

Agency services and Equity-linked markets

Game changers amid the pandemic





Nick Bevan
Managing Director, Co-Head of Strategic Equity Financing

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Key takeaways

- ◆ As a result of the strategic collaboration and global integration of two of HSBC’s Capital Markets teams – Issuer Services and Strategic Equity Financing – HSBC is able to offer clients “one-stop-shop” solutions
- ◆ Access to liquidity has been a recurrent market theme over the last twelve months, with clients exploring ways to unlock capital through innovative equity financing structures, supported by efficient agency services
- ◆ Among agency services, escrows can support multiple client requirements and are being increasingly deployed across a number of different transactions to help businesses navigate the crisis

In 2020, HSBC played a vital role in keeping capital flowing to its clients, arranging over \$1.15 trillion of capital raising for clients in equity and debt capital markets in the first six months of 2020¹. Addressing the financing requirements of distressed clients has been a priority for HSBC, to help them on their recovery path.

Agency and trustee services on the rise in COVID-strained markets

In these unprecedented times, services related to facilitating the execution of transactions aiming to unlock liquidity propelled interest in HSBC’s agency and trustee services.

“HSBC has helped clients access liquidity through schemes such as the UK’s COVID Corporate Financing Facility (CCFF). A number of our clients had never established these sorts of programmes before, we brought value-add by providing guidance along with operational services to facilitate the swift execution of these programmes,” says Giovanni Fenocchi, Global Head of Issuer Services.

Risk management became an increasingly key requirement for clients considering capital markets transactions, whether to support their recovery mode or fuelling their growth model. One of the services that has proven particular popular is escrow. A core component of HSBC’s Issuer Services proposition, escrows are a set of strategic risk management tools offering clients a practical way to alleviate concerns around counterparty risk. Demand for these solutions picked up during the pandemic, particularly for transactions relating to the purchase/sale of medical equipment.

“Our escrows are designed to be simple, flexible and nimble, which is beneficial for clients executing transactions with counterparties they may never have dealt with before, it also provides them assurance of milestone payments. By leveraging the strength of the HSBC global network, we operate in more than 20 markets – across a mix of different currencies – which is also a major advantage as it means we can support deals for clients across multiple time-zones, thus making the whole process more seamless,” said Fenocchi.

Escrows have become a vital ingredient behind the ongoing success of the bank’s agency franchise, with the business recently recognised as “Best in Escrow Agency” by The Asset²

Note:

1. HSBC group: [Helping our customers through the pandemic](#)
2. The Asset (June 2021) [Sustainable Investing Awards 2021: Custody Specialist \(theasset.com\)](#)



Martin Zoll
Managing Director, Co-Head of Strategic Equity Financing

“From a product perspective, our business has undergone a transformation. Previously, we mainly offered fairly vanilla products, but we now support more complex transactions such as structured equity, corporate equity derivatives and non-recourse financings.”

Leveraging technology to preserve high levels of client service

The Issuer Services arm has been gaining traction through its innovation track record, said Fenocchi. He cited the [Investor Reporting portal](#) – which launched in June 2020 – as an example.

The portal enables clients to access data on their securities and holdings in real-time from smart devices. “We developed the portal in response to growing demand from clients to be able to access their data on the go, a demand which has increased with the pandemic,” he added.

In order to ensure the delivery of robust technology solutions, the business continues to explore new digital solutions to support client needs.

“From a product perspective, our business has undergone a transformation over the last few years. Previously, we mainly offered fairly vanilla products, such as recourse share financings, but we now support more complex transactions such as structured equity, corporate equity derivatives and non-recourse financings. We have re-positioned our proposition as a holistic platform,” stressed Martin Zoll, Global Co-Head of Strategic Equity and Financing at HSBC.

Underpinning the success of HSBC in the structured equity market is the fact that its Strategic Equity and Financing business enjoys an excellent working relationship with the bank’s Issuer Services arm. With customers looking to minimise complexity when dealing with counterparties, many are increasingly looking for providers who can offer them a full suite of services in a globally consistent manner.

