

HSBC Issuer Services

# Unleashing the power of Escrows in times of uncertainty

Our key 2020 Escrow achievements



At HSBC, we put the client at the heart of everything we do. In 2020, we have adapted quicker than ever to meet the evolving needs of our clients. Within Issuer Services, whilst continuing to provide escrow solutions for traditional applications, for example M&A or Real Estate escrows, our team has continued to develop more innovative uses for the product.

This innovation has been driven by a variety of factors, many of which a direct consequence of the pandemic. Some clients have significantly altered their strategies, operating models and supply chains in order to adapt to changes in the macroeconomic environment.

Clients operating in sectors more resilient to external environment challenges have sought to consolidate and grow, often into new markets of operation. Some of our clients are directly involved in the development, manufacturing, transportation and acquisition of COVID-19 vaccines and personal protective equipment (PPE).

Each client has unique challenges to overcome during this period and the versatility of the escrow product enables us to solve for an ever-increasing number of these challenges.”



**Simon Field**  
Global Head of  
Escrows,  
Issuer Services

## Gaming, Sports and Wine:

### How our Escrows unlocked opportunities for clients from diverse sectors

#### Escrows at play in the gaming industry

- **Overview:** The value chain in the gaming industry involves several parties: game and/or console manufacturers, and retailers distributing hardware and software to consumers. HSBC recently supported a retailer client (Party A), specialised in distributing games and consoles through their vast network of stores.

The client needed to purchase their seasonal supply of games from two manufacturers based in Europe (Party B) and in Japan (Party C). They also needed to purchase consoles from another manufacturer based in Europe (Party D).

- **Our services:** In order to support the retailer's procurement programme, HSBC opened three escrow accounts on behalf of the client as backstop facilities:
  - Escrow 1: Party A / Party B: USD 20m
  - Escrow 2: Party A / Party C: USD 5m
  - Escrow 3: Party A / Party D, USD 35m

This multi-escrow solution provided Parties B, C and D with a way to mitigate counterparty risk from the client and provide certainty of funds to the manufacturers.

- **The Escrow Advantage:** This project was the third transaction closed for our client, Party A, from our London office, which showcases how Escrow can be utilised as a repeat solution for parties.

It also demonstrates how an escrow solution can be used in trade finance transactions where several parties, in several countries are involved.

#### Reaching the finishing line in sport competitions

- **Overview:** When it comes to international competitions where one or more parties are facing each other, an escrow can be opened to safekeep the funds at stake until the outcome of the competition. In a recent case, HSBC opened an escrow account, within less than a week, for the organisers of a competition. The parties – both based in different countries – were competing each other in a neutral location.
- **Our services:** As escrow agent, HSBC acted as 'safekeeper' of the fees relating to the contest until it was over. Our global network and local expertise allowed us to quickly grasp the specificities of the locations of the parties involved.
- **The Escrow Advantage:** The swift completion of the escrow allowed the organiser to start promoting the event without worrying about potential counterparty risks from the parties involved.

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#### Wine and entertainment meet

- **Overview:** A wine company (Party A), headquartered in Asia-Pacific, set a growth strategy which included to partner with a clothing company based in the US and owned by a high profile figure within the entertainment industry (Party B).
- **Our services:** HSBC acted as escrow agent for a +USD1 million marketing fee to be paid to Party B by Party A. In return, Party B would market Party A's new wine collection through their clothing and apparel.
- **The Escrow Advantage :** In addition to demonstrating the cross-border expertise available at HSBC, the transaction illustrates how escrows can support a number of different use cases.

2020 has undoubtedly been a year of challenges requiring business to adopt to unprecedented levels of change. Technology and digitisation are transforming conventional business models and disrupting existing supply chains, all of which have increased the demand for escrows.

Being a versatile product, escrows can be flexibly applied in many existing and new businesses, particularly to mitigate counter-party risk when our clients move from a bilateral to multilateral structures.

