Filed Pursuant to Rule 433
Registration No. 333-158385
January 12, 2010
FREE WRITING PROSPECTUS
(To Prospectus dated April 2, 2009,
Prospectus Supplement dated April 9, 2009,
and Product Supplement dated April 9, 2009)

HSBC

Structured Investments

HSBC USA Inc.
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Buffered Return Enhanced Notes Linked to a Weighted Basket Consisting of the Hang Seng China Enterprises Index®, the Korea Stock Price Index 200, the MSCI Taiwan Index℠, the Hang Seng® Index and the MSCI Singapore Index℠, and related Asian Currencies, due February 3, 2011

General

- Terms used in this free writing prospectus are described or defined in the product supplement, prospectus supplement and prospectus. The notes offered will have the terms described in the product supplement, prospectus supplement and prospectus. **The notes are not principal protected, and you may lose up to 100.00% of your initial investment.**
- All references to "Enhanced Market Participation Notes" in the product supplement shall refer to these Buffered Return Enhanced Notes.
- This free writing prospectus relates to a single note offering. The purchaser of a note will acquire a security linked to the single Reference Asset described below.
- Although the offering relates to a Reference Asset, you should not construe that fact as a recommendation as to the merits of acquiring an investment linked to the Reference Asset, any index comprising the Reference Asset or any component security included in any such index or as to the suitability of an investment in the related notes.
- Senior unsecured debt obligations of HSBC USA Inc. maturing February 3, 2011.
- Minimum denominations of $10,000 and integral multiples of $1,000 in excess thereof.
- **If the terms of the notes set forth below are inconsistent with those described in the accompanying product supplement, the terms set forth below will supersede.**

Key Terms

Issuer: HSBC USA Inc.

Issuer Rating: AA- (S&P), A1 (Moody's), AA (Fitch)*

Reference Asset: The notes are linked to a weighted basket consisting of five indices (each a "Basket Index," and together, the "basket indices") as adjusted by their respective spot exchange rates (each a "basket currency," and together, the "basket currencies") (the basket indices and basket currencies together make up the "basket components") as set forth below:

Basket Components

Basket Index	Ticker	Basket Currency	Component Weighting
Hang Seng China Enterprises Index®	HSCEI	Hong Kong dollar ("HKDUSD")	33.00%
Korea Stock Price Index 200	KOSPI2	Korean won ("KRWUSD")	24.00%
MSCI Taiwan Index℠	TWY	Taiwan dollar ("TWDUSD")	21.00%
Hang Seng® Index	HSI	Hong Kong dollar ("HKDUSD")	14.00%
MSCI Singapore Index℠	SGY	Singapore dollar ("SGDUSD")	8.00%

Upside Participation Rate: 200.00%

Downside Leverage Factor: 1.11111

Maximum Return: 17.80%

Buffer Amount: 10.00%

Principal Amount: $1,000 per note.

Trade Date: January 15, 2010

Pricing Date: January 15, 2010

Original Issue Date: January 21, 2010

Ending Averaging Dates: January 25, 2011, January 26, 2011, January 27, 2011, January 28, 2011, and January 31, 2011 (the Final Valuation Date).

Final Valuation Date: January 31, 2011, subject to adjustment as described herein and in the accompanying product supplement.

Maturity Date: 3 business days after the Final Valuation Date and is expected to be February 3, 2011. The Maturity Date is subject to further adjustment as described under "Market Disruption Events" herein and under "Specific Terms of the Notes — Market Disruption Events" in the accompanying product supplement.

Payment at Maturity: For each note, the cash settlement value.

Cash Settlement Value: For each note, you will receive a cash payment on the Maturity Date, per $1,000 principal amount note, that is based on the Basket Return (as described below):
If the Basket Return is greater than zero, you will receive an amount equal to the principal amount plus the lesser of:
(i) the product of (a) the principal amount multiplied by (b) the Basket Return multiplied by (c) the Upside Participation Rate; and
(ii) the product of (a) the principal amount multiplied by (b) the Maximum Return.
If the Basket Return is less than or equal to zero but greater than or equal to -10.00%, meaning that the level of the Reference Asset declines by no more than the 10.00% Buffer Amount at maturity, you will receive $1,000, the principal amount (zero return).
If the Basket Return is less than -10.00%, you will lose 1.11111% of the principal amount for each percentage point that the Basket Return is below -10.00%, calculated as follows:
$1,000 + [$1,000 × (Basket Return + 10.00%) × 1.11111]
This means that if the Basket Return is -100.00%, you will lose your entire investment.

Basket Return: The quotient, expressed as a percentage, of (i) the Basket Ending Level minus the Basket Starting Level divided by (ii) the Basket Starting Level, expressed as a formula:

$$\frac{\text{Basket Ending Level} - \text{Basket Starting Level}}{\text{Basket Starting Level}}$$

Basket Starting Level: Set equal to 100 on the Pricing Date.

Basket Ending Level: On the Final Valuation Date, the Basket Ending Level will be calculated as follows:
100 × [(HSCEI Basket Index Return × 33.00% × HKDUSD Currency Multiplier) + (KOSPI2 Basket Index Return × 24.00% × KRWUSD Currency Multiplier) + (TWY Basket Index Return × 21.00% × TWDUSD Currency Multiplier) + (HSI Basket Index Return × 14.00% × HKDUSD Currency Multiplier) + (SGY Basket Index Return × 8.00% × SGDUSD Currency Multiplier)]

Basket Index Return:

$$\frac{\text{Basket Index Ending Level} - \text{Basket Index Starting Level}}{\text{Basket Index Starting Level}}$$

Basket Index Starting Level: For each Basket Index, the Official Closing Level (as defined below) on the Pricing Date as determined by the calculation agent in its sole discretion.

Basket Index Ending Level: For each Basket Index, the arithmetic average of the Official Closing Level on each of the five Ending Averaging Dates, as determined by the calculation agent in its sole discretion.

Official Closing Level: With respect to each Basket Index, the Basket Index Ending Level on any scheduled trading day as determined by the calculation agent and displayed on Bloomberg Professional® service page "HSCEI <INDEX>" with respect to HSCEI, page "KOSPI2 <INDEX>" with respect to KOSPI2, page "TWY <INDEX>" with respect to TWY, page "HSI <INDEX>" with respect to HSI and page "SGY <INDEX>" with respect to SGY or, with respect to each Basket Index, any successor page on Bloomberg Professional® service or any successor service, as applicable.

Currency Multiplier: For each Basket Currency, the performance of such Basket Currency from its initial spot rate to its final spot rate, calculated as follows:

$$\frac{\text{Final Spot Rate}}{\text{Initial Spot Rate}}$$

Spot Rate: For each basket currency, the official MID WM Reuters fixing at 4 pm London time, expressed as the number of U.S. dollars per one unit of such basket currency, subject to adjustments as described under "Currency Disruption Events" herein.

Initial Spot Rate: For each basket currency, the spot rate as determined by the calculation agent in its sole discretion on the Pricing Date.

Final Spot Rate: For each basket currency, the arithmetic average of the spot rate on each of the five Ending Averaging Dates, as determined by the calculation agent in its sole discretion.

CUSIP/ISIN: 4042K0L78 /

Form of Notes: Book-Entry

Listing: The notes will not be listed on any U.S. securities exchange or quotation system.

***** A credit rating reflects the creditworthiness of HSBC USA Inc. and is not indicative of the market risk associated with the notes or the Reference Asset, nor is it a recommendation to buy, sell or hold securities, and it may be subject to revision or withdrawal at any time by the assigning rating organization. The notes themselves have not been independently rated. Each rating should be evaluated independently of any other rating. However, because the return on the notes is dependent upon factors in addition to our ability to pay our obligations under the notes, such as the Official Closing Level of the Reference Asset, an improvement in our credit ratings, financial condition or results of operations is not expected to have a positive effect on the trading value of the notes.

Investment in the notes involves certain risks. You should refer to "Selected Risk Considerations" beginning on page 8 of this document and "Risk Factors" on page PS-4 of the product supplement and page S-3 of the prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined that this free writing prospectus, or the accompanying product supplement, prospectus supplement and prospectus, is truthful or complete. Any representation to the contrary is a criminal offense.

The notes are not deposit liabilities or other obligations of a bank and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency of the United States or any other jurisdiction, and involve investment risks including possible loss of the principal amount invested due to the credit risk of HSBC. HSBC Securities (USA) Inc. or another of our affiliates or agents may use the pricing supplement related to this free writing prospectus in market-making transactions in any notes after their initial sale. Unless we or our agent informs you otherwise in the confirmation of sale, the pricing supplement relating to this free writing prospectus is being used in a market-making transaction. HSBC Securities (USA) Inc., an affiliate of ours, will purchase the notes from us for distribution to the placement agent. See "Supplemental Plan of Distribution (Conflicts of Interest)" on page 32 of this free writing prospectus.

We have appointed J.P. Morgan Securities Inc. as placement agent for the sale of the notes. J.P. Morgan Securities Inc. will offer the notes to investors directly or through other registered broker-dealers.

	Price to Public[1]	Fees and Commissions	Proceeds to Issuer
Per Note	$1,000	$10.00	$990.00
Total	$	$	$

[1] Certain fiduciary accounts will pay a purchase price of $990.00 per note, and the placement agents with respect to sales made to such accounts will forgo any fees.

JPMorgan
Placement Agent
January 12, 2010

Additional Terms Specific to the Notes

This free writing prospectus relates to a single note offering linked to the Reference Asset identified on the cover page. The purchaser of a note will acquire a senior unsecured debt security linked to the Reference Asset. We reserve the right to withdraw, cancel or modify any offering and to reject orders in whole or in part. Although the note offering relates only to a single Reference Asset identified on the cover page, you should not construe that fact as a recommendation as to the merits of acquiring an investment linked to the Reference Asset, the basket components or any securities or currencies, as applicable, comprising the basket components or as to the suitability of an investment in the notes.

You should read this document together with the prospectus dated April 2, 2009, the prospectus supplement dated April 9, 2009 and the product supplement dated April 9, 2009. If the terms of the notes offered hereby are inconsistent with those described in the accompanying product supplement, prospectus supplement or prospectus, the terms described in this free writing prospectus shall control. You should carefully consider, among other things, the matters set forth in "Selected Risk Considerations" beginning on page 8 of this free writing prospectus and "Risk Factors" on page PS-4 of the product supplement and page S-3 of the prospectus supplement, as the notes involve risks not associated with conventional debt securities. All references to "Enhanced Market Participation Notes" in the product supplement shall refer to these Buffered Return Enhanced Notes. We urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the notes. As used herein, references to the "Issuer," "HSBC", "we", "us" and "our" are to HSBC USA Inc.

HSBC has filed a registration statement (including a prospectus, a prospectus supplement and a product supplement) with the U.S. Securities and Exchange Commission ("SEC") for the offering to which this free writing prospectus relates. Before you invest, you should read the prospectus, prospectus supplement and product supplement in that registration statement and other documents HSBC has filed with the SEC for more complete information about HSBC and this offering. You may get these documents for free by visiting EDGAR on the SEC's web site at www.sec.gov. Alternatively, HSBC or any dealer participating in this offering will arrange to send you the prospectus, prospectus supplement and product supplement if you request them by calling toll-free 1 866 811 8049.

You may also obtain:

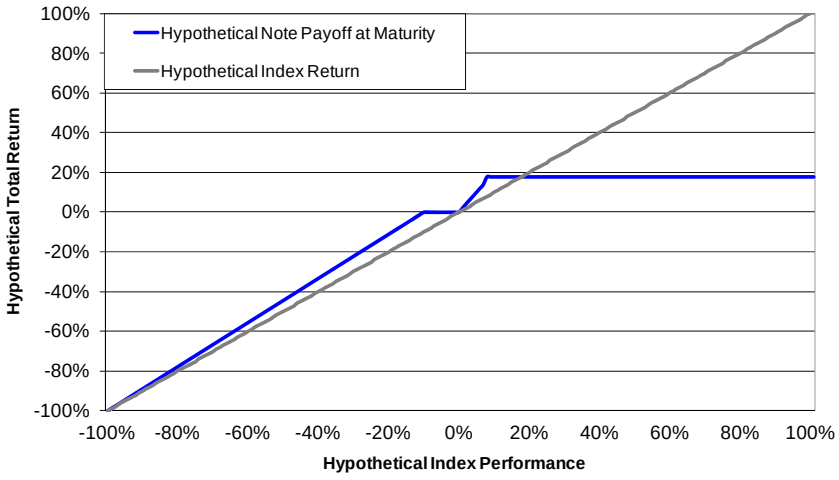
- the product supplement at www.sec.gov/Archives/edgar/data/83246/000114420409019791/v145840_424b2.htm
- the prospectus supplement at www.sec.gov/Archives/edgar/data/83246/000114420409019785/v145824_424b2.htm
- the prospectus at www.sec.gov/Archives/edgar/data/83246/000104746909003736/a2192100zs-3asr.htm

We are using this free writing prospectus to solicit from you an offer to purchase the notes. You may revoke your offer to purchase the notes at any time prior to the time at which we accept your offer by notifying HSBC Securities (USA) Inc. We reserve the right to change the terms of, or reject any offer to purchase, the notes prior to their issuance. In the event of any material changes to the terms of the notes, we will notify you.

