Index.

Subject to the occurrence of any Data Disruption or Market Disruption Event, the Index Level for the Index is calculated on each Index Valuation Date (following the Base Date). The Index Level is normally released by 5 p.m. London time on the relevant Index Valuation Date.

- (b) The Index Level is calculated in USD only. The calculation method for the Index does not incorporate any deductions for transaction costs, taxes or fees.
- (c) The Index Level is published on the pages specified in the Parameters Table.
- (d) The "**Observation Time**" is 4 p.m. London time. For the purposes of calculating the historic data in respect of the back-testing period (i.e. between the Base Date and 01.06.2011), the Index Calculation Agent may have used a different Observation Time than 4 p.m.

## 4. Disruption Events

#### (a) Market Disruption Events

If the Index Calculation Agent determines that a Market Disruption Event has occurred in respect of any Index Valuation Date, then no level of the Index shall be determined for such Index Valuation Date and determination of the level of the Index shall be suspended until such time as the Index Calculation Agent determines that the Market Disruption Event no longer exists. If the Market Disruption Event continues for eight Index Valuation Dates, then the Index Sponsor may determine that it will terminate the publication of the Index.

#### (b) Liquidity Disruption Events

If the Index Calculation Agent determines that a Liquidity Disruption Event has occurred in respect of any Index Valuation Date, then the Index Sponsor may determine that it will terminate the publication of the Index. Any event that the Index Calculation Agent determines would constitute a Market Disruption Event and a Liquidity Disruption Event shall be considered to be a Liquidity Disruption Event and the provisions of this Section 4(b) shall apply.

#### (c) Indicator Disruption Events

- (i) If a CMS Rate does not appear on the Display Page on any Index Valuation Date, the rate for that Index Valuation Date will be a percentage determined by the Index Calculation Agent on the basis of the mid-market semi-annual swap rate quotations provided by the Reference Banks at approximately 11 a.m. New York time on the relevant Index Valuation Date. For this purpose, the "mid-market semiannual swap rate" means the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating USD interest rate swap transaction with a term equal to the relevant designated maturity commencing two Business Days after that day and in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to the USD-LIBOR-BBA rate with a designated maturity of three months. The Index Calculation Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for that day will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If the Index Calculation Agent is unable to obtain the relevant rate, then there shall be deemed to be a Market Disruption Event and the provisions of Section 4(a) shall apply accordingly.
- (ii) If the 3 Month Reference Rate does not appear on the Display Page on any Index Valuation Date, the rate for that Index Valuation Date will be a percentage determined by the Index Calculation Agent on the basis of the quarterly money market rate quotations provided by the Reference Banks at approximately 11 a.m. London time on the relevant Index Valuation Date. For this purpose, the "quarterly money"

market rate" means the offered rates for a loan, calculated on a Act/360 day count basis, with a term equal to three month commencing two Business Days after that day and in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit with a designated maturity of three months. The Index Calculation Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for that day will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the lowest). If the Index Calculation Agent is unable to obtain the relevant rate, then there shall be deemed to be a Market Disruption Event and the provisions of Section 4(a) shall apply accordingly.

## 5. Calculation of the Index Level

The Index Calculation Agent shall calculate the Index Level on each Index Valuation Date by reference to:

- (a) the Index Level in respect of the immediately preceding Rebalancing Date; and
- (b) the Futures Return from the preceding Rebalancing Date to the relevant Index Valuation Date (as determined pursuant to Section 6 (*Calculation of the Futures Return*) below).

The mathematical expression for calculating the Index Level in respect of Index Valuation Date *t* is as follows:

$$BaseUNI(t) = BaseUNI(n) \ge [1 + (10 \ge R(t))]$$

Where:

BaseUNI(t)	Means the Index Level in respect of Index Valuation Date <i>t</i> ,
BaseUNI(n)	Means the Index Level in respect of the Rebalancing Date immediately preceding Index Valuation Date $t$ , and
R(t)	Means the Futures Return in respect of Index Valuation Date <i>t</i> .

## 6. Calculation of the Futures Return

The Index Calculation Agent shall calculate the Futures Return on each Index Valuation Day by reference to:

(a) the price of the Fourth Eurodollar Future in respect of the Rebalancing Date immediately preceding the relevant Index Valuation Day observed by the

Index Calculation Agent at the Observation Time on the Relevant Page on the relevant Index Valuation Day;

- (b) the arithmetic average of the relevant prices of the Fourth Eurodollar Future in respect of the Rebalancing Date immediately preceding the relevant Index Valuation Day, observed by the Index Calculation Agent on the Relevant Page at the Relevant Observation Points on such immediately preceding Rebalancing Date; and
- (c) the relevant Indicator (as determined pursuant to Section 7 (*Determination of the Indicator*) below).

The mathematical expression for calculating the Futures Return from Rebalancing Date n to Index Valuation Day t is as follows:

$$R(t) = \frac{ED(t) - ED(n)}{100} \cdot Indicator(t)$$

Where:

R(t) means the Futures Return in respect of Index Valuation Day t;

- **ED(t)** means the price of the Fourth Eurodollar Future in respect of the Rebalancing Date immediately preceding Index Valuation Day *t*, as observed by the Index Calculation Agent at the Observation Time on the Relevant Page on Index Valuation Day *t*; provided that if Index Valuation Day *t* is a Rebalancing Date, ED(t) shall be equal to ED(t\*);
- **ED(t\*)** means the arithmetic average rounded to four decimal places of the prices of the Fourth Eurodollar Future in respect of the last Rebalancing Date prior to Index Valuation Day *t* observed by the Index Calculation Agent on the Relevant Page at the Relevant Observation Points on the Index Valuation Day *t*; and
- **ED(n)** means the arithmetic average rounded to four decimal places of the prices of the Fourth Eurodollar Future in respect of the Rebalancing Date immediately preceding Index Valuation Day *t*, observed by the Index Calculation Agent on the Relevant Page at the Relevant Observation Points on the Rebalancing Date immediately preceding Index Valuation Day *t*, and
- Indicator(t)means the relevant value of the Indicator<br/>in respect of the Index Valuation Day t

## 7. Determination of the Indicator

The Index Calculation Agent shall calculate the Indicator on each Index Valuation Date by reference to the Trading Strategy as of the immediately preceding Rebalancing Date (as determined pursuant to Section 8 (*Trading Strategy*) below).

In respect of Index Valuation Date *t*, the Indicator shall be equal to:

- (a) 1 (one), if the Trading Strategy as of the Rebalancing Date immediately preceding Index Valuation Date *t* was to buy the Fourth Eurodollar Future; or
- (b) -1 (minus one), if the Trading Strategy as of the Rebalancing Date immediately preceding Index Valuation Date *t* was to sell the Fourth Eurodollar Future.

