

HSBC Global Markets Indices

Index Rules for the HSBC Optimised FX Forwards
Index Series

November 2008

HSBC Global Markets Indices

HSBC Optimised FX Forwards Index Series

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Definitions

Base Currency	USD
Base Date	19 March 2003
Business Day	Any day when financial markets are open in the United Kingdom
Composite Index Constituent	A Single Currency Index that is used to calculate the relevant Composite Index
Composite Index Inclusion Criteria	To qualify for inclusion in the HSBC Optimised Dynamic FX Forwards Index, each potential foreign currency listed in Table 1 has to fulfil two criteria. These two criteria are stated in Appendix D: HSBC Optimised Dynamic FX Forwards Index
Composite Indices	1. HSBC Optimised Dynamic FX Forwards Index and 2. HSBC Optimised FX Forwards 10 Index
Creation Date	31 October 2008
Data Disruption	Event involving unavailability of data as defined in Section 4.6
Day Count Fraction	Each of the included countries has a Day Count Fraction of either ACT/360 or ACT/365. These are specified in Appendix B: Foreign Currencies Covered by HSBC Optimised FX Forwards Index Series. The “ACT” refers to actual calendar days
Forward Rate	The exchange rate that is quoted for the settlement of a trade between two currencies at a specified date which is later than the Spot Date
FX	Foreign exchange
Index Calculation Agent	The Index is calculated by Quantitative Techniques (“QT”), a department within HSBC Global Research, which is a business unit of HSBC Bank plc. QT provides an independent service offering indices and data products to customers including users of the HSBC Indices. QT operates independently from the Global Banking and Markets business from which it is both structurally and physically separated
Index Rules	The rules defining calculation, maintenance, governance and publication of the Index Series
Index Settlement Date	The third Wednesday of March, June, September and December of each year and if such date is not a Business Day, the following Business Day
Index Sponsor	HSBC Global Markets, a business unit of HSBC Bank plc, is the sponsor of the Index. The Index Sponsor was solely responsible for developing the Index and has influence over future changes in the Index Rules
Index Value	Calculated value of each relevant Index in USD. The formula for the Index Value for each Single Currency Index is given in Appendix A: HSBC Optimised FX Forwards Index Series - Formula of foreign currency j in USD and for the Composite

	Indices is given in Appendix C: HSBC Optimised FX Forwards 10 Index and Appendix D: HSBC Optimised Dynamic FX Forwards Index
Index Value of foreign currency j in USD	Calculated value of the relevant Index Value for a Single Currency Index in USD
LIBID	London Interbank Bid Rate. Equivalent to LIBID less 1/8%
LIBOR	London Interbank Offered Rate
Market Disruption	Event where trading or index calculation does not take place as defined in Section 4.6
NDF	Non-deliverable forward
Optimised Indices Oversight Committee	A committee of HSBC Global Markets professionals charged with issues of index governance
Roll Date	Four Business Days before any Settlement Date
Settlement Date in country j	Each country has its own settlement calendar. Appendix B: Foreign Currencies Covered by HSBC Optimised FX Forwards Index Series gives reference to the settlement calendar for each included country
Single Currency Index	An individual index for a foreign currency j . The formula for the calculation is given Appendix A: HSBC Optimised FX Forwards Index Series - Formula of foreign currency j in USD. The list of all foreign currencies covered in this Index Series is given in Appendix B: Foreign Currencies Covered by HSBC Optimised FX Forwards Index Series
Single Index Constituent Forward	The Forward, be it deliverable or non-deliverable, that is used to calculate the relevant Index Value of foreign currency j in USD
Spot Date	Either one or two weekdays from the trade date, where this day has to be a Settlement Date in both relevant countries. For the convention of each currency please see Appendix B: Foreign Currencies Covered by HSBC Optimised FX Forwards Index Series
Spot Rate	The Spot Rate of a currency is the exchange rate that is quoted for the settlement of a trade between two currencies. This exchange rate is quoted for the Spot Date. The source, as well as the date it refers to, are specified in Appendix B: Foreign Currencies Covered by HSBC Optimised FX Forwards Index Series for each currency

1. Introduction

1.1. Overview

The HSBC Optimised FX Forwards Index Series is promoted by the Index Sponsor. The series offers 14 Single Currency Indices as well as two Composite Indices (as detailed in Appendix B: Foreign Currencies Covered by HSBC Optimised FX Forwards Index Series, Appendix C: HSBC Optimised FX Forwards 10 Index and Appendix D: HSBC Optimised Dynamic FX Forwards Index). Each index is provided in US dollars only.

The purpose of these indices is to calculate the total returns from the 3-month USD interest rate plus the interest rate differential as captured by the 3-month FX forwards. The methodology aims to capture the equivalent total return for each currency from investing in a rolling 3-month local currency deposit whilst taking advantage of greater liquidity offered by the FX market and giving efficient access to some local markets (including emerging markets) for off-shore investors. The Composite Indices consist of a selection of Single Currency Indices. Trackers on these indices will provide exposure to each Single Currency Index as well as to the broader, diversified Composite Indices.