What Is the Total Return on the Notes at Maturity Assuming a Range of Performance for the Reference Asset?

The following table and graph illustrate the hypothetical total return at maturity on the notes. The "total return" as used in this free writing prospectus is the number, expressed as a percentage, that results from comparing the payment at maturity per $1,000 principal amount note to $1,000. The hypothetical total returns set forth below reflect a Basket Starting Level of 100, the Upside Participation Rate of 200.00%, the Buffer Amount of 10.00%, the Downside Leverage Factor of 1.11111 and the Maximum Return on the notes of 17.80% and assumes initial spot rates of 0.1290, 0.000893, 0.0315 and 0.7207 for the HKDUSD, KRWUSD, TWDUSD, SGDUSD, respectively, and Basket Index Starting Levels of 13,119.03, 222.23, 301.17, 22,411.52, and 351.90 for the HSCEI, KOSPI2, TWY, HSI and SGY, respectively. The actual spot rates and Basket Index Starting Levels will be determined on the Pricing Date. The hypothetical total returns set forth below are for illustrative purposes only and may not be the actual total returns applicable to a purchaser of the notes. The numbers appearing in the following table, graph and examples have been rounded for ease of analysis.

Hypothetical Basket Ending Level	Hypothetical Basket Return	Hypothetical Total Return
200.00	100.00%	17.80%
180.00	80.00%	17.80%
165.00	65.00%	17.80%
150.00	50.00%	17.80%
140.00	40.00%	17.80%
130.00	30.00%	17.80%
120.00	20.00%	17.80%
110.00	10.00%	17.80%
108.90	8.90%	17.80%
107.50	7.50%	15.00%
105.00	5.00%	10.00%
102.50	2.50%	5.00%
101.00	1.00%	2.00%
100.00	**0.00%**	**0.00%**
99.00	-1.00%	0.00%
95.00	-5.00%	0.00%
90.00	**-10.00%**	**0.00%**
80.00	-20.00%	-11.11%
70.00	-30.00%	-22.22%
60.00	-40.00%	-33.33%
50.00	-50.00%	-44.44%
40.00	-60.00%	-55.56%
30.00	-70.00%	-66.67%
20.00	-80.00%	-77.78%
10.00	-90.00%	-88.89%
0.00	-100.00%	-100.00%



Hypothetical Examples of Amounts Payable at Maturity

The following examples illustrate how the total returns set forth in the table above are calculated.

Scenario 1

	HSCEI	KOSPI2	TWY	HSI	SGY
Basket Currency	**Hong Kong dollar**	**Korean won**	**Taiwan dollar**	**Hong Kong dollar**	**Singapore dollar**
Weighting	33.00%	24.00%	21.00%	14.00%	8.00%
Hypothetical Basket Index Starting Level	13,119.03	222.23	301.17	22,411.52	351.90
Hypothetical Basket Index Ending Level	14,430.93	244.45	331.29	24,652.67	387.09
Basket Index Return	110.00%	110.00%	110.00%	110.00%	110.00%
Hypothetical Initial Spot Rate	0.1290	0.000893	0.0315	0.1290	0.7207
Hypothetical Final Spot Rate	0.1290	0.000893	0.0315	0.1290	0.7207
Currency Multiplier	1.00	1.00	1.00	1.00	1.00
Basket Ending Level	110.00				
Basket Return	10.00%				
Payment at Maturity	$1,200.00				

In Scenario 1, the Basket Index Return for each Basket Index is 110%, indicating that each of the basket indices has appreciated by 10.00% on the Final Valuation Date, and the Currency Multiplier for each Basket Currency is 100.00%, indicating that the Initial Spot Rate is the same as the final spot rate for each Basket Currency. The Basket Ending Level is 110 calculated as follows:

Basket Ending Level = 100 × [(HSCEI Basket Index Return × 33.00% × HKDUSD Currency Multiplier) + (KOSPI2 Basket Index Return × 24.00% × KRWUSD Currency Multiplier) + (TWY Basket Index return × 21.00% × TWDUSD Currency Multiplier) + (HSI Basket Index Return × 14.00% × HKDUSD Currency Multiplier) + (SGY Basket Index Return × 8.00% × SGDUSD currency return)]
= 100 × [(110.00% × 33.00% × 1.00) + (110.00% × 24.00% × 1.00) + (110.00% × 21.00% × 1.00) + (110.00% × 14.00% × 1.00) + (110.00% × 8.00% × 1.00)]
= 110

Basket Return = (110 - 100) / 100
= 10.00%

The Payment at Maturity per $1,000 principal amount of notes is calculated as follows:

Payment at Maturity = $1,000 + ($1,000 × Basket Return × Upside Participation Rate)
= $1,000 + ($1,000 × 10.00% × 200%)
= $1,200

Scenario 2

	HSCEI	KOSPI2	TWY	HSI	SGY
Basket Currency	**Hong Kong dollar**	**Korean won**	**Taiwan dollar**	**Hong Kong dollar**	**Singapore dollar**
Weighting	33.00%	24.00%	21.00%	14.00%	8.00%
Hypothetical Basket Index Starting Level	13,119.03	222.23	301.17	22,411.52	351.90
Hypothetical Basket Ending Level	13,119.03	222.23	301.17	22,411.52	351.90
Basket Index Return	100.00%	100.00%	100.00%	100.00%	100.00%
Hypothetical Initial Spot Rate	0.1290	0.000893	0.0315	0.1290	0.7207
Hypothetical Final Spot Rate	0.1290	0.000982	0.0347	0.1290	0.7928
Currency Multiplier	1.00	1.10	1.10	1.00	1.10
Basket Ending Level	105.30				
Basket Return	5.30%				
Payment at Maturity	$1,106				

In Scenario 2, the Basket Index Return for each Basket Index is 100%, indicating that the return for each Basket Index on the Final Valuation Date is 0.00%. The Currency Multiplier is 100% for the Hong Kong dollar and 110% for Korean won, Taiwan

dollar and Singapore dollar, indicating that each of the Korean won, Taiwan dollar and Singapore dollar has strengthened relative to the U.S. dollar such that the final spot rate for each such Basket Currency has appreciated from its Initial Spot Rate by 10.00%. The Basket Return is 5.30% and the Payment at Maturity per $1,000 principal amount of notes is $1,106, calculated as follows:

Basket Ending Level = 100 × [(HSCEI Basket Index Return × 33.00% × HKDUSD Currency Multiplier) + (KOSPI2 Basket Index Return × 24.00% × KRWUSD Currency Multiplier) + (TWY Basket Index return × 21.00% × TWDUSD Currency Multiplier) + (HSI Basket Index Return × 14.00% × HKDUSD Currency Multiplier) + (SGY Basket Index Return × 8.00% × SGDUSD currency return)]
= 100 × [(100.00% × 33.00% × 1.00) + (100.00% × 24.00% × 1.10) + (100.00% × 21.00% × 1.10) + (100.00% × 14.00% × 1.00) + (100.00% × 8.00% × 1.00)]
= 105.30

Basket Return = (105.30 - 100) / 100
= 5.30%

Because the Basket Return is greater than zero, the Payment at Maturity per $1,000 principal amount of notes is calculated as follows:

Payment at Maturity = $1,000 + ($1,000 × Basket Return × Upside Participation Rate)
= $1,000 + ($1,000 × 5.30% × 200%)
= $1,106

Scenario 3

	HSCEI	KOSPI2	TWY	HSI	SGY
Basket Currency	**Hong Kong dollar**	**Korean won**	**Taiwan dollar**	**Hong Kong dollar**	**Singapore dollar**
Weighting	33.00%	24.00%	21.00%	14.00%	8.00%
Hypothetical Basket Index Starting Level	13,119.03	222.23	301.17	22,411.52	351.90
Hypothetical Basket Ending Level	15,742.84	266.68	361.40	26,893.82	422.28
Basket Index Return	120.00%	120.00%	120.00%	120.00%	120.00%
Hypothetical Initial Spot Rate	0.1290	0.000893	0.0315	0.1290	0.7207
Hypothetical Final Spot Rate	0.1290	0.000982	0.0347	0.1290	0.7928
Currency Multiplier	1.00	1.10	1.10	1.00	1.10
Basket Ending Level	126.36				
Basket Return	26.36%				
Payment at Maturity	$1,178.00				

In Scenario 3, the Basket Index Return for each Basket Index is 120%, indicating that each of the basket indices has appreciated by 20% from its Initial basket component Level to its Final basket component Level, and the Currency Multiplier is 100% for the Hong Kong dollar and 110% for Korean won, Taiwan dollar and Singapore dollar, indicating that each of the Korean won, Taiwan dollar and Singapore dollar has strengthened relative to the U.S. dollar such that the final spot rate for each such Basket Currency has appreciated from its Initial Spot Rate by 10%. The Basket Return is 26.36%, but the Maximum Return is 17.80% and therefore the Payment at Maturity per $1,000 principal amount of notes is $1,178.00 calculated as follows:

Basket Ending Level = 100 × [(HSCEI Basket Index Return × 33.00% × HKDUSD Currency Multiplier) + (KOSPI2 Basket Index Return × 24.00% × KRWUSD Currency Multiplier) + (TWY Basket Index return × 21.00% × TWDUSD Currency Multiplier) + (HSI Basket Index Return × 14.00% × HKDUSD Currency Multiplier) + (SGY Basket Index Return × 8.00% × SGDUSD currency return)]
= 100 × [(120.00% × 33.00% × 1.00) + (120.00% × 24.00% × 1.10) + (120.00% × 21.00% × 1.10) + (120.00% × 14.00% × 1.00) + (120.00% × 8.00% × 1.10)]
= 126.36

Basket Return = (126.36 – 100) / 100
= 26.36%

Because the Basket Return multiplied by the Upside Participation Rate is greater than the Maximum Return of 17.80%, the Payment at Maturity per $1,000 principal amount of notes is calculated as follows:

Payment at Maturity = $1,000 + ($1,000 × Maximum Return)
= $1,000 + ($1,000 × 17.80%)
= $1,178

Scenario 4

	HSCEI	KOSPI2	TWY	HSI	SGY
Basket Currency	**Hong Kong dollar**	**Korean won**	**Taiwan dollar**	**Hong Kong dollar**	**Singapore dollar**
Weighting	33.00%	24.00%	21.00%	14.00%	8.00%
Hypothetical Basket Index Starting Level	13,119.03	222.23	301.17	22,411.52	351.90
Hypothetical Basket Ending Level	11807.13	200.01	271.05	20,170.37	316.71
Basket Index Return	90.00%	90.00%	90.00%	90.00%	90.00%
Hypothetical Initial Spot Rate	0.1290	0.000893	0.0315	0.1290	0.7207
Hypothetical Final Spot Rate	0.1290	0.000893	0.0378	0.1290	0.9009
Currency Multiplier	1.00	1.00	1.20	1.00	1.25
Basket Ending Level	95.58				
Basket Return	-4.42%				
Payment at Maturity	$1,000				

In Scenario 4, the Basket Index Return for each Basket Index is 90%, indicating that each of the Basket Indices has depreciated by 10% from its Initial basket component Level to its Final basket component Level, and the Currency Multipliers for the Hong Kong dollar, Korean won, Taiwan dollar and Singapore dollar are 100%, 100%, 120% and 125%, respectively, indicating in the case of the Taiwan dollar and Singapore dollar that such currencies have strengthened relative to the U.S. dollar such that the final spot rate has appreciated from the Initial Spot Rate by 20% and 25%, respectively, for such currencies. The Basket Return is -4.42% and the Payment at Maturity per $1,000 principal amount of notes is $1,000, calculated as follows:

Basket Ending Level = 100 × [(HSCEI Basket Index Return × 33.00% × HKDUSD Currency Multiplier) + (KOSPI2 Basket Index Return × 24.00% × KRWUSD Currency Multiplier) + (TWY Basket Index return × 21.00% × TWDUSD Currency Multiplier) + (HSI Basket Index Return × 14.00% × HKDUSD Currency Multiplier) + (SGY Basket Index Return × 8.00% × SGDUSD currency return)]
= 100 × [(90.00% × 33.00% × 1.00) + (90.00% × 24.00% × 1.00) + (90.00% × 21.00% × 1.20) + (90.00% × 14.00% × 1.00) + (90.00% × 8.00% × 1.25)]
= 95.58

Basket Return = (95.80 - 100) / 100
= -4.42%

Because the Basket Return is less than zero but not by more than the 10.00% Buffer Amount, the Payment at Maturity per $1,000 principal amount of notes is equal to $1,000.

