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## **HSBC COMPLETES ITS FIRST BATCH OF TRADE FINANCE TRANSACTIONS REFERENCING USD TERM SOFR IN HONG KONG**

HSBC has completed its first batch of trade finance transactions referencing CME Group's forward-looking USD Secured Overnight Financing Rate term rates (Term SOFR) in Hong Kong, representing another step forward in the market transition of interest rate benchmarks.

Arranged for VST Computers (HK) Ltd. under VSTECS Group (0856. HK) and China Star Optoelectronics International (HK) Ltd. under TCL Tech Group (000100. SZ) in the form of documentary credit discounting, the Term SOFR-linked trade finance transactions have facilitated the companies' procurement of electronic components from overseas.

The transactions followed an earlier announcement by the US Alternative Reference Rates Committee (ARRC) that it formally recommended CME's Term SOFR for adoption by market participants. Based on market expectations implied from derivatives markets, the benchmark provides an indication of the forward-looking measurement of overnight SOFR. As a term rate, the interest rate is set at the beginning of the borrowing period and remains fixed for that period. Term SOFR has the additional benefit of not being tied to expectations of interbank credit risk, ensuring that borrowing costs remain stable during times of market stress.

**Frank Fang, Head of Commercial Banking, Hong Kong, HSBC**, said: "We have seen increased demand and customer enquiries for RFR-linked solutions, as the market continues to migrate away from LIBOR to SOFR. This batch of pilot trade finance transactions has demonstrated our product innovation capabilities and market expertise amid the evolving environment. To help businesses navigate through IBOR transition, HSBC will continue to closely engage our customers and mobilise resources to explore suitable offerings to support their hedging and financing needs."

HSBC is at the forefront of supporting customers in navigating the IBOR reforms in Hong Kong through continuous investment in infrastructure and product capabilities. An array of innovative lending solutions and hedging tools referencing alternative RFRs have been introduced since 2020. The Bank has also arranged USD SOFR-based facilities for corporate and institutional clients.

To assist clients and help them better understand the changes, HSBC will continue to provide timely updates and arrange meetings to discuss market developments.

For more information on IBOR reforms, please visit:  
<https://www.business.hsbc.com/ibor>.

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**Note to editors:**

**The Hongkong and Shanghai Banking Corporation Limited**

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