## 8. Trading Strategy

#### (a) **Overview of Trading Strategy**

On each Rebalancing Date, the Index Calculation Agent shall determine whether the Trading Strategy is to:

- (i) **<u>buy</u>** the Fourth Eurodollar Future;
- (ii) **sell** the Fourth Eurodollar Future

For the avoidance of doubt, there can only be one Trading Strategy determined in respect of each Rebalancing Date.

#### (b) **Determination of the Trading Strategy**

In order to determine the Trading Strategy in respect of Rebalancing Date t, the Index Calculation Agent shall determine the answers to the following questions (as required) in the order specified below, on the relevant Indicator Determination Date:

(i) Is the ratio of the TwosTens Spread over the TwosTens Volatility greater than 2.5?

If the answer is:

- (A) **YES:** the Trading Strategy is to **buy** the Fourth Eurodollar Future until the next following Indicator Determination Date; or
- (B) **NO:** the Index Calculation Agent shall consider question 8(b)(ii) below.
- (ii) Is the ratio of the TwosTens Spread over the TwosTens Volatility less than -1.25?

If the answer is:

(A) **YES:** the Trading Strategy is to <u>sell</u> the Fourth Eurodollar Future until the next following Indicator Determination Date; or

- (B) **NO:** the Index Calculation Agent shall consider question (iii) below.
- (iii) Is the Rates Trend Indicator strictly greater than the Rates Level Barrier?

If the answer is:

- (A) **YES:** the Trading Strategy is to <u>sell</u> the Fourth Eurodollar Future until the next following Indicator Determination Date; or
- (B) **NO:** the Index Calculation Agent shall consider question (iv) below.
- (iv) Is the Spread Trend Indicator strictly less than the Spread Level Barrier?

If the answer is:

- (A) **YES:** the Trading Strategy is to <u>sell</u> the Fourth Eurodollar Future until the next following Indicator Determination Date; or
- (B) **NO:** the Trading Strategy is to **<u>buy</u>** the Fourth Eurodollar Future until the next following Indicator Determination Date;

#### (c) Diagram of the Trading Strategy



## 9. Indicators and barriers

For the purposes of the Determination of the Trading Strategy under Section 8(b) (*Trading Strategy*) above:

(a) The "Rates Trend Indicator" takes values between 0 and 100. It aims to have a high value within this range if there is a high likelihood for an upward trend in the 3 Month Reference Rate. If the value of the Rates Trend Indicator exceeds the Rates Level Barrier it is assumed that there in fact is an upwards trend in the 3 Month Reference Rate.

The "**Rates Trend Indicator**" on an Indicator Determination Date t is the twenty day arithmetic average of the trend indicator relating to the 3 Month Reference Rate (expressed as "TI" in the formula below) and is determined in accordance with the following formula:

RTI (t) = 
$$\frac{\sum_{i=t}^{t} TI(i)}{20}$$

Where:

RTI(t)	Means	the	Rates	Trend	Indicator	in	respect	of
	Indicato	or De	etermina	ation Da	ate t;			

**Ratio (t)** Average Increase (t) / Average Decrease (t);

Average(13 x Average Increase (t-1) + Increase (t))/14;Increase (t)provided that the Average Increase on the StartDate shall be equal to Average Increase (SD);

Average(13 x Average Decrease (t-1) + Decrease (t))/14;Decrease (t)provided that the Average Decrease on the Start<br/>Date shall be equal to Average Decrease (SD);

Average Increase (SD)

 $\frac{\sum_{i=Start-13}^{Start}Increase(i)}{14};$ 

Average Decrease (SD)

$$\frac{\sum_{i=\text{Start 13}}^{\text{Start}}}{14};$$

Increase (t)	Maximum (3M(t) – 3M(t-1), 0);
Decrease (t)	Maximum (3M(t-1) – 3M(t), 0); and
3M	Means the 3 Month Reference Rate

(b) The "Rates Level Barrier" is the value the Rates Trend Indicator needs to exceed in order for the trading strategy to assume an upwards trend in the 3

Month Reference Rate. It is adjusted to the current market environment by increasing if the volatility of the 3 Month Reference Rate is high and decreasing if the volatility is low. Additionally it is limited in its values as detailed below.

The "**Rates Level Barrier**" is calculated each Indicator Determination Date as 75 plus 15 times 100 times the difference between the Volatility of Absolute Returns of the 3 Month Reference Rate, measured from 20 days prior to the Indicator Determination Date to the Indicator Determination Date and the average over 250 days of the Volatility of Absolute Returns of the 3 Month Reference Rate, measured over 20 days. If the calculated measure exceeds 100 the value for the Rates Level Barrier is set to 100. If the calculated measure is below 80 the value for the Rates Level Barrier is set to 80. The Rates Level Barrier on an Indicator Determination Date *t* is determined in accordance with the following formula:

$$b2_{t} = MAX \left( MIN \left( 75 + 15 \cdot 100 \left( \sigma_{t} \left( ar(3M) \right) - \frac{1}{250} \sum_{j=t-249}^{t} \sigma_{j} \left( ar(3M) \right) \right), 100 \right), 80 \right)$$

#### Where:

 $b2_t$ Means the Rates Level Barrier in respect of<br/>Indicator Determination Date t; $\sigma_t$  (ar(3M))Means the 3 Month Reference Rate Volatility in<br/>respect of Indicator Determination Date t as<br/>defined under (e);

(c) The "Spread Trend Indicator" takes values between 0 and 100. It aims to have a low value within this range if there is a high likelihood for a downward trend in the TwosTens Spread. If the value of the Spread Level Barrier exceeds the Spread Trend Indicator it is assumed that there in fact is a downwards trend in the TwosTens Spread.

The "**Spread Trend Indicator**" on an Indicator Determination Date t is the twenty day arithmetic average of the trend indicator relating to the TwosTens Spread (expressed as "TI" in the formula below) and is determined in accordance with the following formula:

$$STI(t) = \frac{\sum_{i=t \ 19}^{t} TI(i)}{20}$$

- **STI(t)** Means the Spread Trend Indicator in respect of Indicator Determination Date t;
- **TI(t)** 100 100/(1+Ratio (t));

Ratio (t)	Average Increase (t) / Average Decrease (t);
Average Increase (t)	(13 x Average Increase (t-1) + Increase (t))/14; provided that the Average Increase on the Start Date shall be equal to Average Increase (SD);
Average Decrease (t)	(13 x Average Decrease (t-1) + Decrease (t))/14; provided that the Average Decrease on the Start Date shall be equal to Average Decrease (SD);
Average Increase (SD)	$\frac{\sum_{i=Start-13}^{Start} Increase (i)}{14};$
Average Decrease (SD)	$\frac{\sum_{i=\text{Start 13}}^{\text{Start}}}{14};$
Increase (t)	Maximum (s(t) – s(t-1), 0);
Decrease (t)	Maximum $(s(t-1) - s(t), 0)$ ; and
S	Means the TwosTens Spread.