“Our ability to collaborate closely with the Strategic Equity and Financing team means clients benefit from a streamlined front-to-back offering. As a result, in addition to financing solutions, HSBC clients can access a wide range of agency and trustee services including; account bank; escrow; custody and paying agent; to name but a few,” said Fenocchi.

Equity-linked market and agency services, a winning combination

In 2019, equity-linked issuances totalled \$54 billion, but it is in 2020 that the market truly exploded with issues exceeding \$100 billion for the first time in over a decade. “When the pandemic struck, a number of our corporate clients sought out liquidity and tapped into the equity-linked market, which remained fully functional during the whole crisis,” said Nick Bevan, Global Co-Head of Strategic Equity and Financing (SEF) at HSBC.

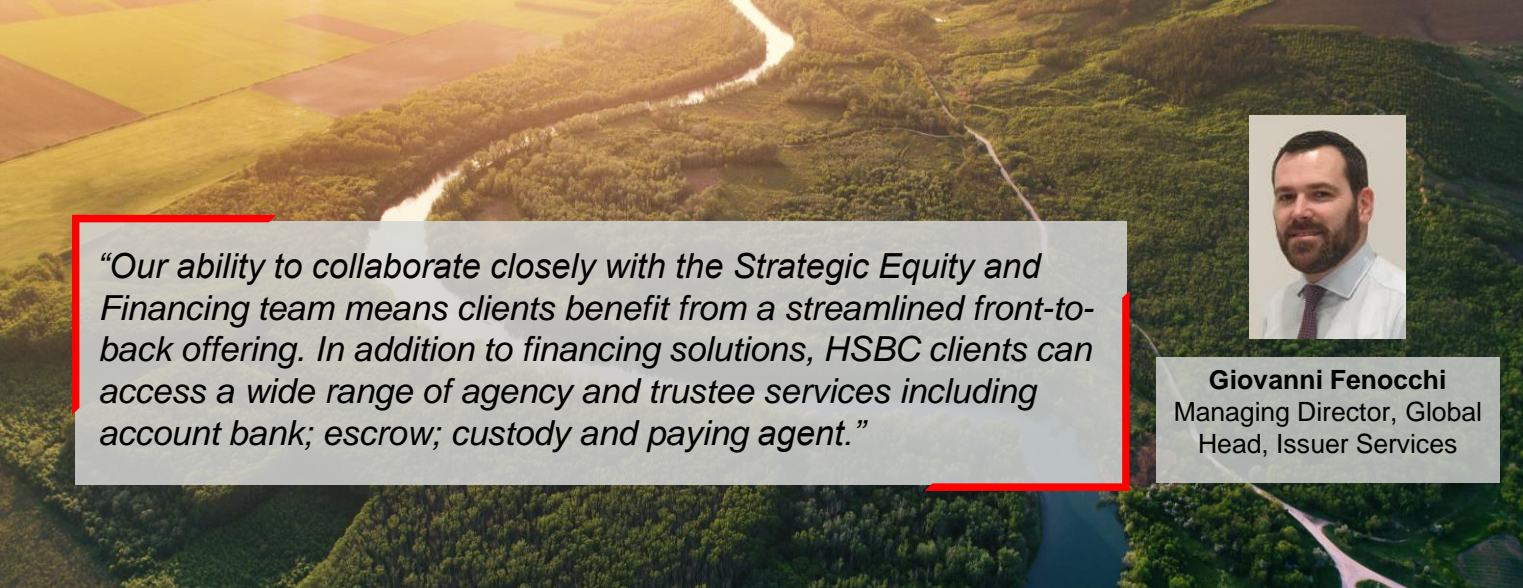
As a bank, HSBC is at the forefront of helping companies obtain access to financing across the capital structure. While it was once considered to be on the relative fringes of the equity-linked market, HSBC’s Strategic Equity and Financing business is now ranked as a top three provider in EMEA, following a strategic shift in its approach to expand its reach in the structured equity space almost four years ago.

