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(Hong Kong Stock Code: 5)

HSBC HOLDINGS PLC

Waivers from strict compliance with Appendix 10 of the Hong Kong Listing Rules

On 13 July 2018, The Stock Exchange of Hong Kong Limited (the “**Exchange**”) granted certain waivers to HSBC Holdings plc (the “**Company**”) from strict compliance with Rules A.1, A.3, A.6 and D.15 of the Model Code contained in Appendix 10 (the “**HK Model Code**”) to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”).

Rules A.1 and A.3 of the HK Model Code prohibit a director from dealing in any of the securities of the listed issuer in prescribed circumstances. Rule A.6 of the HK Model Code extends the restrictions on dealings by a director contained in the HK Model Code to the director’s spouse, minor child and any other dealings in which the director is or is to be treated as interested under Part XV of the Hong Kong Securities and Futures Ordinance (together “**Related Persons**”). Rule D.15 of the HK Model Code requires a listed issuer to disclose that it has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the HK Model Code and any non-compliance against the HK Model Code and the listed issuer’s own code.

The waiver of Rules A.1 and A.3 of the HK Model Code enables directors of the Company to carry on certain dealing activities which would otherwise be prohibited under the HK Model Code. The waiver of Rule A.6 of the HK Model Code amends the Rule during the period under Rule A.1 of the HK Model Code such that the obligations of a director thereunder are subject to the obligations of confidentiality and compliance with applicable laws and regulations. The waiver of Rule D.15 of the HK Model Code is required to ensure that the Company’s disclosure obligations thereunder are met by reference to the HK Model Code as amended by the waivers set out in this announcement.

Background

The Company has applied for, and the Exchange has granted, waivers from strict compliance with certain provisions of the HK Model Code.

The reasons for seeking these waivers arise as a consequence of the Market Abuse Regulation (EU) No 596/2014 (“**MAR**”) coming into force in the United Kingdom on 3 July 2016 and the impact of MAR on the Company’s code for dealings in its securities.

Prior to MAR coming into force, the United Kingdom Listing Rules (“**UK Listing Rules**”) required companies listed on the Official List of the United Kingdom Listing Authority to comply with the Model Code which at the time was contained in Annex 1 to Chapter 9 of the UK Listing Rules (“**UK Model Code**”). The Company’s own dealing code at the time reflected the provisions of the UK Model Code and the HK Model Code. However, the Company sought and obtained certain waivers in areas where the UK Model Code differed from the HK Model Code (“**Previous Code Waivers**”).

The provisions of MAR differ from the UK Model Code in various respects. As a consequence, the UK Financial Conduct Authority removed the requirement for UK listed companies to comply with the UK

Model Code. Instead, UK listed companies must now comply directly with the provisions in MAR regarding dealings by persons discharging managerial responsibilities (“**PDMRs**”), which includes directors of the Company, and persons closely associated with them.

The provisions of MAR also differ in certain respects from the HK Model Code. The Company has therefore sought and obtained waivers from strict compliance with certain provisions of the HK Model Code.

The Employee Share Scheme Waiver

The Exchange has granted the following waiver (the “**Employee Share Scheme Waiver**”):

1. To waive the HK Model Code requirements such that a director of the Company is permitted, during the periods specified under Rules A.1 and A.3 of the HK Model Code (the “**Prohibited Periods**”):
 - (a) to be granted awards/options or to accept the grant of awards/options under the Company’s employee share scheme(s), on the condition that the timing and amount (or the basis for determining such amount) of such grant are specified under the terms of the employee share scheme(s), and/or pursuant to a defined framework permitted under the terms of the relevant employee share scheme under which any inside information cannot influence the award or grant, and of which the director has no discretion to amend during the Prohibited Periods;
 - (b) to exercise options or warrants or convert convertible bonds assigned to him under the Company’s employee share scheme(s), and sell the shares acquired pursuant to such exercise or conversion, on the condition that such transactions are effected either by an irrevocable standing instruction given prior to the Prohibited Periods or pursuant to the terms of the employee share scheme(s), both of which the director has no discretion to amend during the Prohibited Periods; and
 - (c) to acquire the Company’s securities under the Company’s employee share scheme(s), on the condition that no director could join and/or cancel the employee share scheme(s) (except when he/she cannot enter into the scheme at another time due to the date of commencement of employment) or vary the terms/conditions or the amount of his purchases under the employee share scheme(s) during the Prohibited Periods.

For the avoidance of doubt, the above Waiver (as described in paragraphs 1(a), (b) and (c)) is equally applicable to any dealings stipulated under Rule A.6 of the HK Model Code.

Reasons for the Employee Share Scheme Waiver

MAR permits certain dealings relating to employee share schemes during a closed period which are set out in Articles 9(a) to (d) of the Commission Delegated Regulation 2016/522 which supplements MAR (“**Delegated Regulation**”). These permitted dealings are worded differently from, and in certain areas exceed the scope of, the exemptions from the definition of “dealings” in paragraph 7(d) of the HK Model Code.

While the wording of the permitted dealings under the Delegated Regulation also differs from the old UK Model Code, the substance of the permitted dealings are similar and to a large extent overlapping.

The Company’s employee share schemes reflect accepted practice in the UK and other jurisdictions in which the Company and its subsidiaries operate. The waiver is required in order to ensure that the Company’s employee share schemes are able to continue operating as they have done previously and as they are permitted to do so under MAR. The Employee Share Scheme Waiver is consistent with the Previous Code Waivers as they related to employee share schemes, amended as necessary to reflect the updated wording of MAR.