Scenario 5

	HSCEI	KOSPI2	TWY	HSI	SGY
Basket Currency	**Hong Kong dollar**	**Korean won**	**Taiwan dollar**	**Hong Kong dollar**	**Singapore dollar**
Weighting	33.00%	24.00%	21.00%	14.00%	8.00%
Hypothetical Basket Index Starting Level	13,119.03	222.23	301.17	22,411.52	351.90
Hypothetical Basket Ending Level	11,151.18	155.56	225.88	17,929.22	316.71
Basket Component Return	85.00%	70.00%	75.00%	80.00%	90.00%
Hypothetical Initial Spot Rate	0.1290	0.000893	0.0315	0.1290	0.7207
Hypothetical Final Spot Rate	0.1290	0.000893	0.0378	0.1290	0.9009
Currency Multiplier	1.00	1.00	1.20	1.00	1.25
Basket Ending Level	85.63				
Basket Return	-14.37%				
Payment at Maturity	$951.44				

In Scenario 5, the Basket Index Returns for the Hang Seng China Enterprises Index, the KOSPI 200 Index, the MSCI Taiwan Index, the Hang Seng Index and the MSCI Singapore Index are 85%, 70%, 75%, 80% and 90% respectively, indicating that each of the basket indices has depreciated from its Initial basket component Level to its Final basket component Level, and the Currency Multipliers for the Hong Kong dollar, Korean won, Taiwan dollar and Singapore dollar are 100%, 100%, 120% and 125%, respectively, indicating in the case of the Taiwan dollar and Singapore dollar that such currencies have strengthened relative to the U.S. dollar such that the final spot rate has appreciated from the Initial Spot Rate by 20% and 25%, respectively, for such currencies. The Basket Return is 0.844 and the Payment at Maturity per $1,000 principal amount of notes is $937.78, calculated as follows:

Basket Ending Level = 100 × [(HSCEI Basket Index Return × 33.00% × HKDUSD Currency Multiplier) + (KOSPI2 Basket Index Return × 24.00% × KRWUSD Currency Multiplier) + (TWY Basket Index return × 21.00% × TWDUSD Currency Multiplier) + (HSI Basket Index Return × 14.00% × HKDUSD Currency Multiplier) + (SGY Basket Index Return × 8.00% × SGDUSD currency return)]
= 100 × [(85.00% × 33.00% × 1.00) + (70.00% × 24.00% × 1.00) + (75.00% × 21.00% × 1.20) + (80.00% × 14.00% × 1.00) + (90.00% × 8.00% × 1.25)]
= 85.63

Basket Return = (83.95 - 100) / 100
=-16.05%

Because the Basket Return is less than zero by more than the 10.00% Buffer Amount, the Payment at Maturity per $1,000 principal amount of notes is calculated as follows:

Payment at Maturity = $1,000 + [$1,000 × (Basket Return + 10.00%) × Downside Leverage Factor]
= $1,000 + [$1,000 × (-16.05% + 10.00%) × 1.11111]
= $932.78

Selected Purchase Considerations

- **APPRECIATION POTENTIAL** — The notes provide the opportunity to enhance equity returns by multiplying a positive Basket Return by 200.00%, up to the Maximum Return on the notes of 17.80%, or a maximum payment at maturity of $1,178.00 for every $1,000 principal amount note. Because the notes are our senior unsecured debt obligations, payment of any amount at maturity is subject to our ability to pay our obligations as they become due.

- **LIMITED PROTECTION AGAINST LOSS** — Payment at maturity of the principal amount of the notes is protected against a decline in the Basket Ending Level, as compared to the Basket Starting Level, of up to the Buffer Amount of 10.00%. If the level of the Reference Asset declines by more than 10.00%, you will lose 1.11111% of the principal amount for every 1% decline of the level of the Reference Asset over the term of the notes beyond 10.00%. **If the Basket Return is -100.00%, you will lose your entire investment.**

- **TAX TREATMENT** — There is no direct legal authority as to the proper tax treatment of the notes, and therefore significant aspects of the tax treatment of the notes are uncertain, as to both the timing and character of any inclusion in income in respect of the notes. Under one approach, the notes should be treated as pre-paid forward or other executory contracts with respect to the Reference Asset. We intend to treat the notes consistent with this approach. Pursuant to the terms of the notes, you agree to treat the notes under this approach for all U.S. federal income tax purposes. Notwithstanding any disclosure in the accompanying product supplement to the contrary, our special U.S. tax counsel in this transaction is Sidley Austin LLP. Subject to the limitations described therein, and based on certain factual representations received from us, in the opinion of our special U.S. tax counsel, Sidley Austin LLP, it is reasonable to treat the notes as pre-paid forward or other executory contracts with respect to the Reference Asset. Pursuant to this approach, we do not intend to report any income or gain with respect to the notes prior to their maturity or an earlier sale or exchange and we intend to treat any gain or loss upon maturity or an earlier sale or exchange as long-term capital gain or loss, provided that you have held the note for more than one year at such time for U.S. federal income tax purposes.

  We will not attempt to ascertain whether any of the entities whose stock is included in each of the basket indices would be treated as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes. If one or more of the entities whose stock is included in any of the basket indices were so treated, certain adverse U.S. federal income tax consequences might apply. You should refer to information filed with the SEC and other authorities by the entities whose stock is included in the basket indices and consult your tax advisor regarding the possible

consequences to you if one or more of the entities whose stock is included in one of the basket indices is or becomes a PFIC.

For a further discussion of U.S. federal income tax consequences related to the notes, see the section "Certain U.S. Federal Income Tax Considerations" in the accompanying product supplement.

- **DIVERSIFICATION AMONG THE BASKET COMPONENTS** — The return on the notes is linked to a weighted basket consisting of the Hang Seng China Enterprises Index®, the Korea Stock Price Index 200, the MSCI Taiwan Index℠, the Hang Seng® Index, the MSCI Singapore Index℠, and the exchange rates of the Hong Kong dollar, the Korean won, the Singapore dollar and the new Taiwan dollar, each with respect to the U.S. dollar. For additional information about each basket component see the information set forth under "Description of the Reference Asset" herein.

Selected Risk Considerations

An investment in the notes involves significant risks. Investing in the notes is not equivalent to investing directly in the Reference Asset, the basket components or any of the component securities of the basket components. These risks are explained in more detail in the "Risk Factors" section on page PS-4 of the accompanying product supplement.

- **SUITABILITY OF NOTES FOR INVESTMENT** — A person should reach a decision to invest in the notes after carefully considering, with his or her advisors, the suitability of the notes in light of his or her investment objectives and the information set out in this free writing prospectus. Neither HSBC nor any dealer participating in the offering makes any recommendation as to the suitability of the notes for investment.

- **YOUR INVESTMENT IN THE NOTES MAY RESULT IN A LOSS** — The notes do not guarantee any return of principal. The notes differ from ordinary debt securities in that we will not pay you 100% of the principal amount of the notes if the Basket Return is less than -10.00%. The return on the notes at maturity is linked to the performance of the Reference Asset and will depend on whether, and the extent to which, the Basket Return is positive or negative. Your investment will be exposed on a leveraged basis to any decline of the Reference Asset beyond the Buffer Amount as compared to the Basket Starting Level. **YOU MAY LOSE UP TO 100.00% OF YOUR INVESTMENT**.

- **YOUR MAXIMUM GAIN ON THE NOTES IS LIMITED TO THE MAXIMUM RETURN** — If the Basket Ending Level is greater than the Basket Starting Level, for each $1,000 principal amount note, you will receive at maturity $1,000 plus an additional amount that will not exceed the Maximum Return of 17.80% of the principal amount, regardless of the appreciation in the Reference Asset, which may be greater than the Maximum Return and could be significant. **YOU WILL NOT RECEIVE A RETURN ON THE NOTES GREATER THAN THE MAXIMUM RETURN**.

- **CREDIT RISK OF HSBC USA INC.** — The notes are senior unsecured debt obligations of the issuer, HSBC, and are not, either directly or indirectly, an obligation of any third party. Any payment to be made on the notes, including any principal protection at maturity, depends on the ability of HSBC to satisfy its obligations as they come due. As a result, the actual and perceived creditworthiness of HSBC may affect the market value of the notes and, in the event HSBC were to default on its obligations, you may not receive the amounts owed to you under the terms of the notes.

- **CHANGES IN THE LEVELS OF THE BASKET INDICES AND THE EXCHANGE RATES OF THE BASKET CURRENCIES MAY OFFSET EACH OTHER** — Movements in the levels of the basket indices and movements in the exchange rates of the basket currencies may not correlate with each other. At a time when the level of one or more of the Basket Index increases and/or one or more basket currencies appreciates relative to the U.S. dollar, the level of the other basket indices may not increase as much or may even decline and/or one or more basket currencies may not appreciate to the same extent or may even depreciate relative to the U.S. dollar. Therefore, in calculating the Basket Return, increases in the level of one or more of the basket indicdes and/or increases in the value of one or more basket currencies relative to the U.S. dollar may be moderated, or more than offset, by lesser increases or declines in the level of the other basket indices and/or lesser increases or declines in the value of one or more other basket currencies. This affect is further amplified by the differing weights of the basket indices. More heavily weighted basket indices will have a larger impact than basket components with lesser weightings.

- **CURRENCY MARKETS MAY BE VOLATILE** — Currency markets may be highly volatile. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time. Foreign currency rate risks include, but are not limited to, convertibility risk and market volatility and potential interference by foreign governments through regulation of local markets, foreign investment or particular transactions in foreign currency. These factors may affect the value of the basket currencies on the Pricing Date or the Final Valuation Date, and therefore, the value of your securities.

- **LEGAL AND REGULATORY RISKS** — Legal and regulatory changes could adversely affect exchange rates. In addition, many governmental agencies and regulatory organizations are authorized to take extraordinary actions in the event of market emergencies. It is not possible to predict the effect of any future legal or regulatory action relating to exchange rates, but any such action could cause unexpected volatility and instability in currency markets with a substantial and adverse effect on the performance of the basket currencies on the Pricing Date or on the Final Valuation Date and, consequently, the value of the securities.

- **IF THE LIQUIDITY OF THE BASKET CURRENCIES IS LIMITED, THE VALUE OF THE SECURITIES WOULD LIKELY BE IMPAIRED** — Currencies and derivatives contracts on currencies may be difficult to buy or sell, particularly during adverse market conditions. Reduced liquidity on the Pricing Date or on the Final Valuation Date would likely have an adverse effect on the spot rate, and therefore, on the return on your securities. Limited liquidity relating to the basket currencies may also result in HSBC USA Inc. or one of its affiliates, as calculation agent, being unable to determine the starting level or ending level using its normal means. The resulting discretion by the calculation agent in determining the reference return could, in turn, result in potential conflicts of interest.

