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HSBC executes first FX hedges linked to MSCI World ESG Leaders Index

(London) – HSBC today announced that it has executed a total return swap based on the performance of the [MSCI World ESG Leaders Index](#) for a leading global liability driven investment manager, marking the first time this index has been hedged with an FX overlay.

The custom-made index that HSBC has manufactured for the client is called *MSCI World ESG Leaders 100% hedged to GBP Index* ('the Index'). The 13 current currencies of its constituent stocks are hedged by HSBC to GBP, using one-month rolling forward exchange rates.

The Index, which is rebalanced monthly by MSCI, tracks the performance of these forward hedges as well as the underlying equities of the MSCI World ESG Leaders Index.

The total return swap linked to the Index will see the client pay HSBC the SONIA rate, compounded daily, at maturity of the swap in July 2022 in exchange for the price return of the Index.

Richard Bibbey, Global Head of FX, EM Rates & Commodities, at HSBC, said: "We're really pleased to have helped our client – a leading global liability driven investment manager – meet its investment and ESG objectives for UK pension funds. Using our global equities, FX and ESG capabilities, we were able to build a custom-made index that tracks the MSCI World ESG Leaders Index and hedge our client's exposure to it in GBP – the first time this has been done."

Patrick Kondarjian, Global Co-Head of ESG Sales, Markets & Securities Services, at HSBC, said: "A key aim for HSBC is to help our clients embed ESG into their investments. By partnering with MSCI in this way, we can offer a transparent and cost-effective way to deliver an investible custom-built solution around a client's required equity, FX and ESG exposures."

The MSCI World ESG Leaders Index is a capitalisation weighted index that provides exposure to companies globally with high Environmental, Social and Governance (ESG) performance relative to their sector peers. Constituent selection is based on data from MSCI ESG Research.

The index is designed for investors seeking a broad, diversified sustainability benchmark with relatively low tracking error to the underlying equity market.



News Release

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About HSBC

HSBC Holdings plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from offices in 64 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of \$2,959bn at 31 March 2021, HSBC is one of the world's largest banking and financial services organisations.