In 2020, we have expanded the escrow product footprint to three new markets and will continue our expansion plans in 2021. We have also widened our product coverage by integrating escrows in some new sectors especially with online market places and platform aggregators handling third party money.



**Ganesh Iyer**  
Head of Escrow  
Product,  
Issuer Services

## Mergers & Acquisitions:

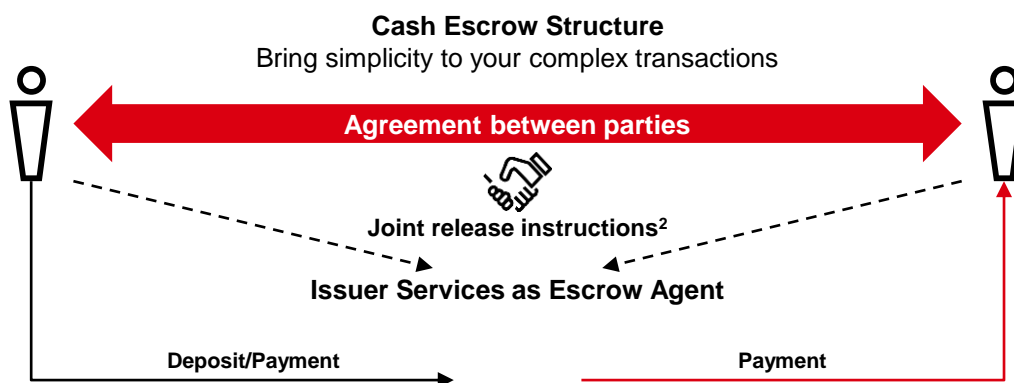
### How we helped clients develop strategic synergies to future-proof their business

#### Enhancing connectivity between two European telecommunications networks

- **Overview:** Two leading European networks announced their intention to merge their operating businesses in one of their key markets to form a 50:50 Joint Venture (JV). The JV would then become one of the leading integrated players in the selected market, benefitting from leading mobile, Pay-TV and broadband market shares.
- **Our services:** Offering a multi-product solution, HSBC acted as Escrow Agent on the three tranches of debt issued by the JV on the public bond markets. The JV placed the issuance proceeds in escrow and instructed HSBC to invest these in money market funds.
- **The Escrow Advantage:** Proceeds were held in escrow pending regulatory approval for the JV, which helped mitigating both timing and counterparty risks, while safekeeping the funds until the JV was approved.

#### Empowering a client to seize opportunities on the Indian market

- **Overview:** A US client sought to acquire a +50% stake in two Indian listed Pharmaceuticals majors (Party B and C) for a value of +USD500 million. Due to local regulations, an open offer transaction in India requires a mandatory escrow which can be funded either by cash and/or a bank guarantee.
- **Our services:** HSBC Issuer Services acted as the escrow agent to the open offer which was funded by cash and HSBC Global Trade & Receivables Finance issued the bank guarantee.
- **The Escrow Advantage:** The transaction involved an additional cash and share escrow between the client and the promoter shareholders to ensure commitment of both sides for subsequent tranches. The escrow structure was complex, it needed to incorporate multiple possibilities to account for potential change in regulation around the time of closing, commercial agreement between principals and adherence to regulations.



# How we have evolved our Escrow offering in a challenging year



HSBC was named **Best in Escrow Agency 2020** in the Triple A Asset Servicing Awards.  
[#HSBCescrow](#)



We launched our Escrow services in **3 new markets**: Bangladesh, Mauritius and Qatar, raising the number of total markets we cover to 21. View our [Escrow Map](#).

The below transactions demonstrate HSBC's ability to adapt to ever-changing and challenging market conditions. By bringing together expertise from different parts of the bank, HSBC has been able to support clients' evolving requirements throughout the pandemic. From supply chain challenges to the distribution of medical equipment, close coordination between HSBC teams resulted in holistic solutions where escrows play an integral part.