1.2. Single Currency Indices

The methodology to calculate each of the 14 Single Currency Indices can be described as follows:

1. Each Index is calculated by summing up the returns from a rolling 3-month USD LIBOR deposit plus or minus the daily mark-to-market value of the FX Forward Contract entered into on each Roll Date (please see Appendix A: HSBC Optimised FX Forwards Index Series - Formula of foreign currency j in USD for details).
2. The Index Values shall be calculated in US dollars only.

The list of all available Single Currency Indices is contained in Appendix B: Foreign Currencies Covered by HSBC Optimised FX Forwards Index Series.

1.3. Composite Indices

The methodology to calculate the two Composite Indices can be described as follows:

1. For the two Composite Indices, the Index Value is the sum of returns from the chosen Composite Index Constituents. Each Composite Index Constituent is equally weighted at the Base Date and on every Roll Date.
 - a. The HSBC Optimised FX Forwards 10 Index keeps the ten Composite Index Constituents constant and the weight for each Composite Index Constituent is

rebalanced to 10% on each Roll Date (as detailed in Appendix C: HSBC Optimised FX Forwards 10 Index)

- b. The HSBC Optimised Dynamic FX Forwards Index reselects up to ten currencies with the highest implied interest rate five Business Days before each Roll Date and assigns equal weights to each of these currencies on the Roll Date (as detailed in Appendix D: HSBC Optimised Dynamic FX Forwards Index).

2. The Index Values shall be calculated in US dollars only.

The Index calculation formulae for the Composite Indices are provided in Appendix C: HSBC Optimised FX Forwards 10 Index and Appendix D: HSBC Optimised Dynamic FX Forwards Index.

2. Index Maintenance

2.1. Suspensions of a Composite Index Constituent

A Composite Index Constituent quotation may be suspended for a number of reasons but for index purposes these fall into two categories. If the purpose of the suspension is to comply with regulations during government intervention, regulatory arrangements, laws which may prevent the continuance of the Composite Index Constituent quotes, Market Disruptions, or Data Disruptions, then the Composite Index Constituent is not removed from the Composite Index and its price remains static at the price at which it was suspended.

If the suspension is attributable to the possibility that the relevant Forward contracts are no longer traded, are in breach of regulations or laws which may prevent the continuance of the Forward contract's quote, or are likely to be suspended for an indefinite period, then the Composite Index Constituent is removed with a price of zero. Removal of suspended Composite Index Constituents has effect on the tenth business day after the suspension, but the time period can be longer where the reason for suspension has not been clearly established.

If a suspended Composite Index Constituent, which was removed from the Index at a price of zero, resumes trading it will be reinstated in the Index at a price of zero, thereafter being valued at its Index Value. Notification of Composite Index Constituent suspensions will be posted on the Index Sponsor website for indices.

If, for either of the two Composite Indices, more than five Composite Index Constituents are suspended at any given time, the Index Calculation Agent shall not publish Index Values for the relevant Composite Index until more than five Composite Index Constituents resume trading.

2.2. Termination of an Index

The publication and maintenance of these Indices is discretionary, therefore HSBC may suspend or terminate the publication of these Indices at anytime, subject to providing adequate notification on the HSBC Global Markets website for indices. In the event that the Indices are suspended, HSBC accepts no responsibility for any losses incurred by any party whether incidental or consequential that arises out of any reliance on the continued existence and publication of the Indices.

3. Index Governance

3.1. Overview

The Index Sponsor has formed an Optimised Indices Oversight Committee to review policies and coverage of the HSBC Global Markets Indices. Whilst it is not envisaged that the Index Rules will change, the Index Sponsor, in its sole discretion, might make modifications to the Index Rules by providing three month prior notice whenever possible on the Index Sponsor website for indices. Any modification of Index Rules will be subject to approval of the Optimised Indices Oversight Committee. The timing of these changes also needs to be agreed with the Index Calculation Agent.

The Index Sponsor, in its sole discretion, might decide to discontinue the Index, in which case, the Index Calculation Agent will discontinue calculating and publishing the Index.

For the purpose of this Index Series, any additions to the Series will only be implemented with the approval of the HSBC Optimised Indices Oversight Committee. Additions of other currencies to the Series may occur at any time and has no effect on other indices or any product that was previously launched.

3.2. Oversight Committee

The HSBC Optimised Indices Oversight Committee has the following constituents:

HSBC Global Markets:

1. FX Derivatives
2. Execution Services
3. Third Party Structured Product Development
4. Compliance
5. Legal

The purpose of the Oversight Committee is to approve any proposed changes to the Index Rules document for the purposes of compliance or those that might impact the Composite Index Constituent or their selection as a result of changes to access to the markets where the Index Constituents are listed. Any changes to the Index Rules made by the Oversight Committee will be published on the Index Sponsor website for indices. The amendments will be updated in the Index Rules.