(d) The "Spread Level Barrier" is the value the Spread Trend Indicator needs to fall below in order for the trading strategy to assume a downwards trend in the TwosTens Spread. It is adjusted to the current market environment by decreasing if the current ratio between the TwosTens Spread and its volatility is high and increasing if this ratio is low. Additionally it is limited in its value as detailed below.

The "**Spread Level Barrier**" is calculated each Indicator Determination Date as 40 minus 5 times the difference between ratio of the TwosTens Spread and the Volatility of Absolute Returns of the TwosTens Spread, measured from 20 days prior to the Indicator Determination Date to the Indicator Determination Date and the average over 250 days of the ratio of the TwosTens Spread and the Volatility of Absolute Returns of the TwosTens Spread, measured over 20 days. If the calculated measure exceeds 45 the value for the Spread Level Barrier is set to 45. If the calculated measure is below 0 the value for the Spread Level Barrier is set to 0. The Spread Level Barrier on an Indicator Determination Date *t* is determined in accordance with the following formula

$$b3_{t} = MAX \left( MIN \left( 40 - 5 \left( \frac{s_{t}}{\sigma_{t} (ar(s))} - \frac{1}{250} \sum_{j=t-249}^{t} \frac{s_{j}}{\sigma_{j} (ar(s))} \right), 45 \right), 0 \right)$$

- b3t Means the Spread Level Barrier in respect of Indicator Determination Date *t*,
  σt (ar(s)) Means the TwosTens Volatility in respect of Indicator Determination Date t as defined under
- st Means the TwosTens Spread on day t

(f):

(e) The "3 Month Reference Rate Volatility" is calculated each Indicator Determination Date as the Annualized Volatility of the Absolute Return of the 3 Month Reference Rate measured over the last 20 index valuation days. The 3 Month Reference Rate Volatility on an Indicator Determination Date *t* is determined in accordance with the following formula:

$$\sigma_t(ar(3M))) = \sqrt{\frac{250}{20} \sum_{j=t-19}^t (ar(3M)_{j-1,j})^2}$$

Where:

- σt(ar(3M))Means the 3 Month Reference Rate Volatility in<br/>respect of Indicator Determination Date t<br/>determined over 20 Index Valuation days;
  - ar(3M)Means the Absolute Return on the 3 MonthReference Rate from time t-1 to time t, expressedas a formula:

$$ar(3M)_{t-1,t} = r(t) - r(t-1)$$
; and

r(t) Means the 3 Month Reference Rate on day t

(f) The "**TwosTens Volatility**" is calculated each Indicator Determination Date as the Annualized Volatility of the Absolute Return of the TwosTens Spread measured over the last 20 index valuation days. The TwosTens Volatility on an Indicator Determination Date t is determined in accordance with the following formula:

$$\sigma_t(ar(s)) = \sqrt{\frac{250}{20}} \sum_{j=t-19}^t (ar(s)_{j-1,j})^2$$

- σ<sub>t</sub>(ar(s))Means the TwosTens Volatility in respect of<br/>Indicator Determination Date t determined over<br/>20 Index Valuation days;
- **ar(s)**<sub>t-1, t</sub> Means the Absolute Return on the TwosTens Spread from time *t*-1 to time *t*, expressed as a

formula:

$$ar(s)_{t-1,t} = s(t) - s(t-1)$$
; and

s(t)

Means the TwosTens Spread on day t

## 10. Data Provider disclaimer

None of the Index Sponsor, the Index Calculation Agent or any of their respective affiliates has any relationship with, is affiliated with or has received compensation from any organisations that have created or publish or provide the information that serves as a reference for the Index (collectively the "**Data Providers**"). None of the Index Sponsor, the Index Calculation Agent or any of their respective affiliates assumes any responsibility for the non-availability or miscalculation of, or any error or omission in, any of the rates used to make any determination in respect of the Indices. None of the Data Providers sponsors, endorses or promotes the Index or any Investment Products which reference the Indices.

## Appendix 1: Definitions

Except where the context otherwise requires, the following terms used in this Index Terms Module have the following meanings:

"2 Year CMS Rate" means, in respect of any Indicator Determination Date, the swap rate for USD Libor swaps with a designated maturity of 2 years, expressed as a percentage, as observed on the Display Page at 11 a.m. London time on the relevant Indicator Determination Date. For the purposes of any calculations under this Index Terms Module, the relevant value for the 2 Year CMS Rate shall be equal to such rate multiplied by one hundred. (For example, if the relevant rate is equal to 1.5%, the relevant value used in any applicable calculations will be equal to 1.5.)

"**3 Month Reference Rate**" means, in respect of any Index Valuation Date, the USD-LIBOR-BBA rate with a designated maturity of 3 months, expressed as a percentage, as observed on the Display Page at 11 a.m. London time on the relevant Indicator Determination Date. For the purposes of any calculations under this Index Terms Module, the relevant value for the 3 Month Reference Rate shall be equal to such rate multiplied by one hundred. (For example, if the relevant rate is equal to 1.5%, the relevant value used in any applicable calculations will be equal to 1.5.)

"3 Month Reference Rate Volatility" has the meaning set out in Section 9 (*Indicators and barriers*) of this Index Terms Module.

"10 Year CMS Rate" means, in respect of any Indicator Determination Date, the swap rate for USD Libor swaps with a designated maturity of 10 years, expressed as a percentage, as observed on the Display Page at 11 a.m. London time on the relevant Indicator Determination Date. For the purposes of any calculations under this Index Terms Module, the relevant value for the 10 Year CMS Rate shall be equal to such rate multiplied by one hundred. (For example, if the relevant rate is equal to 1.5%, the relevant value used in any applicable calculations will be equal to 1.5.)

"Base Date" has the meaning set out in the Parameters Table.

"Business Day" means a day that is a London Business Day and a New York Business Day.

"CME" means the Chicago Mercantile Exchange.

"CMS Rate" means either the 2 Year CMS Rate or the 10 Year CMS Rate.

"**Display Page**" means (a) in respect of a 2y CMS Rate, the page designated as ISDAFIX1 Page; and (b) in respect of a 10y CMS Rate, the page designated as ISDAFIX1 Page; (c) in respect of the USD three month Libor rate the page designated as USDLIBOR3M= Page, in each case on the Reuters Money 3000 Service (or such other page as may replace that page on that service, or any replacement service, for the purpose of displaying comparable rates, as determined by the Index Calculation Agent).