- **WE HAVE NO CONTROL OVER THE EXCHANGE RATE BETWEEN THE BASKET CURRENCIES AND THE U.S. DOLLAR** — Foreign exchange rates can either float or be fixed by sovereign governments. Exchange rates of the currencies used by most economically developed nations are permitted to fluctuate in value relative to the U.S. Dollar and to each other. However, from time to time governments may use a variety of techniques, such as intervention by a central bank, the imposition of regulatory controls or taxes or changes in interest rates to influence the exchange rates of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency. These governmental actions could change or interfere with currency valuations and currency fluctuations that would otherwise occur in response to economic forces, as well as in response to the movement of currencies across borders. As a consequence, these government actions could adversely affect an investment in the securities which are affected by the exchange rate between the basket currencies and the U.S. dollar.

- **THE SPOT RATE WILL NOT TAKE INTO ACCOUNT ALL DEVELOPMENTS IN THE BASKET CURRENCIES** — Changes in the basket currencies during the term of the securities other than on the Pricing Date or Final Valuation Date may not be reflected in the calculation of the payment at maturity. Generally, the calculation agent will calculate the starting level and ending level by dividing the relevant intra-day or closing level by the spot rate on such date, as described above. The ending level will be calculated only as of the Final Valuation Date. As a result, the reference return may be less than zero even if the spot rate had moved favorably at certain times during the term of the securities before moving to an unfavorable levels on the Final Valuation Date.

- **THE NOTES ARE SUBJECT TO CURRENCY EXCHANGE RISK** — Foreign currency exchange rates vary over time, and may vary considerably during the term of the notes. The relative values of the U.S. dollar and each of the basket currencies are at any moment a result of the supply and demand for such currencies. Changes in foreign currency exchange rates result over time from the interaction of many factors directly or indirectly affecting economic and political developments in other relevant countries. Of particular importance to currency exchange risk are:

    - existing and expected rates of inflation;

    - existing and expected interest rate levels;

    - the balance of payments in the United States, China, Taiwan, Singapore and Korea between each country and its major trading partners; and

    - the extent of governmental surplus or deficit in the United States and China, Taiwan, Singapore and Korea.

  Each of these factors, among others, are sensitive to the monetary, fiscal and trade policies pursued by the United States, China, Taiwan, Singapore and Korea and those of other countries important to international trade and finance.

- **RISKS ASSOCIATED WITH FOREIGN SECURITIES MARKETS** — Because stocks or companies included in the basket components are publicly traded in the applicable foreign countries and are denominated in currencies other than U.S. dollars, investments in the notes involve particular risks. For example, the foreign securities markets may be more volatile than the United States securities markets, and market developments may affect these markets differently from the United States or other securities markets. Direct or indirect government intervention to stabilize the securities markets outside the United States, as well as cross-shareholdings in certain companies, may affect trading prices and trading volumes in those markets. Also, the public availability of information concerning foreign

issuers may vary depending on their home jurisdiction and the reporting requirements imposed by their respective regulators. In addition, the foreign issuers may be subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to United States reporting companies.

Securities prices generally are subject to political, economic, financial and social factors that apply to the markets in which they trade and, to a lesser extent, foreign markets. Securities prices outside the United States are subject to political, economic, financial and social factors that apply in foreign countries. These factors, which could negatively affect foreign securities markets, include the possibility of changes in a foreign government's economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to foreign companies or investments in foreign equity securities and the possibility of fluctuations in the rate of exchange between currencies. Moreover, foreign economies may differ favorably or unfavorably from the United States economy in important respects such as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency.

- **CERTAIN BUILT-IN COSTS ARE LIKELY TO ADVERSELY AFFECT THE VALUE OF THE NOTES PRIOR TO MATURITY** — While the payment at maturity described in this free writing prospectus is based on the full principal amount of your notes, the original issue price of the notes includes the placement agent's commission and the estimated cost of hedging our obligations under the notes through one or more of our affiliates. As a result, the price, if any, at which HSBC Securities (USA) Inc. will be willing to purchase notes from you in secondary market transactions, if at all, will likely be lower than the original issue price, and any sale prior to the Maturity Date could result in a substantial loss to you. The notes are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your notes to maturity.

- **NO INTEREST OR DIVIDEND PAYMENTS OR VOTING RIGHTS** — As a holder of the notes, you will not receive interest payments, and you will not have voting rights or rights to receive cash dividends or other distributions or other rights that holders of securities comprising any of the basket indices would have.

- **PRICE PRIOR TO MATURITY** — The market price of the securities will be influenced by many factors including the level of the dollar-adjusted index, volatilities, dividends, the time remaining to maturity of the securities, interest rates, geopolitical conditions, the exchange rate or volatility of the exchange rate between the basket currencies and the U.S. dollar, economic, political, financial and regulatory or judicial events, and the creditworthiness of HSBC.

- **POTENTIAL HSBC IMPACT ON PRICE** — Trading or transactions by HSBC or its affiliates in stocks comprising the basket indices or in over-the-counter options, futures, or other instruments with returns linked to the performance of the basket indices or stocks comprising the basket indices, may adversely affect the market price of the dollar-adjusted index and, therefore, the market value of the securities.

- **POTENTIALLY INCONSISTENT RESEARCH, OPINIONS OR RECOMMENDATIONS BY HSBC** — HSBC, J.P. Morgan Securities Inc. and their affiliates may publish research, express opinions or provide recommendations that are inconsistent with investing in or holding any offering of the securities. Any such research, opinions or recommendations could affect the level of the dollar-adjusted index or the price of the stocks included in the basket indices, and therefore, the market value of the securities.

- **LACK OF LIQUIDITY** — The notes will not be listed on any securities exchange. HSBC Securities (USA) Inc. may offer to purchase the notes in the secondary market but is not required to do so. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the notes easily. Because other dealers are not likely to make a secondary market for the notes, the price at which you may be able to trade your notes is likely to depend on the price, if any, at which HSBC Securities (USA) Inc. is willing to buy the notes.

- **POTENTIAL CONFLICTS** — We and our affiliates play a variety of roles in connection with the issuance of the notes, including acting as calculation agent and hedging our obligations under the notes. In performing these duties, the economic interests of the calculation agent and other affiliates of ours are potentially adverse to your interests as an investor in the notes. We will not have any obligation to consider your interests as a holder of the notes in taking any corporate action that might affect the level of the Reference Asset and the value of the notes.

- **THE NOTES ARE NOT INSURED BY ANY GOVERNMENTAL AGENCY OF THE UNITED STATES OR ANY OTHER JURISDICTION** — The notes are not deposit liabilities or other obligations of a bank and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or program of the United States or any other jurisdiction. An investment in the notes is subject to the credit risk of the Issuer, and in the event that the Issuer is unable to pay its obligations as they become due, you may not receive the full payment at maturity of the notes. **This debt is not guaranteed under the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program.**

- **MANY ECONOMIC AND MARKET FACTORS WILL IMPACT THE VALUE OF THE NOTES** — In addition to the level of the basket components on any day, the value of the notes will be affected by a number of economic and market factors that may either offset or magnify each other, including:
    - the expected volatility of the basket components;
    - the time to maturity of the notes;
    - the dividend rate on the equity securities underlying the basket indices;
    - interest and yield rates in the market generally;
    - a variety of economic, financial, political, regulatory or judicial events;
    - the exchange rate and volatility of the exchange rate between the U.S. dollar and relevant basket currencies; and
    - our creditworthiness, including actual or anticipated downgrades in our credit ratings.

Description of the Reference Asset

General

This free writing prospectus is not an offer to sell and it is not an offer to buy interests in the Reference Asset, any basket components or any of the securities comprising any basket component. All disclosures contained in this free writing prospectus regarding the Reference Asset, including the make-up, performance, method of calculation and changes of the basket components, where applicable, are derived from publicly available information. Neither HSBC nor any of its affiliates assumes any responsibilities for the adequacy or accuracy of information about any basket component or any constituent included in any basket component contained in this free writing prospectus. You should make your own investigation into each basket component.

We urge you to read the section "Sponsors or Issuers and Reference Asset" on page S-37 in the accompanying prospectus supplement.

The Hang Seng China Enterprises Index®

We have derived all information contained in this underlying supplement regarding the Hang Seng China Enterprises Index® (the "HSCEI"), including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, HSI Services Limited and Hang Seng Indexes Company Limited ("HSIL"), each a wholly owned subsidiary of Hang Seng Bank. We make no representation or warranty as to the accuracy or completeness of such information. The HSCEI is calculated, maintained and published by HSIL. HSIL has no obligation to continue to publish, and may discontinue publication of, the HSCEI.

HSIL publishes the HSCEI

The HSCEI is compiled, published and managed by Hang Seng Indexes Company Limited, a wholly-owned subsidiary of the Hang Seng Bank. HSCEI is a free float-adjusted market capitalization weighted index. Launched on August 8, 1994, the HSCEI is comprised of H-shares, Hong Kong listed shares of Chinese state-owned enterprises ("H-share companies"). The HSCEI had a base value of 1,000 at launch, but was re-based as of January 3, 2000 with a value of 2,000 to align with the Hang Seng Composite Index Series, which launched on October 3, 2001.

The HSCEI is reviewed semi-annually, at the same time as the Hang Seng Composite Index (the "HSCI"), and the HSCEI is comprised of only those H-share companies that are included in the HSCI. The H-share companies that join or leave the HSCI are automatically included in or excluded from the HSCEI.

Only companies with a primary listing on the main board of the stock exchange of Hong Kong ("SEHK") are eligible as constituents of the HSCEI. Ineligible from the HSCI are those companies with a secondary listing in Hong Kong, stocks listed on the Growth Enterprises Market, and preference shares, debt securities or other derivatives. A component stock is selected or removed from the HSCI semi-annually based on the following selection criteria and process:

1. Constituent stocks must not have more than twenty (20) trading days without turnover in the past twelve months, excluding the days when the stock is suspended from trading ("Turnover Screening"); and;

2. After the Turnover Screening, the top 200 stocks in terms of average market capitalization in the past twelve months are selected as constituents. Stocks with less than one year listing history are counted on a pro-rata basis.

HSCI, which aims to cover 90% of the market capitalization of stocks listed on the Main Board of the SEHK, consists of 200 constituents.

Calculation of the HSCEI

As of March 6, 2006 the HSCEI uses a freefloat-adjusted market capitalization weighting calculation methodology. Under this calculation methodology, the following shareholdings are viewed as strategic in nature and excluded for calculation:

1. shares held by strategic shareholders who individually or collectively control more than 30% of the shareholdings;
2. shares held by directors who individually control more than 5% of the shareholdings;
3. shares held by a Hong Kong-listed company which controls more than 5% of the shareholdings as investments; and
4. shares held by shareholders who individually or collectively represent more than 5% of the shareholdings in the company and with a publicly disclosed lock-up arrangement.

A Freefloat – Adjusted Factor ("FAF"), representing the proportion of shares that are free floated as a percentage of the issued shares, is rounded up to the nearest multiple of 5% for the calculation of the HSCEI.

A Cap Factor ("CF") of 15% is calculated in each regular half-yearly constituent implementation, such that no constituent has a weighting exceeding 15%.

The HSCEI is calculated using the following formula:

$$\text{Current Index} = \frac{\sum(P_t \times IS \times FAF \times CF)}{\sum(P_{t-1} \times IS \times FAF \times CF)} \times \text{Yesterday's Closing Index}$$

Where Pt is the current price at day t, Pt-1 is the closing price at day (t-1), IS is the issued H-shares, FAF is the free float adjusted factor, and CF is the Cap Factor. The FAF, which is adjusted every six months, represents the proportion of shares that are free floated as a percentage of the issued H-shares. The FAF is between 0 and 1 and is rounded up to the nearest multiple of 5% for index calculation. The CF is also adjusted every six months and is calculated so that no constituent stock has a weighting that exceeds 15%.

License Agreement with Hang Seng Indexes Company Limited

HSBC or one of its affiliates has entered into a nonexclusive license agreement providing for the license to HSBC or to one of its affiliates, in exchange for a fee, of the right to use indices owned and published by Hang Seng Indexes Company Limited in connection with some products, including the notes.

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Historical Performance of HSCEI

The following graph sets forth the historical performance of the HSCEI based on the weekly historical closing levels from January 2, 2004 through January 8, 2010. The closing level for the HSCEI on January 8, 2010 was 13,119.03. We obtained the closing levels below from Bloomberg Professional® service. We make no representation or warranty as to the accuracy or completeness of the information obtained from Bloomberg Professional® service.