3.3. Information about the Indices

All data and information concerning the Indices, such as

- a) Index Rules
- b) Change of Index Rules (if any)
- c) Index Values
- d) Composite Index Constituents
- e) Announcements
- f) Information as to historical volatilities

is available directly from the Index Sponsor website for indices together with other materials on the Indices.

3.4. About HSBC Global Markets Indices

This index series has been created by the Index Sponsor. The aim of the HSBC Optimised Indices is to provide reference benchmarks for investment products. The Index Sponsor has attempted to optimise the Index Rules so that investment products which reference any of these indices can be serviced on a long-term basis. The HSBC Global Market Indices are characterised by their relatively small number of constituents and their strong emphasis on foreign availability and market liquidity.

Investors should be aware that the Indices are constituted by the Global Markets Division of HSBC Bank plc (“HSBC GM”) and are not an independent research index operated by the Global Research Department.

The HSBC Global Markets Indices are a distinct series of indices from the range offered by HSBC Global Research, of which the Index Calculation Agent is a part. HSBC Global Research operates as a separate business within HSBC from the Index Sponsor (please see

4. Role of the Index Calculation Agent

The role of the Index Calculation Agent is to calculate the daily value of the Index in accordance with the Index Rules as specified by the Index Sponsor. Whilst the Index Calculation Agent calculates and publishes the Index Value in good faith based on sources which it believes to be reliable, it does not guarantee, represent or warrant the accuracy or completeness of the Index or the data comprised therein.

4.1. Index Values

The Index Calculation Agent is acting in an arm's length capacity to provide independent calculation services to the Index Sponsor. Index Values are calculated daily and supplied to clients and data providers at 8:00 a.m. (UK time). Neither the Index Sponsor nor the Index Calculation Agent can be held responsible for any errors on the part of external data providers nor for any delays in publishing the indices.

4.2. Index Calculation Formulae

The index calculation formulae are provided in Appendices A to D. The index calculation method does not incorporate any deductions for transaction costs, taxes or fees.

4.3. Initial Values

The Creation Date of each Index is 31 October 2008. Index Values are available from the Base Date when each Index Value is set at 100. Index Values prior to 31 October 2008 have been obtained by simulating the performance of the FX Indices based on the Index Rules and do not reflect actual trading performance of a physical portfolio of assets, but rather hypothetical performance.

The absence of historical performance data is significant because the Index Rules are based on historical behaviour of interest rates and FX transactions prior to 31 October 2008 in hypothetical performance that may not be easily replicated and past performance is not indicative of the future.

4.4. Daily Calculations

Index Values are calculated and released normally before 8:00 a.m. (UK time) and are distributed to data vendors, where they are available on the following pages:

Data Vendor	Page
Bloomberg	HSIP
Reuters	HSBC/OPTIMISED1
Index Sponsor website for indices	www.hsbcinvestorsolutions.com

Remark: Market Disruptions (please see Section 4.6) may prevent Index Values being published before 8:00 a.m. (UK time).

4.5. Index Calculation and Maintenance Data Sources

The Index Calculation Agent obtains all relevant data to calculate these indices from Reuters and Bloomberg at 4:00 p.m. UK time. The Index Calculation Agent does not guarantee the accuracy of the data from its data vendors or independently verify such data.

4.6. Market Disruptions and Data Disruptions

In the event of a Market Disruption or disruptions preventing the Index Calculation Agent from calculating and/or disseminating Index Values, the Index Calculation Agent shall not publish Index Values until such time as the Market Disruption is over and that it believes it can once again accurately calculate the Index Values.

In the event of a Data Disruption (including but not restricted to: failure of electronic data delivery by data providers contracted 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 required to calculate the Index), the Index Calculation Agent shall use reasonable endeavours to source data from alternative sources (including but not restricted to: Bloomberg, stock exchange websites, publically available internet sites) with the aim of publishing Index Values by 8:00 a.m. on a day of calculation. the Index Calculation Agent shall not publish Index Values until the Data Disruption is over or data from an alternative source has been acquired.

5. Announcements

5.1. Single Index Constituent Forwards Change

Announcements concerning a change in the Single Index Constituent Forwards are made as soon as the Index Calculation Agent has verified and processed the implications of the reasons for the change. Normally, any changes take effect five Business Days following the announcement date (for this Index Series this might be, but is not restricted to, a change from NDFs to Forwards or vice versa for any of the covered currencies).

5.2. Amendments

If an announcement needs to be amended, then the Index Sponsor issues a replacement announcement as soon as is reasonably practicable. The Index Sponsor makes every attempt to be as accurate as possible, but cannot be held responsible for any actions subscribers take relating to announcements which are subsequently amended.

5.3. Information about Announcements

Details of announcements are available on the Index Sponsor website for indices by following the link to “Announcements”.

