

Frequently Asked Questions in relation to the early termination of the Hang Seng Index, Hang Seng China Enterprises Index, China Mobile, China Telecom and China Unicom affected structured products

## Summary of Key Dates

	HSI/CEI Warrants	HSI/CEI CBBCs	941/762/728.HK Warrants	HSI Inline Warrants
<b>Last Trading date</b>	2021/1/22	2021/1/22	2021/1/22	2021/1/22
<b>Commencement date of limited liquidity period</b>	2021/1/12	2021/1/12	2021/1/12	2021/1/12
<b>Trading suspension date</b>	2021/1/25	2021/1/25	2021/1/25	2021/1/25
<b>Early termination date</b>	2021/1/28	2021/1/25	2021/1/28	2021/1/28
<b>Valuation date</b>	2021/1/28	2021/1/25	2021/1/21,22,25,26,27	2021/1/28
<b>Publication date of early termination amount</b>	2021/1/29	2021/1/26	2021/1/29	2021/1/29
<b>Settlement date of early termination amount</b>	2021/2/2	2021/1/28	2021/2/2	2021/2/2

### 1) Why did J.P. Morgan terminate the HSI, CEI, China Mobile Limited (941.HK), China Unicom (Hong Kong) Limited (762.HK) and China Telecom Corporation (728.HK) linked Warrants/CBBCs/Inline Warrants (affected structured products)?

As a result of Executive Order 13959, issued by the President of the United States (“Executive Order”) and subsequent FAQs, J.P. Morgan has determined that a Change in Law Event has occurred under the terms and condition of the affected structured products. Therefore, we have decided to early terminate the affected structured products on the respective early termination dates (see key dates table above).\*

*\*If you are holding an affected structured product that expires before the early termination date, the affected structured product will expire on its original scheduled expiry date at Cash Settlement Amount per board lot according to the terms and conditions of such product as specified in the relevant launch announcement and supplemental listing document.*

## 2) What if investors are still holding the affected structured products stated in the announcement?

---

The last trading day is scheduled to be 22 January 2021. During the Limited Liquidity Period, starting from 12 January 2021 to 22 January 2021 (both dates inclusive), J.P. Morgan will quote bid prices in a similar manner as our usual structured products based on the original expiry date for the affected structured products.

Investors can sell back their holding of the affected structured products to us on or before 22 January 2021.

In addition, investors can call +852 2800 7878 for a Quote Request and we will respond with one-sided bid quote as soon as possible subject to exceptional circumstances under which the liquidity provider is not obliged to provide bid prices.

During the Limited Liquidity Period, there may be only limited secondary market in the affected structured Products. Investors must exercise caution for any ask price quoted by other trading participants, which may not represent a fair value of the product in the absence of ask prices provided by J.P. Morgan.

## 3) How does J.P. Morgan determine the fair prices of the affected structured products during Limited Liquidity Period?

---

J.P. Morgan continues to use existing pricing model for the affected structured products and will provide one-sided bid quote in a similar manner as for our usual products to support investors to sell back their position to us during the limited liquidity period. J.P. Morgan is providing in good faith, as much time as possible for investors to sell their position of affected structured products.

#### 4) What will happen if I don't sell the affected structured products before expiry? How is the Warrants/CBBCs/Inline Warrants going to be settled?

Please see below J.P. Morgan's calculation methodology for affected products:

The settlement price for **HSI / CEI warrants** will be based on the following market factors

- Closing level: average of the underlying index level during the 5-mins interval on valuation date, 28 January 2021^
- The average of the implied volatility based on the mid-price of J.P. Morgan bid and the theoretical ask quotes as at or immediately before market close on 21 and 22 January 2021 respectively; and;
- The time value between the Early Termination Date and the original scheduled Expiry Date

The settlement price for **HSI inline warrants** will be based on the following market factors

- Closing level: average of the underlying index level during the 5-mins interval on valuation date, 28 January 2021^
- The average of the implied volatility based on the mid-price of J.P. Morgan bid and the theoretical ask quotes as at or immediately before market close on 22 January 2021 respectively;
- The time value between the Early Termination Date and the original scheduled Expiry Date

The settlement price for **HSI / CEI CBBCs** will be based on the following market factors

- Closing level: average of the underlying index level during the 5-mins interval on valuation date, 25 January 2021^
- the interest rate, and dividend rate of the underlying index, from the Early Termination Date to the original scheduled Expiry Date;
- The average of the implied Funding Cost reference to the middle of J.P. Morgan's bid price quoted for the CBBCs in the market and the theoretical ask price of the CBBCs using J.P. Morgan's pricing model as at or immediately before market close on 21 and 22 January 2021 respectively

The settlement price for **China Mobile Limited (941.HK), China Unicom (Hong Kong) Limited (762.HK) and China Telecom Corporation (728.HK)** will be based on the following factors

- Average closing price of the valuation dates (21, 22, 25, 26, 27 of January 2021)
- The average of the implied volatility based on the mid-price of J.P. Morgan bid quotes and the theoretical ask quotes as at or immediately before market close on 21 and 22 January 2021 respectively
- The time value between the Early Termination Date and the original scheduled Expiry Date

^If such average index level is not provided by Index Compiler, we will refer to the closing index level of the underlying index made available by the Index Compiler on such valuation date

## **5) How does J.P. Morgan determine the fair settlement price?**

---

J.P. Morgan is committed to conducting the early termination arrangement in good faith in order to reduce the impact of termination to investors and the market. We have been working closely with the relevant regulators on the determination of calculation methodology for the early termination amount.

## **6) Will J.P. Morgan's other structured products be impacted by the U.S. Executive Order?**

---

J.P. Morgan continues to monitor the Executive Order and corresponding FAQs, including their potential impact on our product offerings. We will inform investors of any change in a timely manner through our website and via the HKEX.

All related announcements have been published on HKEX website and J.P. Morgan Warrants website. [Click here for related announcements.](#)

Should you have any questions, please call our hotline at +852 2800 7878.

## Important Disclaimer:

These FAQs are provided for your information only and do not supersede any terms and condition of the affected structured products published by J.P. Morgan. These FAQs do not constitute any investment, legal, or tax advice nor will it constitute an invitation or offer to acquire, purchase or subscribe for any of the structured products described in the FAQs.

You are solely responsible for deciding whether any investment product or strategy is appropriate for you based upon your investment goals, financial situation, and tolerance for risk. You must read relevant listing documents, launch announcements and supplement listing documents and subsequent announcements carefully and (where appropriate) seek professional advice before investing in or dealing in the Affected Structured Products. The information contained herein is updated as of the date referenced on the front cover of these FAQs or as otherwise indicated in the particular response. J.P. Morgan does not undertake any obligation to update such information. All content, data, statements, and other information are not warranted as to completeness and are subject to change. Without limiting any of the foregoing and to the fullest extent permitted by applicable law, J.P. Morgan disclaims any responsibility or liability for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses, arising from any reliance on or use of the information contained in these FAQs. The FAQs are proprietary to J.P. Morgan. Any unauthorized use, dissemination, distribution, or copying of the FAQs, in whole or in part, is strictly prohibited.