"Eurodollar Future" means the Three Month Eurodollar Futures Contract traded on the CME.

**"Fourth Eurodollar Future"** means, in respect of an Index Valuation Day which is on or after a Rebalancing Date immediately preceding a Future Expiry Date, and on or before this Future Expiry Date, the Eurodollar Future on CME which expires in the month of the fifth

Future Expiry Date from that Index Valuation Day, as published by CME and determined by the Index Calculation Agent.

In respect of any other Index Valuation Day, the Eurodollar Future on CME which expires in the month of the fourth Future Expiry Date from that Index Valuation Day, as published by CME and determined by the Index Calculation Agent.

**"Futures Expiry Date"** means the third Wednesday in each of March, June, September and December in each year, which corresponds to the settlement day of the quarterly Eurodollar Future traded on the CME.

"Futures Return" means the value determined under Section 6 (*Calculation of the Futures Return*) of this Index Terms Module.

"Index" has the meaning set out in Section 1(a) (Introduction).

"Index Level" means the level of the Index as determined pursuant to Section 5 (*Calculation of the Index Level*) of this Index Terms Module.

"Index Valuation Date" has the meaning given to it in Section 3(a) (*Index Publication*) of this Index Terms Module.

"Indicator" means the value determined pursuant to Section 7 (*Determination of the Indicator*) of this Index Terms Module.

"Indicator Determination Date" means, in respect of a Rebalancing Date, the second Index Valuation Date prior to that Rebalancing Date.

"Initial Index Level" has the meaning set out in the Parameters Table for the Index.

"Liquidity Disruption Event" means, in respect of any Index Valuation Date and as determined in its discretion by the Index Calculation Agent, a material reduction in the liquidity of the Eurodollar Future on the CME such that the prices quoted on the Relevant Page do not adequately reflect the price at which a market participant may enter into a position in respect of the Eurodollar Future. Factors which may indicate a Liquidity Disruption Event include, without limitation, a material reduction in the volume of trades in the Eurodollar Future, a material widening of the bid-offer spread in respect of the Eurodollar Future, in each case when compared to historic averages.

"London Business Day" means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency) in London.

"Market Disruption Event" means, in respect of any Index Valuation Date and as determined in its discretion by the Index Calculation Agent any rate or any other value relevant to the determination of the level of the Index is not available or does not accurately reflect the relevant market, any other disruption which disrupts the ability of market participants to effect transactions or obtain quotes in respect of the relevant rate or value or prevents the Index Calculation Agent from calculating or disseminating the Index Level including but not limited to:

(a) any relevant futures exchange not opening for business or severely curtailing its hours of business; or

(b) trading on a relevant futures exchange being conducted without timely dissemination of closing price data.

"New York Business Day" means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency) in New York, USA.

"**Parameters Table**" means the table set out in Appendix 2 (*Parameters Table*) of this Index Terms Module.

"Rates Level Barrier" has the meaning set out in Section 9 (*Indicators and barriers*) of this Index Terms Module.

"Rates Trend Indicator" has the meaning set out in Section 9 (*Indicators and barriers*) of this Index Terms Module.

"Rebalancing Date" has the meaning set out in the Parameters Table.

"**Reference Banks**" mean five leading swap dealers in the London interbank market, as selected by the Index Calculation Agent.

"**Relevant Observation Points**" means, in respect of an Index Valuation Date, each time [at or around] the times on such Index Valuation Date specified in the Parameters Table for the Index.

"Relevant Page" means, in case the Fourth Eurodollar Future expires on the fifth Future Expiry Date from the current Index Valuation Day Thomson Reuters Page GEcm5 or otherwise, Thomson Reuters Page GEcm4, or in each case their respective successors, as determined by the Index Calculation Agent.

"**Spread Level Barrier**" has the meaning set out in Section 9 (*Indicators and barriers*) of this Index Terms Module.

"**Start Date**" means 22 March 1989, which is the date on which calculations needed in the determination of the Indicators are performed for the first time.

"**Trading Strategy**" means the trading strategy set out in Section 8 (*Trading Strategy*) of this Index Terms Module.

"TwosTens Spread" means, in respect of an Indicator Determination Date, the difference between the 10y CMS Rate minus the 2y CMS Rate observed on such Indicator Determination Date.

"TwosTens Volatility" has the meaning set out in Section 9 (*Indicators and barriers*) of this Index Terms Module.

"**USD**" means the currency of the United States Dollar [or such successor official currency of the United States of America].

## Appendix 2: Parameters Table

Index	Base Date	Initial Index Level	Rebalancing Date	Relevant Observation Points (London time)	Bloomberg page
HSBC Uniform USD Core Index	11 May 1990	100	The third Index Valuation Date prior to the third Wednesday in each calendar month	2 p.m., 2:30 p.m., 3 p.m., 3:30 p.m and 4 p.m.	HSUNUS00 Index

## Appendix 3: Disclaimer

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# **HSBC Global Markets Indices**

Index Terms Module (HSBC Uniform EUR Basket Core Index)

Version 2.1 October 2013

### CONTENTS

#### Section

#### 1. 2. Overview of the Index......1 3. Index publication ......1 4. 5. 6. 7. Calculation of the Foreign Currency's Return ......4 8.

## Appendix

#### Page

1.	Definitions	5
2.	Parameters Table	9
3.	Disclaimer	0

#### Page

## 1. Introduction

#### (a) General

This Index Terms Module, together with the Base Terms Module, and the Index Terms Module of the HSBC Uniform EUR Core Index and the Index Terms Module of the HSBC Uniform USD Core Index and the HSBC Uniform GBP Core Index, forms the Index Description for the HSBC Uniform EUR Basket Core Index (the "Index").

The HSBC Uniform EUR Core Index, the HSBC Uniform USD Core Index and the HSBC Uniform GBP Core Index are each referred to as an "**Underlying Core Index**" and together, the "**Underlying Core Indices**"..

This Index Terms Module must be read, and must be interpreted, in conjunction with the Base Terms Module and the Index Terms Modules for the Underlying Core Indices. This is not a stand alone document and should not be read or interpreted separately from the other parts of the Index Description for the Index. If there is any inconsistency between the terms of this Index Terms Module, the Base Terms Module or any other part of the Index Description, the terms of this Index Terms Module shall prevail.

#### (b) **Definitions**

Any capitalised term not defined in Appendix 1 (*Definitions*) of this Index Terms Module shall have the meaning given to such term in the Base Terms Module or the other Index Terms Modules which are part of the Index Description, as applicable.

#### (c) Index Parameters

Certain parameters for the Index, which are used to determine the Index Level for the Index as described herein, are set out in the Parameters Table in Appendix 2 (*Parameters Table*).