The historical levels of the HSCEI should not be taken as an indication of future performance, and no assurance can be given as to the closing level on the Final Valuation Date. We cannot give you assurance that the performance of the HSCEI will result in the return of any of your initial investment.

Historical Performance of the Hang Seng China Enterprises Index®

Source: Bloomberg Professional® Service

The Korea Stock Price Index 200

The Korea Stock Price Index 200 (the "KOSPI2") is a capitalization-weighted index of 200 Korean blue-chip stocks which make up a large majority of the total market value of the Korea Exchange ("KSE"). The KOSPI2 is the underlying index for stock index futures and options trading. The constituent stocks are selected on the basis of the market value of the individual stocks, liquidity and their relative positions in their respective industry groups.

Selection Criteria

All common stocks listed on the KSE as of the periodic realignment date will be included in the selection process, except for the stocks which fall into one of the following categories:

- stocks with administrative issues;
- stocks with liquidation issues;
- stocks issued by securities investment companies;
- stocks that have been listed less than one year as of the last trading in April of the year in which the periodic review and selection process occurs;
- stocks belonging to the industry groups other than those industry groups listed below;
- a constituent stock merged into a non-constituent stock;
- a company established as a result of a merger between two constituent stocks; and
- any other stocks that are deemed unsuitable to be included in the constituents of the KOSPI2.

The companies listed on the KOSPI2 are classified into the following industry groups: (i) fisheries, (ii) mining, (iii) manufacturing, (iv) construction, (v) electricity and gas, (vi) services, (vii) post and communication and (viii) finance. The constituents of the KOSPI2 are selected first from the non-manufacturing industry cluster, and then from the manufacturing industry cluster. The constituents from the non-manufacturing industry cluster are selected in accordance with the following:

- Selection is made in descending order of market capitalization, from large to small, in the same industry group, while ensuring the accumulated market capitalization of the concerned industry group is within 70% of that of all industry groups.
- Notwithstanding the above, the stocks whose ranking of trading volume in descending order is below 85% of the stocks included in deliberation within the same industry group are excluded. In such case, the excluded stock is replaced by a stock that is next in ranking in market capitalization, but satisfies the trading volume criteria.

The constituents from the manufacturing industry cluster are selected in descending order of market capitalization, while excluding stocks whose ranking of trading volume in descending order is below 85% of the stocks included in the process within the same industry group. The excluded stock is replaced by a stock that is next in ranking in market capitalization, but satisfies the trading volume criteria.

Notwithstanding anything above, if a stock whose market capitalization is within the top 50 in terms of market capitalization, such stock may be included in the constituents of the KOSPI2, by taking into consideration the influence that the industry group has on the KOSPI2, as well as the liquidity of the concerned stock. Stocks to be placed on the replacement list are selected from the stocks included for deliberation, excluding those already selected as constituents of the KOSPI2.

KOSPI2 Calculation

The KOSPI2 is computed by multiplying (i) the market capitalization as of the calculation time divided by the market capitalization as of the base date, by (ii) 100. The base date of the KOSPI2 is January 3, 1990 with a base index of 100. Market capitalization is obtained by multiplying the number of listed common shares of the constituents by the price of the concerned common share.

If the number of listed shares increases due to rights offering, bonus offering and stock dividend, which accompany ex-right or ex-dividend, such increase is included in the number of listed shares on the ex-right date or ex-dividend date. Share prices refer to the market price established during the regular trading session. If no trading took place on such day, quotation price is used and if no quotation price is available, the closing price of the most recent trading day is used.

Stock Revision

The constituents of the KOSPI2 are realigned once a year while observing each of the following:

- An existing constituent will not be removed if the ranking of the market capitalization of such stock is within 100/110 of the ranking of the KOSPI2 constituents of the same industry group;
- In order to be included in the constituents of the KOSPI2, the ranking of the market capitalization of a stock must be within 90/100 of the ranking of the KOSPI2 constituents of the same industry group;
- If the ranking of the market capitalization of an existing constituent falls below 100/110 of the ranking of the KOSPI2 constituents of the same industry group, but there is no stock satisfying the requirement specified in the preceding clause, the existing constituent will not be removed; and
- When removing the existing constituents, a constituent whose ranking of market capitalization within the same industry group is the lowest will be removed first. The periodic realignment date is the trading day following the last trading day of June contracts in the KOSPI2 index futures and index options. With respect to any component security in the KOSPI2, if any of the following events occur, such component security shall be removed from the KOSPI2 and the removal date is as follows:
- Delisting: the trading day following the delisting date;
- Designation as administrative issue: the designation date;
- Merger: the day of trading halt; and
- It is determined that the stock is unsuitable as a component security of the KOSPI2: the trading day following the day of such determination, which is the last trading day of the nearest month contracts of both the index futures and index options, after the date of such decision.

When realigning the component securities of the KOSPI2, the replacement stocks are chosen from the replacement list in accordance with the rank order. In the case of an industry group that has no stock listed on the replacement list, a replacement stock is chosen from the replacement list of manufacturing industry cluster.

The Korea Exchange

The KSE's predecessor, the Daehan Stock Exchange, was established in 1956. The KSE is a typical order-driven market, where buy and sell orders compete for best prices. The KSE seeks to maintain a fair and orderly market for trading and regulates and supervises its member firms. Throughout the trading hours, orders are matched at a price satisfactory to both buy and sell sides, according to price and time priorities. The opening and closing prices, however, are determined by call auctions; at the market opening and closing, orders received for a certain period of time are pooled and matched at the price at which the most number of shares can be executed. The KSE uses electronic trading procedures, from order placement to trade confirmation. The KSE is open from 9:00 a.m. to 3:00 p.m., Korean time, during weekdays. Investors can submit their orders from 8:00 a.m., one hour before the market opening. Orders delivered to the market during the period from 8:00 a.m. to 9:00 a.m. are queued in the order book and matched by call auction method at 9:00 a.m. to determine opening prices. After opening prices are determined, the trades are conducted by continuous auctions until 2:50 p.m. (10 minutes before the market closing).

Besides the regular session, the KSE conducts pre-hours and after-hours sessions for block trading and basket trading. During pre-hours sessions from 7:30 to 8:30 a.m., orders are matched at the previous day's respective closing prices. After-hours sessions are open for 50 minutes from 3:10 p.m. to 4:00 p.m. During after-hours sessions, orders are matched at the closing prices of the day.

On January 26, 2004, the KSE introduced the random-end system at the opening and closing call auctions. The stated purpose of the random-end system is to prevent any distortion in the price discovery function of the KSE caused by "fake" orders placed with an intention of misleading other investors. In cases where the highest or lowest indicative price of a stock set during the last 5 minutes before the closing time of the opening (or closing) call session, 8:55-9:00 a.m. (or 2:55-3:00 p.m.), deviates from the provisional opening (or closing) price by 5% or more, the KSE delays the determination of the opening (or closing) price of the stock up to five minutes. The official opening (or closing) price of such stock is determined at a randomly chosen time within five minutes after the regular opening (or closing) time. The KSE makes public the indicative prices during the opening (or closing) call trading sessions. Pooling together all bids and offers placed during the order receiving hours for the opening (or closing) session, 8:10-9:00 a.m. (or 2:50-3:00 p.m.), the indicative opening (or closing) prices of all stocks are released to the public on a real-time basis.

The KSE sets a limit on the range that the price of individual stocks can change during a day. As of June 2004, that limit was set at 15%, which meant that the price of each stock could neither fall nor rise by more than 15% from the previous day's closing price. In addition, when the price and/or trading activities of a stock are expected to show an abnormal movement in response to an unidentified rumor or news, or when an abnormal movement is observed in the market, the KSE may halt the trading of the stock. In such cases, the KSE requests the company concerned to make a disclosure regarding the matter. Once the company makes an official announcement regarding the matter, trading can resume within an hour; however, if the KSE deems that the situation was not fully resolved by the disclosure, trading resumption may be delayed. The KSE introduced circuit breakers in December 1998. The trading in the equity markets is halted for 20 minutes when the KOSPI2 falls by 10% or more from the previous day's closing and the situation lasts for one minute or longer. The trading resumes by call auction where the orders submitted during the 10 minutes after the trading halt ended are matched at a single price.

License Agreement with the Korea Exchange

HSBC or one of its affiliates has entered into a non-exclusive license agreement with KSE, whereby HSBC or one of its affiliates and subsidiary companies, in exchange for a fee, will be permitted to use the KOSPI2, which is owned and published by KSE, in connection with certain products, including the notes.

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KSE is under no obligation to continue the calculation and dissemination of the KOSPI2 and the method by which the KOSPI2 is calculated and the name "KOSPI 200 Index" or "KOSPI2" may be changed at the discretion of KSE. No inference should be drawn from the information contained in this pricing supplement that KSE makes any representation or warranty, implied or express, to you or any member of the public regarding the advisability of investing in securities generally or in the notes in particular or the ability of the KOSPI2 to track general stock market performance. KSE has no obligation to take into account your interest, or that of anyone else having an interest in determining, composing or calculating the KOSPI2. KSE is not responsible for, and has not participated in the determination of the timing of, prices for or quantities of, the notes or in the determination or calculation of the equation by which the notes are to be settled in cash. KSE has no obligation or liability in connection with the administration, marketing or trading of the notes. The use of and reference to the KOSPI2 in connection with the notes have been consented to by KSE.

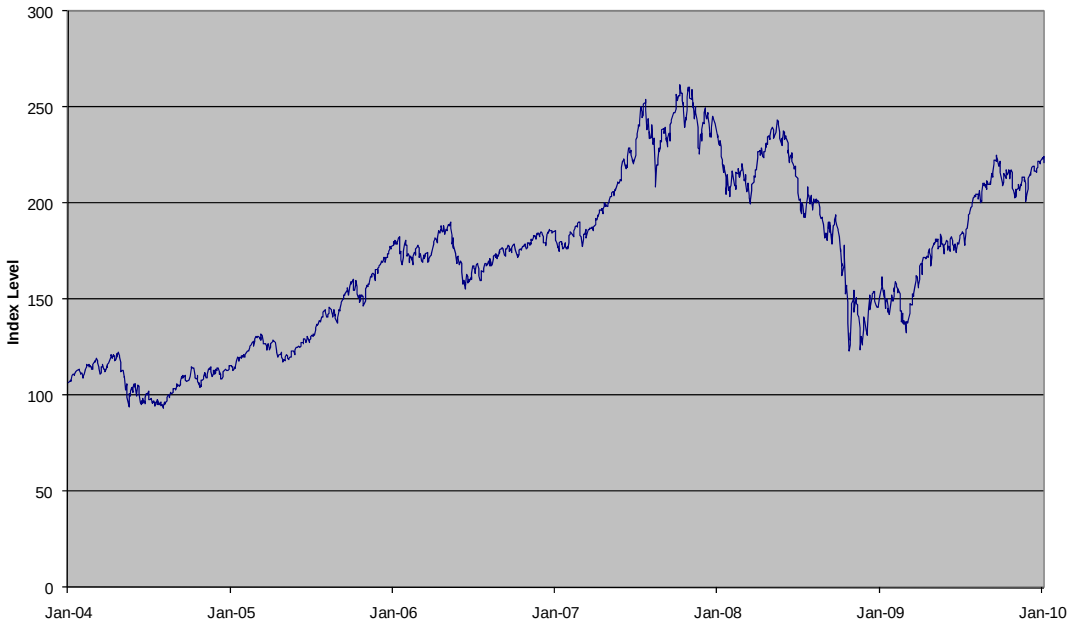
KSE disclaims all responsibility for any inaccuracies in the data on which the KOSPI2 is based, or any mistakes or errors or omissions in the calculation or dissemination of the KOSPI2.

Historical Performance of KOSPI2

The following graph sets forth the historical performance of the KOSPI2 based on the weekly historical closing levels from January 2, 2003 through January 8, 2010. The closing level for the KOSPI2 on January 8, 2010 was 222.23. We obtained the closing levels below from Bloomberg Professional® service. We make no representation or warranty as to the accuracy or completeness of the information obtained from Bloomberg Professional® service.

The historical levels of the KOSPI2 should not be taken as an indication of future performance, and no assurance can be given as to the closing level on the Final Valuation Date. We cannot give you assurance that the performance of the KOSPI2 will result in the return of any of your initial investment.