6. Contacts

For general information about the HSBC Optimised FX Forwards Index Series and other HSBC Global Markets Indices please contact your local HSBC GM representative or contact HSBC Bank plc on +44 (0)20 7992 6002, email structured.investments@hsbcib.com, or visit the Index Sponsor website for indices.

For more information concerning the application of these Index Rules and the calculation of the HSBC Global Markets Indices please contact the Index Calculation Agent, QT, on + 44 (0)8455 847360 or email qt-inquiries@hsbcib.com.

Appendix A: HSBC Optimised FX Forwards Index Series - Formula of foreign currency j in USD

The Base Date is 19th March 2003 and the Index Value of foreign currency j in USD on the Base Date is 100 ($Index_{j,0} = 100$). The Base Date is also defined as the first Roll Date.

Index Settlement Dates, S , are the third Wednesdays of March, June, September and December of each year and if such date is not a Business Day the following Business Day. Roll Dates, T , are always four Business Days before the Index Settlement Dates. On each Roll Date, T , the next Index Settlement Date, NS , is changed to the next.

The Index Value of the Index of foreign currency j on any Business Day following the Base Date is given by:

$$Index_{j,T} = Index_{j,PT} * ACC_{USD,PT,T} + PV_{NS} \left(\frac{Index_{j,PT} * F_{j,PT,NS}}{F_{j,T,NS}} - Index_{j,PT} \right) \text{ on a Roll Date, } T$$

$$Index_{j,t} = Index_{j,PT} * ACC_{USD,PT,t} + PV_{NS} \left(\frac{Index_{j,PT} * F_{j,PT,NS}}{F_{j,t,NS}} - Index_{j,PT} \right) \text{ on any other}$$

Business Day, t , where t is between the previous Roll Date, PT , and the coming Roll Date, T

where:

$Index_{j,0}$	=	Index Value of the Index of foreign currency j in USD on the Base Date
$Index_{j,T}$	=	Index Value of the Index of foreign currency j in USD on a Roll Date, T
$Index_{j,t}$	=	Index Value of the Index of foreign currency j in USD on any Business Date, t , following the Base Date
$F_{j,PT,NS}$	=	Forward Rate for the next Index Settlement Date, NS , of foreign currency j with the USD as the Base Currency on the previous Roll Date, PT (measured by the Bid)
$F_{j,t,NS}$	=	Forward Rate for the next Index Settlement Date, NS , of foreign currency j with the USD as the Base Currency on Business Date, t (measured by the Ask)
$F_{j,T,NS}$	=	Forward Rate for the next Index Settlement Date, NS , of foreign currency j , with the USD as the Base Currency on a Roll Date, T (measured by the Ask)
$ACC_{USD,PT,T}$	=	Accrued USD Interest Rate from the previous Roll Date, PT , to Day T (see next section for details)
$ACC_{USD,PT,t}$	=	Accrued USD Interest Rate from the previous Roll Date, PT , to Day t
PT	=	Previous Roll Date for any Day t
T	=	Any Roll Date following the Base Date
t	=	Any Business Day following the Base Date that is not a Roll Date
NS	=	Next Index Settlement Date (This is dependent on each Roll Date)
$PV_{NS}(X)$	=	Present Value of a Future Cash Flow X received on the next Index Settlement Date, NS (specified further below)

Accrued USD Interest Rate

The Accrued USD Interest Rate from the previous Roll Date, PT , to any Business Day, t , which is not a Roll Date, is

$$ACC_{USD,PT,t} = 1 + \frac{ACT_{PT,t} * \rho_{USD,PT,3M}}{360}$$

where:

$$\begin{aligned} ACT_{PT,t} &= \text{Actual number of calendar days from previous Roll Date, } PT, \text{ to relevant Business Day, } t \\ \rho_{USD,PT,3M} &= \text{Annualised 3-month USD LIBID Rate on previous Roll Date, } PT \text{ (calculated by QT as } USD \text{ LIBOR} - 1/8\% \text{ where USD LIBOR is obtained from USDLIBOR on Reuters)} \end{aligned}$$

The Accrued USD Interest Rate from the previous Roll Date, PT , to the following Roll Date, τ , is

$$ACC_{USD,PT,\tau} = 1 + \frac{ACT_{PT,\tau} * \rho_{USD,PT,3M}}{360}$$

where:

$$\begin{aligned} ACT_{PT,\tau} &= \text{Actual number of calendar days from previous Roll Date, } PT, \text{ to following Roll Date, } \tau \\ \rho_{USD,PT,3M} &= \text{Annualised 3-month USD LIBID Rate on previous Roll Date, } PT \text{ (calculated by QT as } USD \text{ LIBOR} - 1/8\% \text{ where USD LIBOR is obtained from USDLIBOR on Reuters)} \end{aligned}$$

