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HSBC and Wells Fargo establish bilateral agreement to settle FX transactions through a blockchain-based solution

Strategic agreement between the two companies optimizes settlement of foreign exchange transactions and reduces settlement risk

HSBC Bank plc and Wells Fargo & Company (NYSE: WFC) today announced an agreement to use a blockchain-based solution for the netting and settlement of matched foreign exchange (FX) transactions.

Through this agreement, HSBC and Wells Fargo will jointly use a shared settlement ledger to process US dollar, Canadian dollar, British pound sterling and Euro transactions with plans to extend the platform to settle additional currencies in the near future. Utilizing blockchain technology, this solution provides each bank with ongoing real-time transparency of settlement status for matched FX transactions in the applicable currencies. It will enable both parties to utilize Payment-vs-Payment (PvP) settlement netting in an efficient manner, which will reduce settlement risks and associated costs of processing FX transactions.

Commenting on the announcement, Mark Williamson, global head of FX Partnerships & Propositions at HSBC said: "As financial services continue to digitize the store of payment and value on blockchain, we are delighted to work with Wells Fargo in the adoption of this important cross-border digital backbone for the confirmation and settlement of Foreign Exchange trades. We are excited to continue to grow the FX Everywhere network whilst ensuring that we are well placed to transact in new forms of regulated digital currencies such as Central Bank Digital Currencies."

The shared, private ledger enhances settlement speed and efficiency by using blockchain technology, applied under the framework of an agreed rulebook, to optimize PvP netting opportunities between HSBC and Wells Fargo. The banks will be able to net bilateral payment obligations and settle on a pre-agreed cadence multiple times per day within the flexibility of the settlement windows enabled by this technology. The offering builds on HSBC's FX Everywhere platform which has settled over three million intrabank trades worth over \$2.5tn since going live in 2018. Based on the results of this arrangement, the parties hope to expand the system to add more participants and to introduce a central Financial Market Infrastructure (FMI) provider to administer the platform rulebook.

"We are pleased to announce that we will be utilizing blockchain technology for the first time in the settlement process of cross-border payments," said Mark Jones, co-head of Macro, Wells Fargo Corporate & Investment Bank. "We are extremely excited to be collaborating with HSBC on a project which places both organizations at the forefront of blockchain innovation. We believe this will be the first step of many utilizing transformative technology across our industry in the years ahead."

The platform runs on Baton Systems' blockchain inspired proprietary CORE distributed ledger technology and is governed by the Baton rulebook. The platform enables participants to efficiently settle bilateral cross border obligations across multiple onshore and offshore currencies, coupled with the added flexibility of extended settlement windows to optimize PvP risk reduction opportunities. Wells Fargo's depth of USD liquidity and strong franchise in the Americas complements HSBC's strength in Europe and Asia's emerging markets.

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Notes to Editor:

The FX and payments markets continue to prioritize reducing settlement risk, utilizing PvP risk reduction tools, on-us settlement and payment netting mechanisms. Recent global industry body statements on these topics include the FX Global Code's settlement risk principles 35 and 50, the Financial Stability Board's G20 roadmap for enhancing cross-border payments, and the Committee on Payments and Market Infrastructures Stage 2 report to the G20.

About HSBC Holdings plc

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 \$2,969bn at 30 September 2021, HSBC is one of the world's largest banking and financial services organisations.

About Wells Fargo

Wells Fargo & Company (NYSE: WFC) is a leading financial services company that has approximately \$1.9 trillion in assets, proudly serves one in three U.S. households and more than 10% of small businesses in the U.S., and is the leading middle market banking provider in the U.S. We provide a diversified set of banking, investment, and mortgage products and services, as well as consumer and commercial finance, through our four reportable operating segments: Consumer Banking and Lending, Commercial Banking, Corporate and Investment Banking, and Wealth & Investment Management. Wells Fargo ranked No. 37 on Fortune's 2021 rankings of America's largest corporations. In the communities we serve, the company focuses its social impact on building a sustainable, inclusive future for all by supporting housing affordability, small business growth, financial health, and a low-carbon economy. News, insights, and perspectives from Wells Fargo are also available at [Wells Fargo Stories](#).

Additional information may be found at www.wellsfargo.com | Twitter: [@WellsFargo](https://twitter.com/WellsFargo).

Contact Information

HSBC

Paul Smith, +44 20 7991 4867

Paul.A.Smith@hsbc.com

Wells Fargo

Susan Monahan, +44 203 942 9824

Susan.Monahan@wellsfargo.com

Hannah Sloane, (347) 802-5942

Hannah.Sloane@wellsfargo.com