Historical Performance of the Korea Stock Price Index 200



Source: Bloomberg Professional® Service

MSCI Taiwan Index SM

We have derived all information contained in this underlying supplement regarding the MSCI Taiwan Index^{SM}, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, MSCI Inc. We make no representation or warranty as to the accuracy or completeness of such information. The MSCI Taiwan Index^{SM} is calculated, maintained and published by MSCI Inc. MSCI Inc. has no obligation to continue to publish, and may discontinue publication of, the MSCI Taiwan Index^{SM}.

The MSCI Taiwan Index^{SM} (the "TWY") is a stock index calculated, published and disseminated daily by MSCI Inc. ("MSCI"), a majority-owned subsidiary of Morgan Stanley, through numerous data vendors, on the MSCI website and in real time on Bloomberg Financial Markets and Reuters Limited. The TWY is calculated, maintained and published by MSCI. MSCI has no obligation to continue to publish, and may discontinue publication of, the TWY.

The TWY is a free float-adjusted market capitalization index that is designed to measure equity market performance in Taiwan. It has a base date of January 1, 1988. On May 30, 2008, MSCI completed changes to the methodology used in its MSCI International Equity Indices, which includes the MSCI Taiwan Index^{SM}. MSCI enhanced its Standard Index methodology by moving from a sampled multi-cap approach to an approach targeting exhaustive coverage with non-overlapping size and style segments. The MSCI Standard Indices and the MSCI Small Cap Indices, along with the other MSCI equity indices based on them, transitioned to the Global Investable Market Indices methodology described below. The TWY is calculated in Taiwan Dollars on a real time basis and disseminated every 15 seconds during market trading hours. The TWY is part of the MSCI Equity Indices series. MSCI aims to include in its indices 85% of the free float-adjusted market capitalization in each industry sector, within each country included in an index.

Constructing the MSCI Global Investable Market Indices

MSCI undertakes an index construction process, which involves: (i) defining the Equity Universe; (ii) determining the Market Investable Equity Universe for each market; (iii) determining market capitalization size segments for each market; (iv) applying Index Continuity Rules for the MSCI Standard Index; (v) creating style segments within each size segment within each market; and (vi) classifying securities under the Global Industry Classification Standard (the "GICS").

Defining the Equity Universe

i. Identifying Eligible Equity Securities: The Equity Universe initially looks at securities listed in any of the countries in the MSCI Global Index Series, which will be classified as either Developed Markets ("DM") or Emerging Markets ("EM"). All listed equity securities, or listed securities that exhibit characteristics of equity securities, except mutual funds, ETFs, equity derivatives, limited partnerships, and most investment trusts, are eligible for inclusion in the Equity Universe. Real Estate Investment Trusts ("REITs") in some countries and certain income trusts in Canada are also eligible for inclusion.

ii. Country Classification of Eligible Securities: Each company and its securities (i.e., share classes) are classified in one and only one country, which allows for a distinctive sorting of each company by its respective country.

Determining the Market Investable Equity Universes

A Market Investable Equity Universe for a market is derived by applying investability screens to individual companies and securities in the Equity Universe that are classified in that market. A market is equivalent to a single country, except in DM Europe, where all DM countries in Europe are aggregated into a single market for index construction purposes. Subsequently, individual DM Europe country indices within the MSCI Europe Index are derived from the constituents of the MSCI Europe Index under the Global Investable Market Indices methodology.

The investability screens used to determine the Investable Equity Universe in each market are as follows:

i. Equity Universe Minimum Size Requirement: This investability screen is applied at the company level. In order to be included in a Market Investable Equity Universe, a company must have the required minimum full market capitalization.

ii. Equity Universe Minimum Float-Adjusted Market Capitalization Requirement: This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security must have a free float-adjusted market capitalization equal to or higher than 50% of the Equity Universe Minimum Size Requirement.

iii. DM and EM Minimum Liquidity Requirement: This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security must have adequate liquidity. The Annualized Traded Value Ratio ("ATVR"), a measure that offers the advantage of screening out extreme daily trading volumes and taking into account the free float-adjusted market capitalization size of securities, is used to measure liquidity. In the calculation of the ATVR, the trading volumes in depository receipts associated with that security, such as ADRs or GDRs, are also considered. A minimum liquidity level of 20% ATVR is required for inclusion of a security in a Market Investable Equity Universe of a Developed Market, and a minimum liquidity level of 15% ATVR is required for inclusion of a security in a Market Investable Equity Universe of an Emerging Market.

iv. Global Minimum Foreign Inclusion Factor Requirement: This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security's Foreign Inclusion Factor ("FIF") must reach a certain threshold. The FIF of a security is defined as the proportion of shares outstanding that is available for purchase in the public equity markets by international investors. This proportion accounts for the available free float of and/or the foreign ownership limits applicable to a specific security (or company). In general, a security must have an FIF equal to or larger than 0.15 to be eligible for inclusion in a Market Investable Equity Universe.

v. Minimum Length of Trading Requirement: This investability screen is applied at the individual security level. For an initial public offering ("IPO") to be eligible for inclusion in a Market Investable Equity Universe, the new issue must have started trading at least four months before the implementation of the initial construction of the index or at least three months before the implementation of a Semi-Annual Index Review. This requirement is applicable to small new issues in all markets. Large IPOs are not subject to the Minimum Length of Trading Requirement and may be included in a Market Investable Equity Universe and the Standard Index outside of a Quarterly or Semi-Annual Index Review.

Defining Market Capitalization Size Segments for Each Market

Once a Market Investable Equity Universe is defined, it is segmented into the following size-based indices:

- Investable Market Index (Large + Mid + Small)
- Standard Index (Large + Mid)
- Large Cap Index
- Mid Cap Index
- Small Cap Index

Creating the Size Segment Indices in each market involves the following steps: (i) defining the Market Coverage Target Range for each size segment; (ii) determining the Global Minimum Size Range for each size segment; (iii) determining the Market Size-Segment Cutoffs and associated Segment Number of Companies; (iv) assigning companies to the size segments; and (v) applying final size-segment investability requirements.

Maintenance of the TWY

The MSCI Global Investable Market Indices are maintained with the objective of reflecting the evolution of the underlying equity markets and segments on a timely basis, while seeking to achieve index continuity, continuous investability of constituents and replicability of the indices, and index stability and low index turnover.

In particular, index maintenance involves:

i. Semi-Annual Index Reviews ("SAIRs") in May and November of the Size Segment and Global Value and Growth Indices which include:

- updating the indices on the basis of a fully refreshed Equity Universe;
- taking buffer rules into consideration for migration of securities across size and style segments; and
- updating FIFs and Number of Shares ("NOS").

The objective of the SAIRs is to systematically reassess the various dimensions of the Equity Universe for all markets on a fixed semi-annual timetable. An SAIR involves a comprehensive review of the Size Segment and Global Value and Growth Indices.

ii. Quarterly Index Reviews ("QIRs") in February and August of the Size Segment Indices aimed at:

- including significant new eligible securities (such as IPOs that were not eligible for earlier inclusion) in the index;
- allowing for significant moves of companies within the Size Segment Indices, using wider buffers than in the SAIR; and
- reflecting the impact of significant market events on FIFs and updating NOS.

QIRs are designed to ensure that the indices continue to be an accurate reflection of the evolving equity marketplace. This is achieved by a timely reflection of significant market driven changes that were not captured in the index at the time of their actual occurrence but are significant enough to be reflected before the next SAIR. QIRs may result in additions or deletions due to migration to another Size Segment Index, and changes in FIFs and in NOS. Only additions of significant new investable companies are considered, and only for the Standard Index. The buffer zones used to manage the migration of companies from one segment to another are wider than those used in the SAIR. The style classification is reviewed only for companies that are reassigned to a different size segment.

Announcement Policy

The results of the SAIRs are announced at least two weeks in advance of their effective implementation dates as of the close of the last business day of May and November.

The results of the QIRs are announced at least two weeks in advance of their effective implementation dates as of the close of the last business day of February and August.

All changes resulting from corporate events are announced prior to their implementation.

The changes are typically announced at least ten business days prior to the changes becoming effective in the indices as an "expected" announcement, or as an "undetermined" announcement, when the effective dates are not known yet or when aspects of the event are uncertain. MSCI sends "confirmed" announcements at least two business days prior to events becoming effective in the indices, provided that all necessary public information concerning the event is available. The full list of all new and pending changes is delivered to clients on a daily basis, at 5:30 p.m., US Eastern Time.

In exceptional cases, events are announced during market hours for same or next day implementation. Announcements made by MSCI during market hours are usually linked to late company disclosure of corporate events or unexpected changes to previously announced corporate events.

In the case of secondary offerings representing more than 5% of a security's number of shares for existing constituents, these changes will be announced prior to the end of the subscription period when possible and a subsequent announcement confirming the details of the event (including the date of implementation) will be made as soon as the results are available.

Both primary equity offerings and secondary offerings for U.S. securities, representing at least 5% of the security's number of shares, will be confirmed through an announcement during market hours for next day or shortly after implementation, as the completion of the events cannot be confirmed prior to the notification of the pricing.

Early deletions of constituents due to bankruptcy or other significant cases are announced as soon as practicable prior to their implementation.

License Agreement with MSCI

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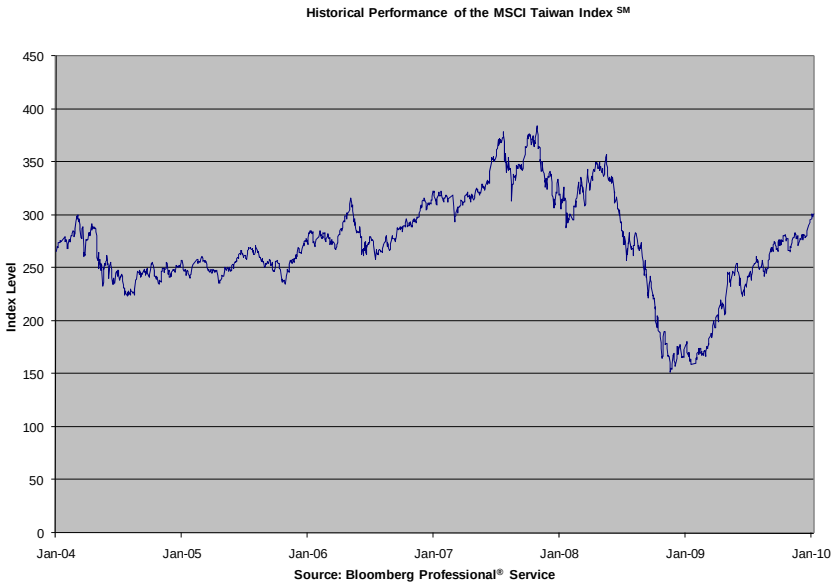
The notes are not sponsored, endorsed, sold or promoted by MSCI. Neither MSCI nor any other party makes any representation or warranty, express or implied to the owners of the notes or any member of the public regarding the advisability of investing in securities generally or in the notes particularly, or the ability of the TWY to track general stock market performance. MSCI is the licensor of certain trademarks, service marks and trade names of MSCI and of TWY which index is determined, composed and calculated by MSCI without regard to HSBC. MSCI has no obligation to take the needs of HSBC or the owners of the notes into consideration in determining, composing or calculating the TWY. MSCI is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the notes to be issued or in the determination or calculation of the equation by which the notes are to be converted into cash. Neither MSCI nor any other party has an obligation or liability to owners of these notes in connection with the administration, marketing or trading of the notes.

ALTHOUGH MSCI SHALL OBTAIN INFORMATION FOR INCLUSION IN OR FOR USE IN THE CALCULATION OF THE MSCI INDEXES FROM SOURCES THAT MSCI CONSIDERS RELIABLE, NEITHER MSCI NOR ANY OTHER PARTY GUARANTEES THE ACCURACY AND/OR COMPLETENESS OF ANY MSCI INDEX OR ANY DATA INCLUDED THEREIN. NEITHER MSCI NOR ANY OTHER PARTY MAKES ANY WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LICENSEE, LICENSEE'S CUSTOMERS AND COUNTERPARTIES, OWNERS OF OR THE PRODUCTS, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE INDEXES OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE RIGHTS LICENSED HEREUNDER OR FOR ANY OTHER USE. NEITHER MORGAN STANLEY NOR ANY OTHER PARTY MAKES ANY EXPRESS OR IMPLIED WARRANTIES, AND MSCI HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE INDEXES OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL MSCI OR ANY OTHER PARTY HAVE LIABILITY FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL OR ANY OTHER DAMAGES (INCLUDING LOST PROFITS) EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

Historical Performance of TWY

The following graph sets forth the historical performance of the TWY based on the weekly historical closing levels from January 3, 2004 through January 8, 2010. The closing level for the TWY on January 8, 2010 was 301.17. We obtained the closing levels below from Bloomberg Professional® service. We make no representation or warranty as to the accuracy or completeness of the information obtained from Bloomberg Professional® service.