Present Value of a Future Cash Flow X

On any Business Day, t , the Present Value of a Future Cash Flow X received on the next Index Settlement Date is

$$PV_{NS}(X) = \frac{X}{\left(1 + \frac{ACT_{t,NS} * r_{USD,t,NS}}{360}\right)}$$

where:

$$\begin{aligned} ACT_{t,NS} &= \text{Actual number of calendar days from Business Day, } t, \text{ to the next Index Settlement Date, } NS \\ r_{USD,t,NS} &= \text{Annualised USD Interest Rate from Business Day, } t, \text{ to the next Index Settlement Date, } NS \text{ (obtained using linear interpolation)} \end{aligned}$$

USD Interest Rates:

The relevant Interest Rate for any Day is calculated by linear interpolation between the two closest maturities that are available on the Reuters Page for the USD LIBOR Rate (USDLIBOR). This means

that the USD Interest Rate for a period of 80 days, for example, is the linear interpolation between the USD LIBOR Rate available with more than 80 days and the one with less than 80 days (both coming closest to 80). All rates on this page are given as annualised rates. This means that also the interpolated rates are annualised rates. Conventions for the USD LIBOR Rate are taken from the BBA website (www.bba.org.uk).

Forward Rate for the next Index Settlement Date:

$F_{j,t,NS}$ is defined as the Forward Rate for the next Index Settlement Date, NS , of Foreign currency j with the USD as the Base Currency on any Business Date, t . This rate is linearly interpolated between the two closest available maturities for the relevant currency, j . The source for available data is specified in Appendix B: Foreign Currencies Covered by HSBC Optimised FX Forwards Index Series for each currency.

Linear Interpolation:

The formula for linear interpolation is given by:

$$y = y_{Before} + (x - x_{Before}) \frac{y_{After} - y_{Before}}{x_{After} - x_{Before}}$$

- y = Unknown value at time x
- x = Time we want to solve for
- x_{Before} = Closest time before x for which we have a value in y
- x_{After} = Closest time after x for which we have a value in y
- y_{Before} = Value of y at time x_{Before}
- y_{After} = Value of y at time x_{After}

An example would be that we are looking for the Forward Rate (y) in 35 days (x), but only the 30 days (x_{Before}) and 60 days (x_{After}) Forward Rate are quoted on Reuters. Assume these are 1.2 (y_{Before}) and 1.5 (y_{After}), respectively. With linear interpolation we would find the unknown Forward Rate (y) to be 1.25.

Appendix B: Foreign Currencies Covered by HSBC Optimised FX Forwards Index Series

Table 1: Currencies Covered (Single Currency Indices)	
Country	Details
Australia	<ul style="list-style-type: none"> • Name: HSBC Optimised AUD FX Forwards Index • Underlying: Forwards • Reuters Page for History (Bid/Ask): AUDFWD= • Reuters Page for Spot Rate (Bid/Ask): AUD= (this rate needs to be used as 1/quote) • Spot Date: Two weekdays from today, where this day has to be a Settlement Day in Australia and the USA • Reuters Page for Forwards (Bid/Ask): FWEM • Quotes need to be used as: $Forwardrate = \frac{1}{Spot + (quote)/10000}$ • Day Count Fraction used: ACT/365 • Settlement calendar available on: CDR AU on Bloomberg
Brazil	<ul style="list-style-type: none"> • Name: HSBC Optimised BRL FX Forwards Index • Underlying: NDFs • Reuters Page for History (Bid/Ask): BRLNDF= (before 3rd Dec. 2003 these were used as outright quotes and BRL=, BRL1MNDF=, BRL2MNDF=, BRL3MNDF= and BRL6MNDF= was used) • Reuters Page for Spot Rate (Bid/Ask): BRL= • Spot Date: Two weekdays from today, where this day has to be a Settlement Day in Brazil and the USA • Reuters Page for NDFs (Bid/Ask): BRLNDF= • Quotes need to be used as: $Forwardrate = Spot + (quote)$ • Day Count Fraction used: ACT/360 • Settlement calendar available on: CDR BZ on Bloomberg
Hungary	<ul style="list-style-type: none"> • Name: HSBC Optimised HUF FX Forwards Index • Underlying: Forwards • Reuters Page for History (Bid/Ask): HUFFWD= • Reuters Page for Spot Rate (Bid/Ask): HUF= • Spot Date: Two weekdays from today, where this day has to be a Settlement Day in Hungary and the USA • Reuters Page for Forwards (Bid/Ask): PYND1 • Quotes need to be used as: $Forwardrate = Spot + (quote)/100$ • Day Count Fraction used: ACT/360 • Settlement calendar available on: CDR HU on Bloomberg
India	<ul style="list-style-type: none"> • Name: HSBC Optimised INR FX Forwards Index • Underlying: NDFs • Reuters Page for History (Bid/Ask): INRNDFOR= • Reuters Page for Spot Rate (Bid/Ask): INR=PREA • Spot Date: Two weekdays from today, where this day has to be a Settlement Day in India and the USA • Reuters Page for NDFs (Bid/Ask): PYLNDF • Quotes need to be used as: $Forwardrate = (quote)$ • Day Count Fraction used: ACT/365 • Settlement calendar available on: CDR IN on Bloomberg
Mexico	<ul style="list-style-type: none"> • Name: HSBC Optimised MXN FX Forwards Index • Underlying: Forwards • Reuters Page for History (Bid/Ask): MXNFWD= • Reuters Page for Spot Rate (Bid/Ask): MXN=