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1. HSBC group: [Helping our customers through the pandemic](#)
2. The Asset (June 2021) [Sustainable Investing Awards 2021: Custody Specialist \(theasset.com\)](#)

Case study: a holistic Financing & Agency solution

In March 2021, HSBC acted as Mandated Lead Arranger, Lender and Facility Agent in a USD \$8.125 billion club margin loan for a corporate client secured against US and HK-listed shares of an Asian company. The financing allowed the client to raise substantial non-recourse funding in a cost efficient manner and illustrates the strength of HSBC’s multi-product capabilities across SEF and Issuer Services.



Giovanni Fenocchi
Managing Director, Global
Head, Issuer Services

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Joining forces to support clients throughout the pandemic: case studies

◆ Airline sector - Singapore Airlines

HSBC acted as sole bookrunner and lead manager to the SGD 850 million (USD 630 million) debut convertible bond issued by Singapore Airlines Limited. The deal was launched immediately after the announcement of the Hong Kong-Singapore travel bubble, while it also coincided with news of the COVID-19 vaccine breakthrough.

“The entire transaction was completed within a record 24-hour period. Due to our team’s strong integration with Issuer Services and the bank’s ability to provide a one-stop-shop solution, we were able to act swiftly to meet the client’s requirements. The role played by Issuer Services helped achieve this result as they facilitated a number of agency roles seamlessly within the tight timeline,” said Zoll.

◆ Retail sector - ASOS

The recourse to equity-linked markets has not been limited to corporates in stressed sectors only. A number of organisations – including those in the technology, e-commerce and healthcare sectors – have seen their revenues increasing exponentially in these unprecedented times. “We are working closely with companies, whose models have benefited from the crisis, especially those operating in the online retail space.” added Bevan.

HSBC provided a one-stop-shop solution by acting as joint global coordinator, paying agent, conversion agent and trustee on ASOS’ £500 million convertible bond due in 2026 and concurrent delta placing. The proceeds will provide ASOS with additional flexibility to continue investing in its global growth strategy.

In challenging times particularly, the bank’s ability to join forces internally to offer end-to-end solutions has been a clear differentiator for its clients. Furthermore, HSBC’s balance sheet strength is an aspect of the Issuer Services proposition which appeals to clients, concluded Fenocchi.

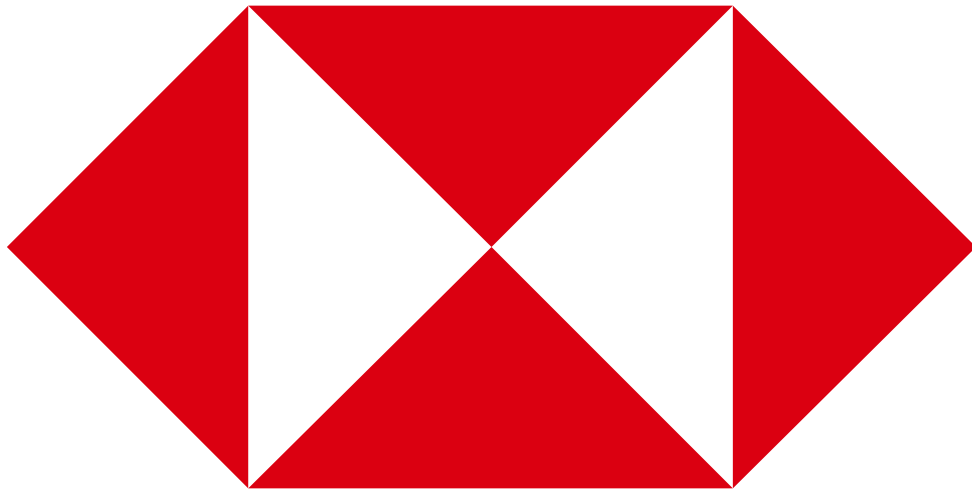
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