The following is the text of an announcement released to the Stock Exchange of Hong Kong Limited on 10 January 2017 pursuant to rule 13.43 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

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HSBC

10 January 2017

(Hong Kong Stock Code: 5)

HSBC HOLDINGS PLC

WAIVER FROM STRICT COMPLIANCE WITH RULES 10.06(1) TO (5)

Background

A number of subsidiaries of HSBC Holdings plc (the "**Company**") deal in shares of the Company in the ordinary course of business such as equity trading and brokerage. Under English law, subsidiaries are generally restricted from holding shares in their parent company. However, for some years, English law has also provided an exemption to allow subsidiaries to hold shares in their parent company where such shares are held in the ordinary course of business as an intermediary (the "**Intermediaries Exemption**").

Rules 10.06(1) to (5) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "**Listing Rules**") also impose obligations on subsidiaries when purchasing shares in their parent company. However, as an English incorporated company, the Company has held a number of waivers allowing certain of its subsidiaries to conduct this activity in order to take advantage of the Intermediaries Exemption. Waivers also apply to the purchase of contingent convertible securities ("**CCSs**") issued by the Company. The Company has requested the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") to update those waivers and that updated request has been granted.

The Intermediaries Exemption Waiver

The Stock Exchange has granted a waiver from Rules 10.06(1) to (5) to the Company in respect of any purchases made by HSBC Securities (USA) Inc., HSBC Bank plc, The Hongkong and Shanghai Banking Corporation Limited and HSBC France (collectively, the "**Relevant Subsidiaries**") of the Company's shares (as defined in Rule 10.06(6)(c)) which are made in the ordinary course of business of the respective Relevant Subsidiaries as an intermediary in relation to the following activities:

(i) client facilitation trading;
(ii) derivatives hedging;
(iii) equity index arbitrage;
(iv) stock borrowing and lending activity; and
(v) collateral for margin finance activities and other lending,

(collectively, the "**Intermediaries Activities**").

Reasons for the Intermediaries Exemption Waiver

Since the Relevant Subsidiaries operate businesses which involve trading in shares, the restrictions under Rules 10.06(1) to (5) impose a disproportionate burden when such subsidiaries deal in shares of the Company in the ordinary course of their business. The Intermediaries Exemption Waiver allows these Relevant Subsidiaries to take advantage of the Intermediaries Exemption. The Intermediaries Activities to which the Intermediaries Exemption Waiver relates are activities which the Relevant Subsidiaries undertake in the ordinary course of their business which involves them holding positions in the Company's shares from time to time. If the Relevant Subsidiaries were not able to hold positions in the Company's shares, their ability to offer equity trading services to customers would be significantly impaired.

Terms of the Intermediaries Exemption Waiver

The Intermediaries Exemption Waiver is subject to the following conditions:

(i) the Company will report the net long positions held by the Relevant Subsidiaries in the Company's shares (together with the net long positions in the Company's CCSs held pursuant to the CCS Waiver (as defined below)) to the Stock Exchange and the Securities and Futures Commission (the "**SFC**") when the aggregate of such net long positions at the end of a trading day exceeds 0.5% of the Company's issued shares. Such report should be sent to the Stock Exchange and the SFC by the opening of the second trading day in Hong Kong;

(ii) the Relevant Subsidiaries will abide by all regulatory requirements applicable to their Intermediaries Activities; and

(iii) the Company will announce the details of and reasons for the Intermediaries Exemption Waiver.

The Intermediaries Exemption Waiver replaces the waivers previously granted to the Company on 30 July 1992, 29 November 2002, 18 September 2003 and 26 April 2004 in relation to Rules 10.06(1) to (5) in their entirety.

The CCS Waiver

The Stock Exchange has granted a waiver from Rules 10.06(1) to (5) to the Company in respect of any purchases of the Company's CCSs made in connection with the distribution, acquisition, holding and disposal of the CCSs by the Relevant Subsidiaries, including their roles as manager, global co-ordinator, bookrunner, stabilising manager and/or underwriter of any issuance of CCSs and any market-making activity in the secondary market or similar activity intended to facilitate liquidity in the CCSs.