	<ul style="list-style-type: none"> • Spot Date: Two weekdays from today, where this day has to be a Settlement Day in Mexico and the USA • Reuters Page for Forwards (Bid/Ask): PYEM • Quotes need to be used as: $Forwardrate = Spot + (quote)$ • Day Count Fraction used: ACT/360 • Settlement calendar available on: CDR MX on Bloomberg
New Zealand	<ul style="list-style-type: none"> • Name: HSBC Optimised NZD FX Forwards Index • Underlying: Forwards • Reuters Page for History (Bid/Ask): NZDFWD= • Reuters Page for Spot Rate (Bid/Ask): NZD=TTKL (this rate needs to be used as 1/quote) • Spot Date: Two weekdays from today, where this day has to be a Settlement Day in New Zealand and the USA • Reuters Page for Forwards (Bid/Ask): FWEP • Quotes need to be used as: $Forwardrate = \frac{1}{Spot + (quote)/10000}$ • Day Count Fraction used: ACT/365 • Settlement calendar available on: CDR NZ on Bloomberg
Poland	<ul style="list-style-type: none"> • Name: HSBC Optimised PLN FX Forwards Index • Underlying: Forwards • Reuters Page for History (Bid/Ask): PLNFWD= • Reuters Page for Spot Rate (Bid/Ask): PLN= • Spot Date: Two weekdays from today, where this day has to be a Settlement Day in Poland and the USA • Reuters Page for Forwards (Bid/Ask): PYND1 • Quotes need to be used as: $Forwardrate = Spot + (quote)/10000$ • Day Count Fraction used: ACT/365 • Settlement calendar available on: CDR PD on Bloomberg
Russia	<ul style="list-style-type: none"> • Name: HSBC Optimised RUB FX Forwards Index • Underlying: NDFs • Reuters Page for History (Bid/Ask): RUBNDFOR= (before 20th Dec. 2007 these were quoted as $Forwardrate = Spot + (quote)/10000$) • Reuters Page for Spot Rate (Bid/Ask): RUBSP=GFIR • Spot Date: One weekday from today, where this day has to be Settlement Days in Russia and the USA • Reuters Page for NDFs (Bid/Ask): GFIR • Quotes need to be used as: $Forwardrate = (quote)$ • Day Count Fraction used: ACT/365 • Settlement calendar available on: CDR RU on Bloomberg
Singapore	<ul style="list-style-type: none"> • Name: HSBC Optimised SGD FX Forwards Index • Underlying: Forwards • Reuters Page for History (Bid/Ask): SGDFWD= • Reuters Page for Spot Rate (Bid/Ask): SGD= • Spot Date: Two weekdays from today, where this day has to be a Settlement Day in Singapore and the USA • Reuters Page for Forwards (Bid/Ask): SGDFWD= • Quotes need to be used as: $Forwardrate = Spot + (quote)/10000$ • Day Count Fraction used: ACT/365 • Settlement calendar available on: CDR SI on Bloomberg
South Africa	<ul style="list-style-type: none"> • Name: HSBC Optimised ZAR FX Forwards Index • Underlying: Forwards • Reuters Page for History (Bid/Ask): ZARFWD= • Reuters Page for Spot Rate (Bid/Ask): ZAR= • Spot Date: Two weekdays from today, where this day has to be a Settlement Day in South Africa and the USA

