

Collateral policy

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Preamble

In accordance with applicable regulations, particularly the ESMA¹ Guidelines on ETFs and other UCITS issues (ESMA/2012/832), HSBC Global Asset Management (France) has established and implemented a policy on collateral according to efficient portfolio management techniques and relative to OTC financial derivative transactions.

1 European Securities and Markets Authority

Type of collateral authorised

In the context of repurchase agreements and stock lending:

Assets received by the fund und repurchase agreements must comply with criteria established in the internal collateral policy and constitute collateral.

In the context of OTC financial derivative transactions and stock lending:

Collateral is received in cash.

The amount of collateral required

In the context of repurchase agreements:

In accordance with local market practices and contracts covering repurchase agreements, collateral amounts to at least 100% of the nominal amount upon initiation of the transaction.

Collateral received under a title transfer may not be sold, reinvested or pledged. It should be held by the depository of the UCITS.

To limit the counterparty risk arising from such financial instruments, regular margin calls shall be exchanged between the counterparty and the UCITS based on changes in the valuation of the repurchased assets.

In the context of OTC financial derivative transactions:

To limit counterparty risk arising from such financial instruments, regular margin calls shall be exchanged between the counterparty and the UCITS based on changes in the valuation of the OTC derivatives.

In the context of securities lending:

To limit counterparty risk arising from such financial instruments, regular margin calls shall be exchanged between the borrower and the UCITS based on changes in the valuation of securities lending basket and assets in collateral.

Generally speaking, the minimum amount of transfer applicable is determined on the basis of the total assets in the UCITS and the classification of the strategy as defined in the internal collateral policy.

However, the minimum transfer amount may be adjusted to certain UCITS.

Haircut policy

HSBC Global Asset Management (France) possesses a policy for discounting collateral applicable to each UCITS adjusted to each category of assets. This hair cut policy reflects the following factors, among others:

- 1/ the type of issuer of the asset received,
- 2/ the maturity of the asset received,
- 3/ the credit quality of the asset received as collateral.

The purpose of this haircut is to hedge the risk of a decline in value of the collateral between the date of the collateral call and the date of liquidation or execution.

Policy of reinvestment for collateral received in cash

Collateral received in cash is exclusively:

- ◆ deposited with selected entities;
- ◆ invested in high-quality government bonds;
- ◆ invested in reverse repo;
- ◆ invested in short-term money-market UCITS.

Policy updates and monitoring

HSBC Global Asset Management (France) reviews its policies at least once per year. This is done upon each material change or any change that has an impact on its clients or on the funds that it manages. This policy is therefore subject to change at any time. The updated version of the policy is available at the website of HSBC Global Asset Management (France) at the following address: www.assetmanagement.hsbc.fr

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