## 2. Overview of the Index

The Index has been developed as an index aiming to benefit from moves in the Underlying Core Indices which form part of it. The Index aims to provide the generated returns in EUR but retains some exposure to the changes in the exchange rate between EUR and USD, as well as between EUR and GBP. The values for the Index Level of the Index are available for each Index Valuation Date from the Base Date, at which time the Index Level was set at the Initial Index Level.

## 3. Index publication

(a) The "Index Valuation Date" means each day which is an Index Valuation Date in each of the Underlying Core Indices and which is a business day in accordance with the Target Calendar.

Subject to the occurrence of any disruption in respect of any of the Underlying Core Indices (as further described in Section 4(a) below), the Index Level for the Index is calculated on each Index Valuation Date (following the Base

Date). The Index Level is normally released by 5 p.m. London time on the relevant Index Valuation Date.

- (b) The Index Level is calculated in EUR only. The calculation method for the Index does not incorporate any deductions for transaction costs, taxes or fees.
- (c) The Index Level is published on the pages specified in the Parameters Table.
- (d) The "**Observation Time**" is 4 p.m. London time. For the purposes of calculating the historic data in respect of the back-testing period (i.e. between the Base Date and 17th of February 2012), the Index Calculation Agent may have used a different Observation Time than 4 p.m.

## 4. Disruption Events

#### (a) Underlying Core Index Disruption

If, in respect of any Index Valuation Date, no level of one or multiple of the Underlying Core Indices is determined for such Index Valuation Date then the level of the Index will not be determined for such Index Valuation Date and determination of the level of the Index shall be suspended until such time as the level of all Underlying Core Indices is determined. If the Index Sponsor determines that it will terminate the publication of any of the Underlying Core Indices, publication of the Index may also be terminated.

#### (b) **FX Price Source Disruption**

If the Index Calculation Agent determines that a FX Price Source Disruption has occurred in respect of the exchange rate from USD to EUR or the exchange rate from GBP to EUR then the Index Calculation Agent may determine the relevant value in respect of any relevant currency pair which becomes unavailable as a result of such disruption by seeking quotes from three Reference Banks selected by the Index Calculation Agent for such currency pair. If three such quotations are provided, the relevant value for that Index Valuation Date will be the arithmetic mean of such quotations. If fewer than three such quotations are provided then the FX Price Source Disruption shall be deemed to be a Disruption Event and Section (c) (FX *Disruption*) shall apply accordingly.

#### (c) **FX Disruption**

If the Index Sponsor determines that an FX Disruption Event has occurred or is likely to occur in the exchange rate of USD to EUR or in the exchange rate of GBP to EUR, then the Index Sponsor may, in its discretion, either:

- (i) Suspend the calculation and publication of the Index Level for the Index, or
- (ii) cease to calculate and publish the Index Level and cancel the Index,

in which event the Index Level on any Business Day following the occurrence of an FX Disruption Event shall remain static and shall be equal to the Index Level determined by the Index Calculation Agent immediately prior to the occurrence of such FX Disruption Event.

## 5. Calculation of the Index Level

The Index Calculation Agent shall calculate the Index Level on each Index Valuation Date by reference to:

- (a) the Index Level in respect of the immediately preceding Index Valuation Date;
- (b) the Return of the Underlying Core Indices from the preceding Index Valuation Date to the relevant Index Valuation Date (as determined pursuant to Section 6 (*Calculation of the Underlying Core Index Return*) below); and
- (c) the Foreign Currency Return from the preceding Index Valuation Date to the relevant Index Valuation Date (as determined pursuant to Section 7 (*Calculation of Foreign Currency Return*) below) for the Foreign Currencies USD and GBP.

The mathematical expression for calculating the Index Level in respect of Index Valuation Date *t* is as follows:

EURBasket(t) =

```
\begin{split} & EURBasket(t-1)x \; [1+1/3*RUSD(t-1,t)*(1+FXUSD(t-1,t)+1/3*REUR(t-1,t)\\ & +1/3*RGBP(t-1,t)*(1+FXGBP(t-1,t))] \end{split}
```

EURBasket(t)	means the Index Level in respect of Index Valuation Date <i>t</i> ,
EURBasket(t-1)	means the Index Level in respect of the Index Valuation Date immediately preceding Index Valuation Date <i>t</i> ,
FXUSD(t-1,t)	means the Foreign Currency Return from Index Valuation Date <i>t-1 to t</i> of USD (the Foreign Currency)
FXGBP(t-1, t)	means the Foreign Currency Return from Index Valuation Date <i>t-1 to t</i> of GBP (the Foreign Currency)
RGBP(t-1, t)	means the Underlying Core Index Return from Index Valuation Date $t-1$ to t where the Underlying Core Index is the HSBC Uniform GBP Core Index
REUR(t-1, t)	means the Underlying Core Index Return from Index Valuation Date $t-1$ to t where the Underlying Core Index is the HSBC Uniform EUR Core Index
RUSD(t-1,t)	means the Underlying Core Index Return from Index Valuation Date $t-1$ to t where the Underlying Core Index is the HSBC Uniform USD Core Index.

## 6. Calculation of the Underlying Core Index Return

The Index Calculation Agent shall calculate the Underlying Core Index Return in respect of an Underlying Core Index from Index Valuation Date t-1 to Index Valuation Date t by reference to:

- (a) The relevant Underlying Core Index Level in respect of the immediately preceding Index Valuation Date t-1; and
- (b) the relevant Underlying Core Index Level in respect of the relevant Index Valuation Date t.

The mathematical expression for calculating the Underlying Core Index Return from Index Valuation Date *t*-1 to Index Valuation Date *t* is as follows:

$$R(t) = \frac{BI(t) - BI(t-1)}{BI(t-1)}$$

Where:

- **R(t-1,t)** means the Underlying Core Index Return from Index Valuation Date *t-1* to *t*,
- BI(t) means the Underlying Core Index Level in respect of Index Valuation Date *t*, and
- **BI(t-1)** means the Underlying Core Index Level in respect of the Index Valuation Date immediately preceding Index Valuation Date *t*, which is the Index Valuation Date *t-1*.

## 7. Calculation of the Foreign Currency Return

The Index Calculation Agent shall calculate the "Foreign Currency Return" in respect of a Foreign Currency from Index Valuation Date t-1 to Index Valuation Date t on each Index Valuation Date t by reference to:

- (a) The exchange rate for the relevant Foreign Currency into EUR on the immediately preceding Index Valuation Date, which is Index Valuation Date (t-1); and
- (b) the exchange rate for the relevant Foreign Currency into EUR on the relevant Index Valuation Date t

The mathematical expression for calculating the Foreign Currency Return from Index Valuation Date *t*-1 to Index Valuation Date *t* is as follows:

$$FXR(t) = \frac{FX(t)}{FX(t-1)} - 1$$

Where:

FXR(t-1,t)means the Foreign Currency's Return from<br/>IndexIndexValuationDatet-1toIndex

Valuation Date t;

FX(t)	means the Foreign Currency Exchange Rate in respect of Index Valuation Date t
FX(t-1)	means the Foreign Currency Exchange Rate on the immediately preceding Index Valuation Date t-1

## 8. Data Provider disclaimer

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## Appendix 1: Definitions

Except where the context otherwise requires, the following terms used in this Index Terms Module have the following meanings:

"Base Date" has the meaning set out in the Parameters Table.