	<ul style="list-style-type: none"> • Reuters Page for Forwards (Bid/Ask): ZARFWD= • Quotes need to be used as: $Forwardrate = Spot + (quote)/10000$ • Day Count Fraction used: ACT/365 • Settlement calendar available on: CDR SA on Bloomberg
South Korea	<ul style="list-style-type: none"> • Name: HSBC Optimised KRW FX Forwards Index • Underlying: NDFs • Reuters Page for History (Bid/Ask): KRWNDFOR= • Reuters Page for Spot Rate (Bid/Ask): KRW=PNDF • Spot Date: Two weekdays from today, where this day has to be a Settlement Day in South Korea and the USA • Reuters Page for NDFs (Bid/Ask): PYLNDF • Quotes need to be used as: $Forwardrate = (quote)$ • Day Count Fraction used: ACT/365 • Settlement calendar available on: CDR SK on Bloomberg
Thailand	<ul style="list-style-type: none"> • Name: HSBC Optimised THB FX Forwards Index • Underlying: Forwards • Reuters Page for History (Bid/Ask): THBFWD= • Reuters Page for Spot Rate (Bid/Ask): THB=PREA • Spot Date: Two weekdays from today, where this day has to be Settlement Days in Thailand and the USA • Reuters Page for Forwards (Bid/Ask): PREE • Quotes need to be used as: $Forwardrate = Spot + (quote)/100$ • Day Count Fraction used: ACT/365 • Settlement calendar available on: CDR TH on Bloomberg
Turkey	<ul style="list-style-type: none"> • Name: HSBC Optimised TRY FX Forwards Index • Underlying: Forwards • Reuters Page for History (Bid/Ask): TRYFWD= • Reuters Page for Spot Rate (Bid/Ask): TRY= • Spot Date: One weekday from today, where this day has to be a Settlement Day in Turkey and the USA • Reuters Page for Forwards (Bid/Ask): BGCTURK (Implied rates) • Quotes need to be used as: $Forwardrate = Spot + (quote)/10000$ • Day Count Fraction used: ACT/360 • Settlement calendar available on: CDR TU on Bloomberg
United Kingdom	<ul style="list-style-type: none"> • Name: HSBC Optimised GBP FX Forwards Index • Underlying: Forwards • Reuters Page for History (Bid/Ask): GBPFWD= • Reuters Page for Spot Rate (Bid/Ask): GBP= (this rate needs to be used as 1/quote) • Spot Date: Two weekdays from today, where this day has to be a Settlement Day in the United Kingdom and the USA • Reuters Page for Forwards (Bid/Ask): FWDW • Quotes need to be used as: $Forwardrate = \frac{1}{Spot + (quote)/10000}$ • Day Count Fraction used: ACT/365 • Settlement calendar available on: CDR GB on Bloomberg

For the United States of America (USA) a Day Count Fraction of “ACT/360” was used and the settlement calendar can be found on “CDR US” on Bloomberg.

Day Conventions for the FX Forwards Market:

Table 2 specifies for which days the forward rates on the Reuters Pages are given. From this it follows for how many days a forward rate is and, therefore, how to use it in the interpolation. For all countries, one only needs to consider the following forward points, where available on the specified Reuters Pages.

Table 2: Forward Quotes	
Short-form	Details
SN	The Settlement Day following the Spot Date, where it has to be a Settlement Day in both relevant countries
SW or 1W	One calendar week from the Spot Date, where it has to be a Settlement Day in both relevant countries
2W	Two calendar week from the Spot Date, where it has to be a Settlement Day in both relevant countries
3W	Three calendar week from the Spot Date, where it has to be a Settlement Day in both relevant countries
1M	One month from the Spot Date, where it has to be a Settlement Day in both relevant countries. If the Spot Date is the 23rd of April, for example, the 1M quote is for the 23rd of May
2M	Two month from the Spot Date, where it has to be a Settlement Day in both relevant countries. If the Spot Date is the 23rd of April, for example, the 2M quote is for the 23rd of June
3M	Three month from the Spot Date, where it has to be a Settlement Day in both relevant countries. If the Spot Date is the 23rd of April, for example, the 3M quote is for the 23rd of July
6M	Six month from the Spot Date, where it has to be a Settlement Day in both relevant countries. If the Spot Date is the 23rd of April, for example, the 6M quote is for the 23rd of October

If any of these days is not a Settlement Day in one of the two relevant countries, the quote is for the next day, which is a Settlement Day in both relevant countries. The only exception to this rule would be, if the next Settlement Day would fall in a different month. In this case, the quote is for the previous Settlement Day, which is a Settlement Day in both relevant countries.

Appendix C: HSBC Optimised FX Forwards 10 Index

The Base Date is 19th March 2003 and the HSBC Optimised FX Forwards 10 Index Value in USD on the Base Date is 100 ($CompositeIndex_0 = 100$). The Base Date is also defined as the first Roll Date.

Roll Dates, T, are always four Business Days before the third Wednesdays of March, June, September and December of each year.

On any Roll Date, the HSBC Optimised FX Forwards 10 Index is equally weighted among the ten currencies specified in Table 3. The Index Value of this index on any Business Day following the Base Date is given by:

$$CompositeIndex_t = \left(\frac{1}{10} CompositeIndex_{PT} \right) \sum_{j=1}^{10} \left(\frac{Index_{j,t}}{Index_{j,PT}} \right) \text{ on Day, t, where t is after the}$$

previous Roll Date, PT

where:

$CompositeIndex_t$ = Index Value of the HSBC Optimised FX Forwards 10 Index in USD on any Business Date, t, following the Base Date

$CompositeIndex_{PT}$ = Index Value of the HSBC Optimised FX Forwards 10 Index in USD on the previous Roll Date, PT

$Index_{j,t}$ = Index Value of the Index for foreign currency j in USD on Business Date t

Table 3: (Composite Index Constituent of the HSBC Optimised FX Forwards 10 Index)	
Constituents	
HSBC Optimised AUD FX Forwards Index	
HSBC Optimised BRL FX Forwards Index	
HSBC Optimised HUF FX Forwards Index	
HSBC Optimised MXN FX Forwards Index	
HSBC Optimised PLN FX Forwards Index	
HSBC Optimised RUB FX Forwards Index	
HSBC Optimised SGD FX Forwards Index	
HSBC Optimised THB FX Forwards Index	
HSBC Optimised TRY FX Forwards Index	
HSBC Optimised GBP FX Forwards Index	

Appendix D: HSBC Optimised Dynamic FX Forwards Index

The Base Date is 19th March 2003 and the HSBC Optimised Dynamic FX Forwards Index Value in USD on the Base Date is 100 ($CompositeIndexDyn_0 = 100$). The Base Date is also defined as the first Roll Date.