Reasons for the CCS Waiver

CCSs are debt securities that benefit from a particular regulatory capital treatment under European Union legislation. The CCSs may, in certain prescribed circumstances, convert into ordinary shares of the Company. Accordingly, the CCSs are treated as constituting "shares" for the purpose of Rule 10.06. The acquisition by the Relevant Subsidiaries of any CCSs might therefore trigger the restrictions described above under Rules 10.06(1) to (5).

It is common for a financial institution which is issuing debt securities to support the issuance by acting (through its relevant licensed subsidiary or subsidiaries) in the above-mentioned managing, underwriting and/or market-making roles for its own debt securities issuance. This is because the issuer's own group would be well placed to devote sufficient resources to facilitating liquidity in its debt securities and promoting an orderly market. The CCSs are a bespoke form of debt security, which because of their regulatory capital treatment would typically only be issued by financial institutions. Accordingly, in order to meet market expectations for the issuance, the Relevant Subsidiaries may act in such managing, underwriting and/or market-making roles for any issuances of CCSs, and may distribute, hold, acquire and/or dispose of CCSs in such capacities.

The distribution, holding, acquisition and disposal of any CCSs by the Relevant Subsidiaries are therefore primarily intended as a means to distribute the CCSs to third parties and to promote liquidity in the CCSs by providing some inventory to fulfil a market-making function. The amount of CCSs which may be held by the Group pursuant to market-making activities will be subject to certain limits as agreed with the UK Prudential Regulation Authority (the "**PRA**") from time to time. Current regulations provide that, for Additional Tier 1 Capital (including CCSs), those limits may not exceed the lower of (i) 10% of the amount of the relevant issuance or (ii) 3% of the amount of total outstanding Additional Tier 1 Capital Accordingly, the CCS Waiver permits the Relevant Subsidiaries to undertake the above activities in respect of the CCSs without HSBC complying with the strict requirements of Rules 10.06(1) to 10.06(5).

Terms of the CCS Waiver

The CCS Waiver is subject to the following conditions:

(i) the Company will report the net long positions held by the Relevant Subsidiaries in the Company's CCSs (together with the net long positions in the Company's shares held pursuant to the Intermediaries Exemption Waiver) to the Stock Exchange and the SFC when the aggregate of such net long positions at the end of a trading day exceeds 0.5% of the Company's issued shares. Such report should be sent to the Stock Exchange and the SFC by the opening of the second trading day in Hong Kong;

(ii) the Relevant Subsidiaries will abide by all regulatory requirements applicable to them in respect of the distribution, acquisition, holding and disposal of the CCSs; and

(iii) the Company will announce the details of and reasons for the CCS Waiver.

For the purposes of the CCS Waiver, a CCS is any security issued by the Company or any of its subsidiaries which constitutes Additional Tier 1 Capital under relevant banking regulations, the terms of which have been approved by the PRA and which are convertible into shares of the Company if certain contingent conditions are met (which would likely include the Company's Common Equity Tier 1 Capital Ratio or other capital ratio falling below a certain specified level as approved by the PRA or other relevant banking regulator, or the Company otherwise being determined not to be viable). The CCS Waiver applies to all CCSs issued to date, and to CCSs which may be issued by the Company in future.

For and on behalf of
HSBC Holdings plc

Ben JS Mathews
Group Company Secretary

The Board of Directors of HSBC Holdings plc as at the date of this announcement are: Douglas Flint, Stuart Gulliver, Phillip Ameen† , Kathleen Casey† , Laura Cha† , Henri de Castries† , Lord Evans of Weardale† , Joachim Faber† , Sam Laidlaw† , Irene Lee† , John Lipsky† , Rachel Lomax† , Iain Mackay, Heidi Miller† , Marc Moses, David Nish† , Jonathan Symonds† , Jackson Tai† , Pauline van der Meer Mohr† and Paul Walsh† .

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HSBC Holdings plc

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