"Business Day" means each day which is a Business Day in each of the Underlying Core Indices.

"**EUR**" means Euro, the currency of the European Monetary union or such successor official currency as determined by the European Central Bank.

"Foreign Currency" means the either a) the currency of the United States of America, i.e. US Dollar or its successor currency as determined by the United States Federal Reserve Bank or b) the currency of the United Kingdom British Pound Sterling (GBP) or its successor currency as determined by the Bank of England

"Foreign Currency Display Page" means the page specified in the Parameters Table.

"Foreign Currency Exchange Rate" means the average of the ask price and the bid price displayed on the Foreign Currency Display Page for: a) where the Foreign Currency is USD, one USD in EUR (i.e. one divided by the average of bid and ask price displayed on the Foreign Currency Display Page); or b) where the Foreign Currency is GBP, one GBP in EUR.

**"Foreign Currency Return**" means the return of the Foreign Currency as determined pursuant Section 7 (*Calculation of the Foreign Currency Return*) of this Index Terms Module.

"FXDisruption Event" means the occurrence of any of the following:

- (a) an event having an adverse direct effect on the availability of any price or rate relating to the Foreign Currency, including, without limitation:
  - (i) *illiquidity*: the Index Sponsor's or the Index Calculation Agent's (or any of their relevant affiliates') ability to determine or obtain a firm quote of the relevant settlement rate or any other rate for the Foreign Currency which is relevant for the calculation of the Index Level in an amount which HSBC reasonably considers is necessary to discharge its obligations hereunder or in respect of its hedge positions relating to any Investment Products, for any reason becomes restricted, subject to material charges or deductions, or otherwise impracticable; and
  - (ii) *dual exchange rate*: any exchange rate for the Foreign Currency, or any other rate relating to the Foreign Currency and relevant to the calculation of the Index Level splits into dual or multiple rates;
- (b) an event having an adverse direct effect on the convertibility, availability or transferability of the Foreign Currency including, without limitation:
  - (i) inconvertibility: the occurrence of any event that generally makes it impossible (or materially restricts the Index Sponsor's or the Index Calculation Agent's (or any of their relevant affiliates') ability) to exchange or convert the Foreign Currency into another currency in the relevant jurisdiction through customary legal channels for conducting such conversion;

- (ii) *non-transferability*: the occurrence of any event that generally makes it impossible (or materially restricts the Index Sponsor's or the Index Calculation Agent's (or any of their relevant affiliates') ability) to deliver:
  - A. the Foreign Currency from accounts inside any relevant jurisdiction to accounts outside that jurisdiction;
  - B. the Foreign Currency between accounts inside the any relevant jurisdiction or to a party that is a non-resident of that jurisdiction;
- (c) an event related to a government or issuer action having a direct adverse effect on the Foreign Currency including, without limitation:
  - (i) governmental authority default: to the extent that such event has an impact on the Foreign Currency and in respect of any security or indebtedness for borrowed money of, or guaranteed by, any Governmental Authority, the occurrence of a default, event of default or other similar condition or event (however described) including, but not limited to:
    - A. the failure of timely payment in full of any principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security, indebtedness for borrowed money or guarantee;
    - B. a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for borrowed money or guarantee; or
    - C. the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for borrowed money or guarantee without the consent of all holders of such obligation.

The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee;

- (ii) nationalization: to the extent that such event has an impact on the Foreign Currency, any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Index Sponsor or the Index Calculation Agent (or any of their relevant affiliates), of all or substantially all of its assets in the affected jurisdiction;
- (iii) *moratorium:* a general moratorium is declared in respect of banking activities;
- (iv) restrictions on dealings: any restrictions, charges, duties or other deductions have been imposed by any applicable Governmental Authority on any dealing by the Index Sponsor or the Index Calculation Agent (or any of their relevant affiliates) on any transactions referencing the Foreign Currency (including but not limited to foreign exchange transactions) such that the Index Sponsor or the Index Calculation Agent (or any of their relevant affiliates):

- A. is unable to continue to enter into, continue or complete such transactions;
- B. is unable to perform its obligations under any hedging transaction related to any relevant Investment Products; or
- C. will incur a materially increased cost in performing its obligations relating to such hedging positions;
- (v) change in law: a change in applicable law or regulation or a change in the promulgation of or interpretation of such law or regulation has occurred which may affect the ownership in and/or the availability or transferability of the Foreign Currency;
- (vi) *reserve requirements:* the introduction of reserve requirements or other currency control restrictions adversely affecting any hedging transactions relating to any relevant Investment Products;
- (vii) *national emergency:* there occurs a declaration of national emergency, a disaster or civil unrest that would constitute a national emergency, the imposition of martial law, a declaration of war by or against such the relevant jurisdiction, or any other such similar event;
- (viii) *taxation:* any of the following:
  - A. the imposition of taxes on the transfer of the Foreign Currency out of any relevant jurisdiction;
  - B. the imposition of any taxes on any conversion of the Foreign Currency into any other currency;
  - C. any action being taken by a taxing authority in a relevant jurisdiction; or
  - D. the occurrence of any other act or event at any time relating to withholding or deduction for or on account of tax in relation to any hedge transaction relating to an Investment Product; and

any other event, whether similar or not to the events listed in paragraphs (a) to (c) above, which makes it impossible for the Index Calculation Agent to calculate the Index Level for an Index.

"FX Price Source Disruption" means in respect of a Foreign Currency, the occurrence of an event or circumstance when it becomes impossible to obtain any relevant rate relating to a Foreign Currency relevant to the calculation of the Index Level for the Index from the Foreign Currency Display Page as stated in the Parameters Table or if such rate does not reflect the actual prices traded in the market for the relevant Foreign Currency.

"**GBP**" means British Pound Sterling, the currency of the United Kingdom or such successor official currency as determined by the Bank of England.

"**Governmental Authority**" means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of any relevant jurisdiction.

"Index" has the meaning set out in Section 1(a) (*Introduction*).

"Index Level" means the level of the Index as determined pursuant Section 5 (*Calculation of the Index Level*) of this Index Terms Module.

"Index Valuation Date" has the meaning given to it in Section 3(a) (*Index publication*) of this Index Terms Module.