## Case study: A game changer in Supply Chain challenges

- **Overview:** An HSBC global banking client located in Mauritius (Party A) was selling its two subsidiaries in India to an Indian company (Party B). Party A issued convertible notes to a Mauritius based entity (Party C). Parties A and C entered into an escrow agreement in Mauritius whereby sale proceeds from the Indian company sold to Party B were credited. An escrow was required to ensure that once funds were received, they were utilised to pay for the cancellation of the convertible note.
- **Our services:** HSBC set up an escrow for 90 days with the funds being released to Party C as per the escrow agreement. Our Issuer Services team in India acted as the remittance agent (a specialised role in India) for Party B. Our team in Mauritius served as escrow agent.
- **The Escrow Advantage:** This transaction was highly complex, involving multiple buyers and sellers and payment flows across both India and Mauritius. HSBC Global Banking, Commercial Banking and Issuer Services all collaborated to deliver seamless execution during this complex cross-border transaction.

## Case study: An enabler in the management of the Covid-19 crisis

- **Overview:** The efficiency and added-value of escrow solutions have been particularly sought after during the pandemic. A number of corporates and governments are using risk management tools such as escrows when procuring PPE from new suppliers.

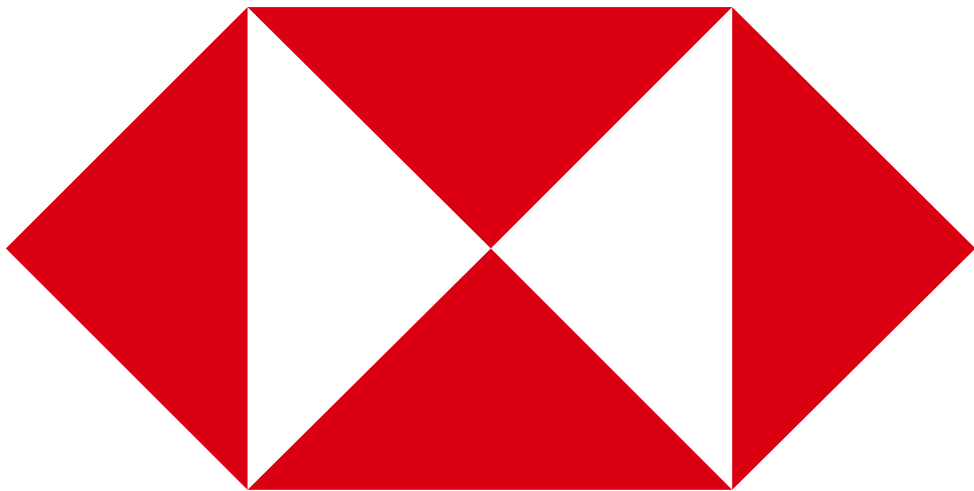
Now, as vaccine distribution efforts become the first order priority for pharmaceuticals, governments and a broad range of transport and logistics companies, escrows will be used to mitigate risk in these important transactions.

- **Our services:** Within Issuer Services and more broadly across the bank, we are developing solutions not only for pharmaceutical companies but for the entire supply chain involved in distribution of the vaccine. Escrows will form a core component of the solutions on offer.
- **The Escrow Advantage:** The simplicity of a supply chain escrow account, coupled with its ease of set-up at HSBC, enables parties within these supply chains to quickly put in place solutions to help reduce counterparty risk, whether it be non-payment risk for suppliers or non-delivery risk for buyers.

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To find out more about our Escrow services:

- ◆ Download our [brochure](#)
- ◆ Visit our website: [www.gbm.hsbc.com/issuer-services](http://www.gbm.hsbc.com/issuer-services)
- ◆ Follow [#HSBCescrow](#) on LinkedIn
- ◆ Contact us: [simon.field@hsbc.com.sg](mailto:simon.field@hsbc.com.sg)



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