The historical levels of the TWY should not be taken as an indication of future performance, and no assurance can be given as to the closing level on the Final Valuation Date. We cannot give you assurance that the performance of the TWY will result in the return of any of your initial investment.

The Hang Seng® Index

We have derived all information contained in this pricing supplement regarding the Hang Seng® Index (the "HSI"), including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, HSI Services Limited and Hang Seng Indexes Company Limited ("HSIL"), each a wholly owned subsidiary of Hang Seng Bank. We make no representation or warranty as to the accuracy or completeness of such information. The HSI is calculated, maintained and published by HSIL. HSIL has no obligation to continue to publish, and may discontinue publication of, the HSI.

HSIL publishes the HSI

The HSI is calculated, maintained and published by Hang Seng Indexes Company Limited and was first developed, calculated and published on November 24, 1969. The HSI is a market capitalization weighted stock market index in the Stock Exchange of Hong Kong Limited (the "SEHK") and purports to be an indicator of the performance of the Hong Kong stock market.

Only companies with a primary listing on the main board of the SEHK are eligible as constituents of the HSI. Mainland China enterprises that have an H-share listing in Hong Kong are eligible for inclusion in the HSI when they meet any one of the following conditions: (1) the H-share company has 100% of its ordinary share capital in the form of H-shares which are listed on the SEHK; (2) the H-share company has completed the process of share reform, with the result that there is no unlisted share capital in the company; or (3) for new H-share initial public offerings, the company has no unlisted share capital. For any H-share company included in the HSI, only the H-share portion of the share capital of the company will be used for index calculation, subject to free float adjustment. H-shares are shares of mainland China companies listed on the SEHK.

To be eligible for selection, a company: (1) must be among those that constitute the top 90% of the total market capitalization of all primary listed shares on the SEHK (market capitalization is expressed as an average of the past 12 months); (2) must be among those that constitute the top 90% of the total turnover of all primary listed shares on the SEHK (turnover is aggregated and individually assessed for eight quarterly sub-periods for the past 24 months); and (3) should normally have a listing history of 24 months. From the many eligible candidates, final selections are based on the following: (1) the market capitalization and turnover rankings of the companies; (2) the representation of the sub-sectors within the Hang Seng Index directly reflecting that of the market; and (3) the financial performance of the companies.

Calculation of the HSI

From September 11, 2006, and phased in over a period of 12 months from September 2006 to September 2007, the calculation methodology of the HSI has been changed from a full market capitalization weighting to a free float-adjusted market capitalization weighting. Under this calculation methodology, the following shareholdings are viewed as strategic in nature and excluded for index calculation:

- Strategic holdings. Shares held by strategic shareholders who individually or collectively control more than 30% of the shareholdings;
- Directors' holdings. Shares held by directors who individually control more than 5% of the shareholdings;
- Cross-holdings. Shares held by a Hong Kong-listed company which controls more than 5% of the shareholdings as investments; and
- Lock-up shares. Shares held by shareholders who individually or collectively represent more than 5% of the shareholdings in the company and with a publicly disclosed lock-up arrangement.

The HSI is calculated using the following formula:

$$\text{Current Index} = \frac{\sum\left(P_t \times IS \times FAF \times CF\right)}{\sum\left(P_{t-1} \times IS \times FAF \times CF\right)} \times \text{Yesterday's Closing Index}$$

P_t : Current Price at day t

P_{t-1} : Closing Price at Day (t-1)

IS : Issued H-Shares

FAF: Freefloat-adjusted Factor, which is between 0 and 1, adjusted every six months

CF: Cap Factor, which is between 0 and 1, adjusted every six months

A free float-adjusted factor representing the proportion of shares that is free floated as a percentage of the issued shares, is rounded up to the nearest multiple of 5% for the calculation of the Hang Seng Index and is updated half-yearly.

A cap of 15% on individual stock weightings is applied. A cap factor is calculated half-yearly to coincide with the regular update of the free float-adjusted factor. Additional re-capping is performed upon constituent changes. Additional information on the HSI is available on the following website: http://www.hsi.com.hk.

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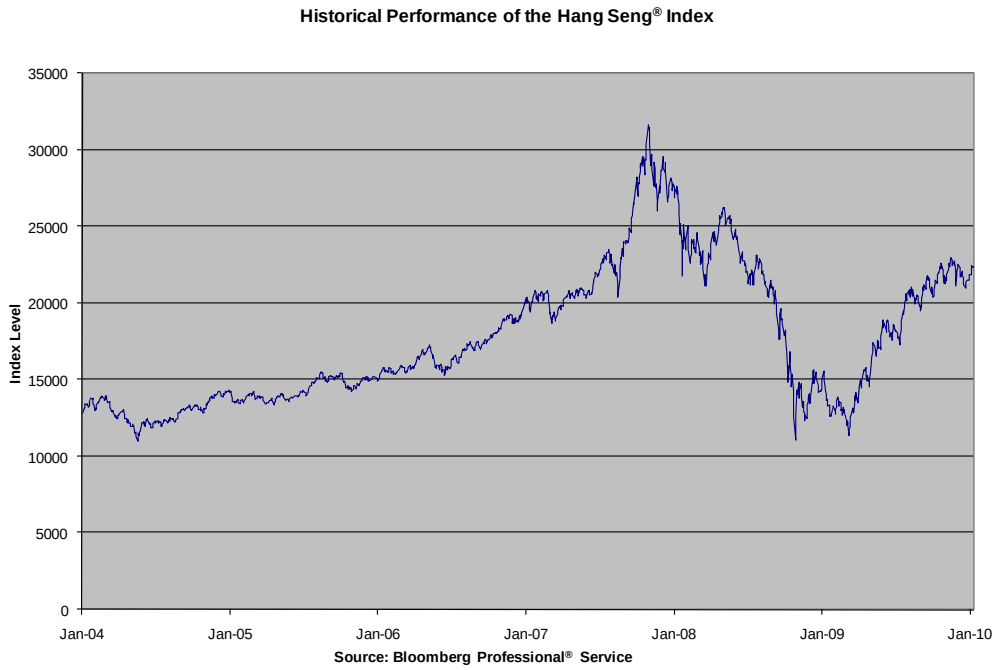
Historical Performance of HSI

The following graph sets forth the historical performance of the HSI based on the weekly historical closing levels from January 3, 2004 through January 8, 2010. The closing level for the HSI on January 8, 2010 was 22,411.52. We obtained the closing levels below from Bloomberg Professional® service. We make no representation or warranty as to the accuracy or completeness of the information obtained from Bloomberg Professional® service.

The historical levels of the HSI should not be taken as an indication of future performance, and no assurance can be given as to the closing level on the Final Valuation Date. We cannot give you assurance that the performance of the HSI will result in the return of any of your initial investment.



The MSCI Singapore Index SM

We have derived all information contained in this underlying supplement regarding the MSCI Singapore Index^{SM}, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, MSCI Inc. We make no representation or warranty as to the accuracy or completeness of such information. The MSCI Singapore Index^{SM} is calculated, maintained and published by MSCI Inc. MSCI Inc. has no obligation to continue to publish, and may discontinue publication of, the MSCI Singapore Index^{SM}.

The MSCI Singapore Index^{SM} (the "SGY") is a stock index calculated, published and disseminated daily by MSCI Inc. ("MSCI"), a majority-owned subsidiary of Morgan Stanley, through numerous data vendors, on the MSCI website and in real time on Bloomberg Financial Markets and Reuters Limited. The SGY is calculated, maintained and published by MSCI. MSCI has no obligation to continue to publish, and may discontinue publication of, the SGY.

The SGY is a free float adjusted market capitalization index that measures equity market performance in Singapore. On May 30, 2008, MSCI completed changes to the methodology used in its MSCI International Equity Indices, which includes the MSCI Singapore Index^{SM}. MSCI enhanced its Standard Index methodology by moving from a sampled multi-cap approach to an approach targeting exhaustive coverage with non-overlapping size and style segments. The MSCI Standard Indices and the MSCI Small Cap Indices, along with the other MSCI equity indices based on them, transitioned to the Global Investable Market Indices methodology described below. MSCI aims to include in its indices 85% of the free float-adjusted market capitalization in each industry sector, within each country included in an index.

Constructing the MSCI Singapore Index^{SM}

MSCI undertakes an index construction process, which involves: (i) defining the Equity Universe; (ii) determining the Market Investable Equity Universe for each market; (iii) determining market capitalization size segments for each market; (iv) applying Index Continuity Rules for the MSCI Standard Index; (v) creating style segments within each size segment within each market; and (vi) classifying securities under the Global Industry Classification Standard (the "GICS").

Defining the Equity Universe

iii. Identifying Eligible Equity Securities: The Equity Universe initially looks at securities listed in any of the countries in the MSCI Global Index Series, which will be classified as either Developed Markets ("DM") or Emerging Markets ("EM"). All listed equity securities, or listed securities that exhibit characteristics of equity securities, except mutual funds, ETFs, equity derivatives, limited partnerships, and most investment trusts, are eligible for inclusion in the Equity Universe. Real Estate Investment Trusts ("REITs") in some countries and certain income trusts in Canada are also eligible for inclusion.

iv. Country Classification of Eligible Securities: Each company and its securities (i.e., share classes) are classified in one and only one country, which allows for a distinctive sorting of each company by its respective country.

Determining the Market Investable Equity Universes

A Market Investable Equity Universe for a market is derived by applying investability screens to individual companies and securities in the Equity Universe that are classified in that market. A market is equivalent to a single country, except in DM Europe, where all DM countries in Europe are aggregated into a single market for index construction purposes. Subsequently, individual DM Europe country indices within the MSCI Europe Index are derived from the constituents of the MSCI Europe Index under the Global Investable Market Indices methodology.

The investability screens used to determine the Investable Equity Universe in each market are as follows:

v. Equity Universe Minimum Size Requirement: This investability screen is applied at the company level. In order to be included in a Market Investable Equity Universe, a company must have the required minimum full market capitalization. A company will meet this requirement if its cumulative free float-adjusted market capitalization is within the top 99% of the sorted Equity Universe.

vi. Equity Universe Minimum Float-Adjusted Market Capitalization Requirement: This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security must have a free float-adjusted market capitalization equal to or higher than 50% of the Equity Universe Minimum Size Requirement.

vii. DM and EM Minimum Liquidity Requirement: This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security must have adequate liquidity. The Annualized Traded Value Ratio ("ATVR"), a measure that offers the advantage of screening out extreme daily trading volumes and taking into account the free float-adjusted market capitalization size of securities, is used to measure liquidity. In the calculation of the ATVR, the trading volumes in depository receipts associated with that security, such as ADRs or GDRs, are also considered. A minimum liquidity level of 20% ATVR is required for inclusion of a security in a Market Investable Equity Universe of a Developed Market, and a minimum liquidity level of 15% ATVR is required for inclusion of a security in a Market Investable Equity Universe of an Emerging Market.

viii. Global Minimum Foreign Inclusion Factor Requirement: This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security's Foreign Inclusion Factor ("FIF") must reach a certain threshold. The FIF of a security is defined as the proportion of shares outstanding that is available for purchase in the public equity markets by international investors. This proportion accounts for the available free float of and/or the foreign ownership limits applicable to a specific security (or company). In general, a security must have an FIF equal to or larger than 0.15 to be eligible for inclusion in a Market Investable Equity Universe. Exceptions to this general rule are made only in the limited cases where the exclusion of securities of a very large company would compromise the ability of the MSCI Singapore Index^{SM} to fully and fairly represent the characteristics of the underlying market.

ix. Minimum Length of Trading Requirement: This investability screen is applied at the individual security level. For an initial public offering ("IPO") to be eligible for inclusion in a Market Investable Equity Universe, the new issue must have started trading at least four months before the implementation of the initial construction of the index or at least three months before the implementation of a Semi-Annual Index Review. This requirement is applicable to small new issues in all markets. Large IPOs are not subject to the Minimum Length of Trading Requirement and may be included in a Market Investable Equity Universe and the Standard Index outside of a Quarterly or Semi-Annual Index Review.