"Initial Index Level" has the meaning set out in the Parameters Table.

"**Parameters Table**" means the table set out in Appendix 2 (*Parameters Table*) of this Index Terms Module.

"Target Calendar" means the calendar which is used for settlements and payments in the Target Interbank System.

**"Underlying Core Index**" means the HSBC Uniform EUR Core Index, the HSBC Uniform USD Core Index and the HSBC Uniform GBP Core Index.

"Underlying Core Index Level" means the level of the Underlying Core Index as determined pursuant to the index description for the respective Underlying Core Index.

"Underlying Core Index Return" means the return of the Core Index as determined pursuant Section 6 (*Calculation of the Core Index Return*) of this Index Terms Module.

"**USD**" means United States Dollar, the currency of the United States of America or its successor currency as determined by the United States Federal Reserve Bank.

Index	Base Date	Underlying Core Indices	Initial Index Level	Bloomberg page	Foreign Currency Display Page
HSBC Uniform EUR Basket Core Index	13 March 2000	HSBC Uniform EUR Core Index HSBC Uniform GBP Core Index	100	HSUNBKE0 Index For the HSBC Uniform EUR Core Index: HSUNEU00 Index For the HSBC Uniform USD Core Index: HSUNUS00 Index For the HSBC Uniform GBP Core Index: HSUNBP00 Index	In case the Foreign Currency is USD Reuters page: USDEURFIX=WM In case the Foreign Currency is GBP Reuters page: GBPEURFIX=WM

## Appendix 2: Parameters Table
## Appendix 3: Disclaimer

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# **HSBC Global Markets Indices**

Index Terms Module (HSBC Uniform EUR Volatility Budgeted Index)

Version 14.1 October 2013

## CONTENTS

#### Section

1.	Introduction	1
2.	Overview of the Index	1
3.	Index publication	1
4.	Disruption Events	2
5.	Calculation of the Index Level	2
6.	Calculation of the Core Index Return	3
7.	Calculation of the Target Volatility Factor	3
8.	Data Provider disclaimer	5

## Appendix

#### Page

1.	Definitions	. 6
2.	Parameters Table	. 7
3.	Disclaimer	. 8

## Page

## 1. Introduction

#### (a) General

This Index Terms Module, together with the Base Terms Module, and the Index Terms Module (HSBC Uniform EUR Core Index), forms the Index Description for the HSBC Uniform EUR Volatility Budgeted Index (the "Index").

This Index Terms Module must be read, and must be interpreted, in conjunction with the Base Terms Module and the Index Terms Module (HSBC Uniform EUR Core Index). This is not a stand alone document and should not be read or interpreted separately from the other parts of the Index Description for the Index. If there is any inconsistency between the terms of this Index Terms Module, the Base Terms Module or any other part of the Index Description, the terms of this Index Terms Module shall prevail.

#### (b) **Definitions**

Any capitalised term not defined in Appendix 1 (*Definitions*) of this Index Terms Module shall have the meaning given to such term in the Base Terms Module or the Index Terms Module (HSBC Uniform EUR Core Index), as applicable.

#### (c) Index Parameters

Certain parameters for the Index, which are used to determine the Index Level for the Index as described herein, are set out in the Parameters Table in Appendix 2 (*Parameters Table*).

### 2. Overview of the Index

The Index has been developed as an index aiming to benefit from price moves in the EURIBOR Future. The values for the Index Level of the Index are available for each Index Valuation Date from the Base Date, at which time the Index Level was set at the Initial Index Level. The Index uses a "volatility budget" mechanism which aims to control the volatility of the daily returns of the Index.

### 3. Index publication

(a) The "Index Valuation Date" means every Business Day on which the Core Index is calculated in accordance with the HSBC EUR Uniform Core Index Term Module.

Subject to the occurrence of any Disruption Event (as detailed under Section 4 below.) in the Core Index, the Index Level for the Index is calculated on each Index Valuation Date (following the Base Date). The Index Level is normally released by 5 p.m. London time on the relevant Index Valuation Date.

(b) The Index Level is calculated in EUR only. The calculation method for the Index does not incorporate any deductions for transaction costs, taxes or fees.

- (c) The Index Level is published on the pages specified in the Parameters Table.
- (d) The "**Observation Time**" is 4 p.m. London time. For the purposes of calculating the historic data in respect of the back-testing period (i.e. between the Base Date and 01.06.2011, the Index Calculation Agent may have used a different Observation Time than 4 p.m.).

#### 4. Disruption Events

If, in respect of any Index Valuation Date, no level of the Core Index is determined for such Index Valuation Date then the level of the Index will not be determined for such Index Valuation Date and determination of the level of the Index shall be suspended until such time as the level of the Core Index is determined. If the Index Sponsor determines that it will terminate the publication of the Core Index, publication of the Index may also be terminated.

## 5. Calculation of the Index Level

The Index Calculation Agent shall calculate the Index Level on each Index Valuation Date by reference to:

- (a) the Index Level in respect of the immediately preceding Index Valuation Date;
- (b) the Target Volatility Factor in respect of the immediately preceding Index Valuation Date (as determined pursuant to Section 7 (*Calculation of the Target Volatility Factor*) below); and
- (c) the Core Index Return from the preceding Index Valuation Date to the relevant Index Valuation Date (as determined pursuant to Section 6 (*Calculation of Core Index Return*) below).

The mathematical expression for calculating the Index Level in respect of Index Valuation Date t is as follows:

$$EURUNI(t) = EURUNI(t-1) \times [1 + TVF(t-1) \times R(t))]$$

Where:

- **EURUNI(t)** means the Index Level in respect of Index Valuation Date *t*,
- **EURUNI(t-1)** means the Index Level in respect of the Index Valuation Date immediately preceding Index Valuation Date *t*;
- **TVF(t-1)** means the Target Volatility Factor in respect of the Index Valuation Date immediately preceding Index Valuation Date *t*,
- **R(t)** means the Core Index Return in respect of Index Valuation Date *t*.

#### 6. Calculation of the Core Index Return

The Index Calculation Agent shall calculate the Core Index Return on each Index Valuation Date by reference to:

- (a) the Core Index Level in respect of the immediately preceding Index Valuation Date; and
- (b) the Core Index Level in respect of the relevant Index Valuation Date.

The mathematical expression for calculating the Core Index Return from Index Valuation Date t-1 to Index Valuation Date t is as follows:

$$R(t) = \frac{BI(t) - BI(t-1)}{BI(t-1)}$$

Where:

R(t)	means the Core Index Return in respect of Valuation Date <i>t</i> ;	Index
BI(t)	means the Core Index Level in respect of Valuation Date <i>t</i> , and	Index

BI(t-1) means the Core Index Level in respect of the Index Valuation Date immediately preceding Index Valuation Date *t*.

