

Understanding Loan Currency Switches by HSBC

A loan currency switch allows you to convert your loan from one currency into another. And another. And even back to the original currency.

HSBC offers eight loan currencies for you to switch. Let's look at your potential savings and risks involved. Your loan balance will be converted at the prevailing FX rate and your interest rate will follow the new currency's applicable rates, which may be lower than your original currency. But interest rates may also rise due to market conditions or a change in central bank policy, which could increase your borrowing costs and affect the overall affordability of your loan.

FX movements may also impact your original loan. If you switch to an alternate currency and it weakens against Singapore Dollar, switching back may reduce your outstanding SGD balance. But if the alternate currency strengthens against SGD, switching back will increase your SGD loan amount.

Movements may increase your original loan when switching back. Rates in the alternate currency may rise. When the loan is denominated in a mismatched currency, it may increase your loan exposure and margin requirements, and possibly result in a collateral shortfall or liquidation.

Market movements may impact collateral, trigger margin calls and could lead to a liquidation. Understanding how a loan currency switch works helps you make informed decisions. Speak to your HSBC relationship manager to learn more.