

# Covered Bond House of the Year HSBC

The evolution of the global covered bond market in recent years has played to HSBC's strengths and does a lot to vindicate the bank's approach to the product.

That approach: silo-free, integrated into the whole range of DCM products and using its vast global distribution network continues to bear fruit as the bank continued to be a top player in the sector, was responsible for some of the market's most impressive innovations and raised finance for issuers across a dozen jurisdictions to make it *GlobalCapital's* Covered Bond House of the Year.

Just as issuers increasingly consider covered bonds one of many tools to fund the bank, so does HSBC. "One of the reasons for our success is that we haven't made a conscious decision to ramp up covered bonds — we consider it a complement to other products, talking across bank funding tools to treasurers allows us to be product-agnostic and give best advice," says Hugo Moore, global co-head of covered bonds.

Mark Pearce, head of FIG syndicate, adds that the DCM approach also applies to syndicate "Do covered bonds exist in isolation? Certainly not. It's one part of the puzzle and within our desk we are active across the whole puzzle, from CB to bank/insurance AT1/RT1. We don't have silos and protective syndicate managers pitching their own products or time zone/currency."

Integrating covered bonds into the value chain reaps other benefits — some of this year's innovations aren't exclusive to covered bonds. Take the transition away from Libor. HSBC has been instrumental in the application of this, not least in the covered bond market, where this year it was responsible for the first US dollar covered bond with a Sofr extension period as well as the longest Sonia-linked bond, and previously having led the first ever Sonia covered bond alongside a host of other Libor related 'firsts'. These innovations don't just happen, they have required "knowledge, technical experience, conviction, investor outreach and a lot of hard work with issuers and lawyers to execute," according to John Millward, global co-head of covered bonds.

It's another way that the market's evolution plays to HSBC's strengths. "We have always been at the leading edge of structuring and ALM advisory," says Millward. "That is just one of the pillars necessary to be a leading covered bond house: alongside a market leading origination and syndicate team, research, a strong structured finance franchise, global investor coverage and, of course, secondary trading."



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global co-head  
of covered bonds



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A joined-up approach has also reaped benefits in trading — a challenging area recently for a product that prides itself on liquidity. HSBC has learnt from the credit market — with a global investor base, it is often easier to match buyers and sellers with internal cross-trades than rely on external markets.

Which leads to another obvious strength of HSBC: its global reach. It isn't just that HSBC can execute a trade across Asian, European and American time zones — although that helps; it can also offer impartial advice across currencies.

Being an Asian powerhouse isn't traditionally a strength in the covered bond market, but there are pockets of demand — not just the sovereign wealth funds — and HSBC's Asian coverage has certainly helped on the buy side. In the past year it has bought issuers from Korea, Singapore, Japan and Australia to the market.

HSBC is an easy choice for a first-time issuer, particularly one in a new jurisdiction. As Pearce puts it: "Our credentials, volumes and awards speak for themselves." But that isn't enough. "When you have a new issuer, it would be easy to just add spread to get it over the line. But we try to determine relative value based on a proper understanding, explained to the investors that make a difference to pricing."

But for all the innovations that have characterised covered bonds, the ability to properly sell those first time issuers relies on some old-fashioned coverage. German investors are the cornerstone of the euro market and will always help to drive relative value discussions.

The covered bond market may be 250 years old, but it is also constantly evolving. That evolution suits HSBC. "We want to make sure we are continually on the front foot of innovation. We like to do new things, to help new issuers, it's just what we like doing," says Millward. **GC**