## 7. Calculation of the Target Volatility Factor

#### (a) Calculation of the Target Volatility Factor

The Index Calculation Agent shall calculate the Target Volatility Factor on each Index Valuation Date by reference to:

- **i.** The Target Volatility; and
- ii. the Realized Volatility in respect of such Index Valuation Date

The mathematical expression for calculating the Target Volatility Factor in respect of Index Valuation Date *n* is as follows:

**TVF(n) = Minimum** 
$$\left( \frac{\sigma_{T \operatorname{arg} et}}{\sigma_{\operatorname{Re} alized}(n)}, 200\% \right)$$

Where:

**TVF(n)** means the Target Volatility Factor in respect of Index Valuation Date *n*;

σ<sub>Target</sub> means 8%; and

 $\sigma_{\text{Realized}}(n)$ 

means the Realized Volatility in respect of Index Valuation Date *n* 

#### (b) Calculation of the Realized Volatility

The Index Calculation Agent shall calculate the Realized Volatility on each Index Valuation Date by reference to the Volatility on each of the Index Valuation Dates falling between the eleventh Index Valuation Date and the second Index Valuation Date immediately prior to such Index Valuation Date. In case the Core Index was not published for any of these Index Valuation Date the Realized Volatility is set to 8% for such Index Valuation Date on which the Core Index was not published.

The mathematical expression for calculating the Realized Volatility in respect of Index Valuation Date n is as follows:

 $\boldsymbol{\sigma}_{\text{Realized}}(\mathbf{n}) = \text{Maximum} (\sigma(n-2), \sigma(n-3), \sigma(n-4), \sigma(n-5), \sigma(n-6), \sigma(n-7), \sigma(n-8), \sigma(n-9), \sigma(n-10), \sigma(n-11))$ 

#### Where:

$\sigma_{\text{Realized}}(n)$	means the Realized Volatility in respect of Index Valuation Date <i>n</i> ;		
σ (n-k)	means the Volatility on Index Valuation Date <i>n-k</i> ; and		
n-k	means the $k^{th}$ Index Valuation Date immediately preceding Index Valuation Date <i>n</i> .		

#### (c) Calculation of the Volatility on a Index Valuation Date

The Index Calculation Agent shall calculate the Volatility on each of the Index Valuation Dates falling between the eleventh Index Valuation Date and the second Index Valuation Date immediately prior to an Index Valuation Date by reference to the Daily Return on the Core Index.

The mathematical expression for calculating the Volatility in respect of Index Valuation Date n-k is as follows:

$$\sigma$$
 (n-k) =  $\sqrt{250 \times \frac{\left(\sum_{i=n-k-19}^{n-k} (r(i))^2\right)}{20}}$ 

Where:

means the Volatility on Index Valuation Date *n-k;* 

	on the $i^{th}$ Index Valuation Date in the relevant Realized Volatility Calculation Period; and
Realized	means in respect of Index Valuation Date <i>n</i> -
Volatility	<i>k</i> , the period from (but excluding) 20 Index
Calculation	Valuation Dates prior to <i>n</i> - <i>k</i> to (and
Period	including) <i>n</i> - <i>k</i> .

means the Daily Poturn on the Core Index

#### (d) Calculation of the Daily Return on the Core Index (r(i))

r(i)

The Index Calculation Agent shall calculate the Daily Return on the Core Index in respect of each Index Valuation Day in the relevant Realized Volatility Calculation Period.

The mathematical expression for calculating the Daily Return on the Core Index on the  $i^{th}$  Index Valuation Date in the relevant Realized Volatility Calculation Period is as follows:

$$r(i) = \frac{BI(i) - BI(i-1)}{BI(i-1)}$$

Where:

r(i)	means the Daily Return on the Core Index on the $l^{th}$
	Index Valuation Date in the relevant Realized Volatility
	Calculation Period

- **BI(i)** means the Core Index Level observed by the Index Calculation Agent on the *i*<sup>th</sup> Index Valuation Date in the relevant Realized Volatility Calculation Period; and
- **BI(i-1)** means the Core Index Level observed by the Index Calculation Agent on the Index Valuation Date immediately preceding the *i*<sup>th</sup> Index Valuation Date in the relevant Realized Volatility Calculation Period.

#### 8. Data Provider disclaimer

None of the Index Sponsor, the Index Calculation Agent or any of their respective affiliates has any relationship with, is affiliated with or has received compensation from any organisations that have created or publish or provide the information that serves as a reference for the Index (collectively the "**Data Providers**"). None of the Index Sponsor, the Index Calculation Agent or any of their respective affiliates assumes any responsibility for the non-availability or miscalculation of, or any error or omission in, any of the rates used to make any determination in respect of the Index or any Investment Products which reference the Indices.

## Appendix 1: Definitions

Except where the context otherwise requires, the following terms used in this Index Terms Module have the following meanings:

"Base Date" has the meaning set out in the Parameters Table.

"Business Day" means a day which is a London Business Day and a Frankfurt Business Day.

"Core Index" means the HSBC Uniform EUR Core Index.

"**Core Index Level**" means the level of the Core Index as determined pursuant to the index description for the HSBC Uniform EUR Core Index.

"**Core Index Return**" means the return of the Core Index as determined pursuant Section 6 (*Calculation of the Core Index Return*) of this Index Terms Module.

"**EUR**" means the currency of the European monetary union, the Euro, or its respective successor as determined by the European Central Bank.

"EURIBOR Future" means the Three Month EURIBOR Futures Contract traded on LIFFE.

"Frankfurt Business Day" means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency) in Frankfurt.

"Index" has the meaning set out in Section 1(a) (*Introduction*).

"Index Level" means the level of the Index as determined pursuant Section 5 (*Calculation of the Index Level*) of this Index Terms Module.

"Index Valuation Date" every Business Day on which the Core Index is calculated in accordance to the HSBC EUR Uniform Core Index Term Module

"Initial Index Level" has the meaning set out in the Parameters Table.

"LIFFE" means the London International Financial Futures and Options Exchange

"London Business Day" means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency) in London.

"**Parameters Table**" means the table set out in Appendix 2 (*Parameters Table*) of this Index Terms Module.

"Target Volatility" is the daily volatility the index aims to have. It is set to 8% p.a..

"**Target Volatility Factor**" has the meaning set out in Section 7 (Calculation of the Target Volatility Factor).

## Appendix 2: Parameters Table

Index	Base Date	Core Index	Initial Index Level	Bloomberg page
HSBC Uniform EUR Volatility Budgeted Index	10 March 2000	HSBC Uniform EUR Core Index (Bloomberg Page HSUNEU00 Index)	100	HSUNEU01 Index

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