The terms of the Employee Share Scheme Waiver reflect broadly the permitted dealings under the Delegated Regulation albeit slightly narrower in scope to reflect only those areas where the Company

considers a waiver from the strict provisions of the HK Model Code is necessary to reflect the operation of the Company's employee share schemes.

The Entitlements Waiver

The Exchange has granted the following waiver:

2. To waive from strict compliance with Rules A.1 and A.3 of the HK Model Code such that a director may give irrevocable undertakings or make elections to take up his entitlements of shares under a pre-emptive offer by the Company to its existing shareholders during the Prohibited Periods.

For the avoidance of doubt, the above Waiver (as described in paragraph 2) is equally applicable to any dealings stipulated under Rule A.6 of the HK Model Code.

Reasons for the Entitlements Waiver

Under the Delegated Regulation, transactions are permitted during a closed period where a PDMR *"acquires qualification or entitlement of shares of the issuer and the final date for such an acquisition, under the issuer's statute or by-laws falls during the closed period, provided that the [PDMR] submits evidence to the issuer of the reasons for the acquisition not taking place at another time, and the issuer is satisfied with the provided explanation"* (Article 9(f)). An entitlement of shares is interpreted to include pre-emptive offers such as rights issues and bonus issues. Provided the dealing cannot take place outside the closed period (e.g. where the opening date and the final date for the entitlement fall within the closed period), under MAR, a PDMR is permitted to receive shares under a bonus issue and to undertake or elect to take up entitlements under a rights issue or to allow entitlements to lapse.

Under paragraph 7(d) of the HK Model Code, neither the take-up of entitlements under a rights issue nor allowing entitlements to lapse is considered to be a dealing. However, the granting of an irrevocable undertaking to do so is not expressly covered (whereas the granting of an irrevocable undertaking to accept a takeover offer is expressly set out). In the context of a pre-emptive offering such as a rights issue, a director may be requested to give an irrevocable undertaking to the Company (and possibly the underwriters) to take up his or her entitlements (or allow them to lapse).

The purpose of the waiver is to ensure that not only the actual take-up of entitlements, but also the grant of an irrevocable undertaking, may be effected during a Prohibited Period.

The Confidentiality Waiver

The Exchange has granted the following waiver:

3. To waive from strict compliance with Rule A.6 of the HK Model Code during the period under Rule A.1 of the HK Model Code such that the obligations of a director thereunder are subject to the obligations of confidentiality and compliance with applicable laws and regulations.

Reasons for the Confidentiality Waiver

Rule A.6 of the HK Model Code provides that the restrictions in directors dealing when in possession of inside information (Rule A.1) or during a closed period (Rule A.3) apply equally to any dealings by the director's Related Persons. The director has a duty to seek to avoid any such dealings when he himself is not free to deal.

This presents no issues in respect of a closed period. The timing of closed periods can usually be calculated with reasonable certainty in advance of proposed publication dates for financial results. Therefore, the directors are able to inform the relevant parties not to deal during a closed period.

However, where a director comes into possession of inside information, the position is more complicated. The fact that a company is in possession of inside information but has taken the view that it is justified in delaying the announcement of that information to the public is by its very nature confidential. The directors are obliged to keep this information confidential as is anyone else who is aware of the inside information. Under MAR and the Hong Kong Securities and Futures Ordinance, it is

effectively a condition to delaying disclosure of the inside information that the relevant company is able to ensure the confidentiality of the information.

If the Company was in possession of inside information and each of its current 14 directors was required to inform all their Related Persons that they should not deal that would increase the risk of a leak and therefore potentially impair the ability of the Company to keep the information confidential. There may also be circumstances where the fact that the Company has inside information could by itself constitute inside information. In those circumstances, instructing Related Persons not to deal could be deemed to be confirming or disclosing that inside information. MAR does not require directors to prevent persons closely associated with them from dealing in these circumstances. It relies on all parties complying with the prohibition against insider dealing.

For these reasons, the waiver has been requested to ensure that, where a director is in possession of inside information, the obligation to comply with Rule A.6 of the HK Model Code is subject to the obligations of confidentiality and compliance with applicable laws and regulations.

The Disclosure Waiver

The Exchange has granted the following waiver:

4. To waive from strict compliance with Rule D.15 of the HK Model Code such that the disclosure obligation in the Company's interim and annual reports relating to the HK Model Code under Rule D.15 will be fulfilled by reference to the HK Model Code, as amended by the above Waivers.

Reasons for the Disclosure Waiver

Rule D.15 of the HK Model Code requires a listed issuer to disclose that it has adopted a code on terms no less exacting than the HK Model Code and any non-compliance against the HK Model Code and the listed issuer's own code. The purpose of this waiver is to ensure that the disclosure obligations in Rule D.15 of the HK Model Code are met by reference to the HK Model Code as amended by the waivers set out in this announcement.

It is a condition of the above waivers that the Company must announce the reasons and details of the waivers.

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: Mark Tucker*, John Flint, Kathleen Casey†, Laura Cha†, Henri de Castries†, Lord Evans of Weardale†, Irene Lee†, Iain Mackay, Heidi Miller†, Marc Moses, David Nish†, Jonathan Symonds†, Jackson Tai† and Pauline van der Meer Mohr†.

* Non-executive Group Chairman

† Independent non-executive Director