Roll Dates, T, are always four Business Days before the third Wednesdays of March, June, September and December of each year.

On any Roll Date, the HSBC Optimised Dynamic FX Forwards Index is equally weighted among the ten currencies with the highest annualised 90-Day Implied Interest Rates. The ten currencies that are included on any Roll Date are selected five Business Days prior to the Roll Date. Five Business Days prior to the Roll Date, the annualised 90-Day Implied Interest Rate for each currency listed in Table 1 that fulfils the Composite Index Inclusion Criteria is calculated (see next section for details). Among these, the ten currencies with the highest annualised 90-Day Implied Interest Rates are selected and will be included in the Composite Index on the next Roll Date. If less than ten currencies fulfil the Composite Index Inclusion Criteria then only these currencies will be included in the HSBC Optimised Dynamic FX Forwards Index on the next Roll Date. If less than three currencies fulfil the Composite Index Inclusion Criteria then no currency will be included in the HSBC Optimised Dynamic FX Forwards Index on the next Roll Date.

The Index Value of the HSBC Optimised Dynamic FX Forwards Index on any Business Day following the Base Date is given by:

$$CompositeIndexDyn_t = \left(\frac{1}{n} CompositeIndexDyn_{PT} \right) \sum_{j=1}^n \left(\frac{Index_{j,t}}{Index_{j,PT}} \right) \text{ on Day, t, where t is after the previous Roll Date, PT}$$

where:

$CompositeIndexDyn_t$	=	Index Value of the HSBC Optimised Dynamic FX Forwards Index in USD on any Business Date, t, following the Base Date
$CompositeIndexDyn_{PT}$	=	Index Value of the HSBC Optimised Dynamic FX Forwards Index in USD on the previous Roll Date, PT
$Index_{j,t}$	=	Index Value of the Index for foreign currency j in USD on Business Date t
n	=	Number of currencies that were included in the HSBC Optimised Dynamic FX Forwards Index on the previous Roll Date, PT

If no currency is included, the Index Value of the HSBC Optimised Dynamic FX Forwards Index is given by:

$$CompositeIndexDyn_t = CompositeIndexDyn_{PT} * ACC_{USD,PT,t} \text{ on Day, t, where t is after the previous Roll Date, PT}$$

where:

$ACC_{USD,PT,t}$ = Accrued USD Interest Rate from the previous Roll Date, PT, to Day t (for details see Appendix A: HSBC Optimised FX Forwards Index Series - Formula of foreign currency j in USD)

Composite Index Inclusion Criteria:

To qualify for inclusion in the HSBC Optimised Dynamic FX Forwards Index, each potential foreign currency, j, listed in Table 1 has to fulfil two criteria:

- The annualised 90-Day Implied Interest Rate of currency j must be above the annualised 3-month USD LIBOR Interest Rate (available on the Reuters Page USDLIBOR)
- The annualised 90-Day Implied Interest Rate of currency j must be below 50%

Annualised 90-Day Implied Interest Rate:

The following formula will be used to calculate the annualised 90-Day Implied Interest Rate for foreign currency j:

$$R_{j,t,90D} = \frac{\left(\left(1 + DC_{USD,t,90D} * R_{USD,t,3M} \right) * \frac{F_{j,t,90D}}{S_{j,t}} - 1 \right)}{DC_{j,t,90D}}$$

where:

- $F_{j,t,90D}$ = 90-Day Forward Rate of foreign currency j with the USD as the Base Currency on Day t (this is measured by the Ask price and obtained by linear interpolation as discussed in Appendix A: HSBC Optimised FX Forwards Index Series - Formula of foreign currency j in USD)
- $S_{j,t}$ = Spot Rate of foreign currency j with the USD as the Base Currency on Day t (this is measured by the Ask price)
- $DC_{j,t,90D}$ = Day Count Fraction for 90 calendar days of foreign currency j from Day t (Day Count Fractions for each Foreign currency j are specified in Appendix B: Foreign Currencies Covered by HSBC Optimised FX Forwards Index Series)
- $DC_{USD,t,90D}$ = Day Count Fraction for 90 calendar days of the USD from Day t (this will therefore always be 1/4)
- $R_{j,t,90D}$ = Annualised 90-Day Implied Interest Rate of foreign currency j on Day t
- $R_{USD,t,3M}$ = Annualised 3-month USD LIBOR Interest Rate on Day t (available on the Reuters page USDLIBOR)

Appendix E: IMPORTANT NOTE

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