Defining Market Capitalization Size Segments for Each Market

Once a Market Investable Equity Universe is defined, it is segmented into the following size-based indices:

- Investable Market Index (Large + Mid + Small)
- Standard Index (Large + Mid)
- Large Cap Index
- Mid Cap Index
- Small Cap Index

Creating the Size Segment Indices in each market involves the following steps: (i) defining the Market Coverage Target Range for each size segment; (ii) determining the Global Minimum Size Range for each size segment; (iii) determining the Market Size-Segment Cutoffs and associated Segment Number of Companies; (iv) assigning companies to the size segments; and (v) applying final size-segment investability requirements and index continuity rules. Singapore is classified by MSCI as a DM.

Maintenance of the SGY

The MSCI Global Investable Market Indices are maintained with the objective of reflecting the evolution of the underlying equity markets and segments on a timely basis, while seeking to achieve index continuity, continuous investability of constituents and replicability of the indices, and index stability and low index turnover.

In particular, index maintenance involves:

x. Semi-Annual Index Reviews ("SAIRs") in May and November of the Size Segment and Global Value and Growth Indices which include:

  – updating the indices on the basis of a fully refreshed Equity Universe;

- taking buffer rules into consideration for migration of securities across size and style segments; and
- updating FIFs and Number of Shares ("NOS").

The objective of the SAIRs is to systematically reassess the various dimensions of the Equity Universe for all markets on a fixed semi-annual timetable. A SAIR involves a comprehensive review of the Size Segment and Global Value and Growth Indices.

xi. Quarterly Index Reviews ("QIRs") in February and August of the Size Segment Indices aimed at:

- including significant new eligible securities (such as IPOs that were not eligible for earlier inclusion) in the index;
- allowing for significant moves of companies within the Size Segment Indices, using wider buffers than in the SAIR; and
- reflecting the impact of significant market events on FIFs and updating NOS.

QIRs are designed to ensure that the indices continue to be an accurate reflection of the evolving equity marketplace. This is achieved by a timely reflection of significant market driven changes that were not captured in the index at the time of their actual occurrence but are significant enough to be reflected before the next SAIR. QIRs may result in additions or deletions due to migration to another Size Segment Index, and changes in FIFs and in NOS. Only additions of significant new investable companies are considered, and only for the Standard Index. The buffer zones used to manage the migration of companies from one segment to another are wider than those used in the SAIR. The style classification is reviewed only for companies that are reassigned to a different size segment.

Announcement Policy

The results of the SAIRs are announced at least two weeks in advance of their effective implementation dates as of the close of the last business day of May and November.

The results of the QIRs are announced at least two weeks in advance of their effective implementation dates as of the close of the last business day of February and August.

All changes resulting from corporate events are announced prior to their implementation.

The changes are typically announced at least ten business days prior to the changes becoming effective in the indices as an "expected" announcement, or as an "undetermined" announcement, when the effective dates are not known yet or when aspects of the event are uncertain. MSCI sends "confirmed" announcements at least two business days prior to events becoming effective in the indices, provided that all necessary public information concerning the event is available. The full list of all new and pending changes is delivered to clients on a daily basis, at 5:30 p.m., US Eastern Time.

In exceptional cases, events are announced during market hours for same or next day implementation. Announcements made by MSCI during market hours are usually linked to late company disclosure of corporate events or unexpected changes to previously announced corporate events.

In the case of secondary offerings representing more than 5% of a security's number of shares for existing constituents, these changes will be announced prior to the end of the subscription period when possible and a subsequent announcement confirming the details of the event (including the date of implementation) will be made as soon as the results are available.

Both primary equity offerings and secondary offerings for U.S. securities, representing at least 5% of the security's number of shares, will be confirmed through an announcement during market hours for next day or shortly after implementation, as the completion of the events cannot be confirmed prior to the notification of the pricing.

Early deletions of constituents due to bankruptcy or other significant cases are announced as soon as practicable prior to their implementation.

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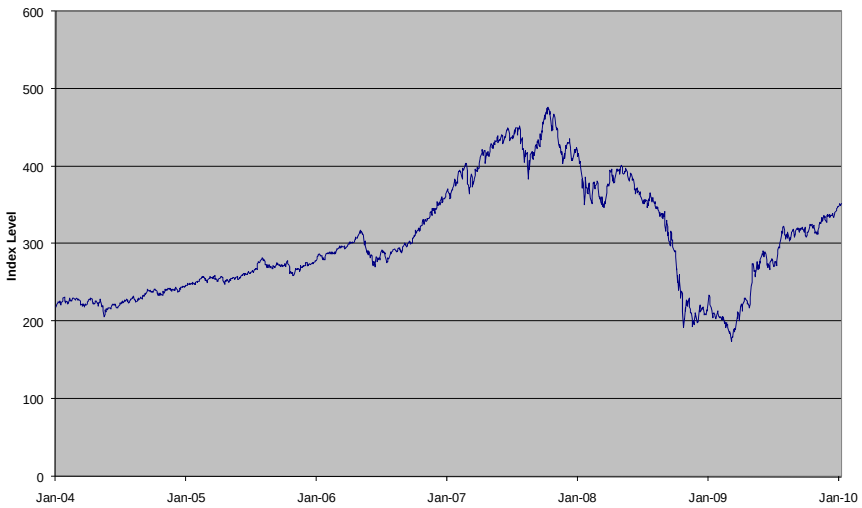
Historical Performance of SGY

The following graph sets forth the historical performance of the SGY based on the weekly historical closing levels from January 3, 2004 through January 8, 2010. The closing level for the SGY on January 8, 2010 was 351.90. We obtained the closing levels below from Bloomberg Professional® service. We make no representation or warranty as to the accuracy or completeness of the information obtained from Bloomberg Professional® service.

The historical levels of the SGY should not be taken as an indication of future performance, and no assurance can be given as to the closing level on the Final Valuation Date. We cannot give you assurance that the performance of the SGY will result in the return of any of your initial investment.

Historical Performance of the MSCI Singapore Index℠



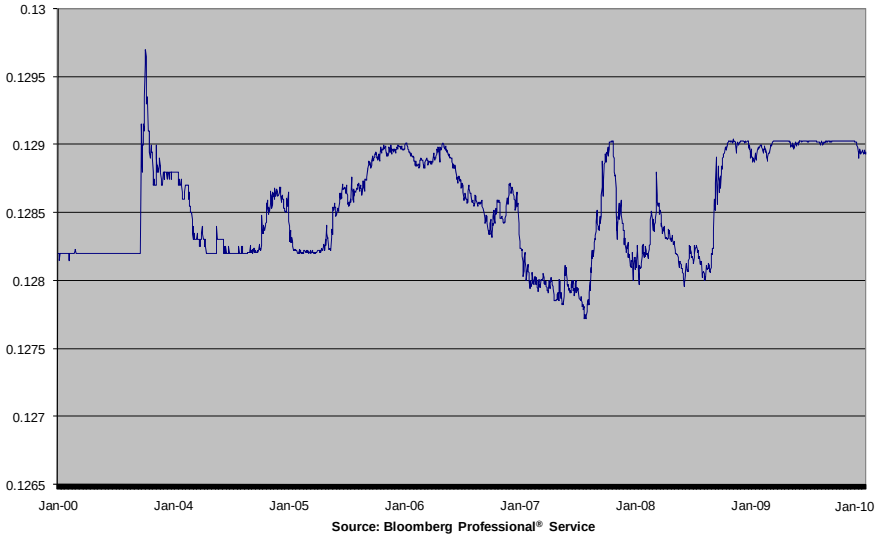
Source: Bloomberg Professional® Service

Historical Performance of Basket Currencies

The following graph sets forth the historical performance of the each basket currency based on exchange rates of such basket currencies relative to the U.S. dollar (each expressed as the number of U.S. dollars per one unit of such basket currency) from January 3, 2004 through January 8, 2010. The HKDUSD exchange rate on January 8, 2010 was .1290. The KRWUSD exchange rate on January 8, 2010 was .000893 (Bloomberg reports the Korean won to U.S. dollars in 100 won to 1 U.S. dollar; therefore, the spot rates for the KRWUSD represented in the graph below are 100 times greater than the spot rate that will be used to calculate the currency return). The TWDUSD exchange rate on January 8, 2010 was .0315. The SGDUSD exchange rate on January 8, 2010 was .7207. We obtained the exchange rates below from Bloomberg Professional® service. We make no representation or warranty as to the accuracy or completeness of the information obtained from Bloomberg Professional® service.

The historical exchange rates should not be taken as an indication of future performance, and no assurance can be given as to the exchange rates on the Final Valuation Date. We cannot give you assurance that the performance of the basket currencies will result in the return of any of your initial investment.

Historical Performance of the Hong Kong Dollar
(expressed as the number of U.S. dollars per Hong Kong dollar)



Source: Bloomberg Professional® Service

Historical Performance of the Korean Won
(expressed as the number of U.S. dollars per 100 Korean won)

Source: Bloomberg Professional® Service

Historical Perofrmance of the Taiwan Dollar
(expressed as the number of U.S. dollars per Taiwan dollar)

Source: Bloomberg Professional® Service

Historical Performance of the Singapore Dollar
(expressed as the number of U.S. dollars per Singapore dollar)

Source: Bloomberg Professional® Service

Market Disruption Events

If an ending averaging date or the Final Valuation Date is not a scheduled trading day for any Basket Index, then such ending averaging date or the Final Valuation Date will be the next day that is a scheduled trading day for such Basket Index. If a market disruption event (as defined below) exists on an ending averaging date or the Final Valuation Date for a basket component, then such ending averaging date or the Final Valuation Date, as applicable, will be the next scheduled trading day for which there is no market disruption event for such Basket Index. If a market disruption event exists with respect to an ending averaging date or the Final Valuation Date on five consecutive scheduled trading days for a Basket Index, then that fifth scheduled trading day will be the ending averaging date or the Final Valuation Date, as applicable, and the Official Closing Level of such Basket Index will be determined by means of the formula for and method of calculating such Basket Index which applied just prior to the market disruption event, using the relevant exchange traded or quoted price of each stock in such Basket Index (or a good faith estimate of the value of a security in such Basket Index which is itself the subject of a market disruption event). If an ending averaging date is postponed for a Basket Index, then each subsequent ending averaging date and the Final Valuation Date will also be postponed by an equal number of scheduled trading days for such Basket Index. If the Final Valuation Date for a Basket Index is postponed for a Basket Index, then the Maturity Date will also be postponed by an equal number of scheduled trading days and no interest will be paid in respect of such postponement.

Notwithstanding the definition of market disruption event in the accompanying product supplement, “market disruption event” means, with respect to a Basket Index, any scheduled trading day on which any relevant exchange or related exchange fails to open for trading during its regular trading session or on which any of the following events has occurred and is continuing which the calculation agent determines is material:

(i) Any suspension of or limitation imposed on trading by any relevant exchanges or related exchanges or otherwise, (A) relating to any component security included in the relevant basket indices then constituting 20% or more of the level of such Basket Index or (B) in futures or options contracts relating to the relevant basket indices on any related exchange; or

(ii) Any event (other than any event described in (iii) below) that disrupts or impairs the ability of market participants in general (A) to effect transactions in, or obtain market values for any component security included in the relevant basket indices then constituting 20% or more of the level of such Basket Index or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant basket indices on any relevant related exchange; or

(iii) The closure on any scheduled trading day of any relevant exchange or related exchange prior to its scheduled closing time (unless the earlier closing time is announced by the relevant exchange or related exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on the exchange and (ii) the submission deadline for orders to be entered into the relevant exchange or related exchange for execution at the close of trading on that day).

Currency Disruption Events

If the spot rate for any basket currency is unavailable for any reason, the spot rate for such basket currency will be determined by the calculation agent in a commercially reasonable manner and in accordance with general market practice.

Supplemental Plan of Distribution (Conflicts of Interest)

Pursuant to the terms of a distribution agreement, HSBC Securities (USA) Inc., an affiliate of HSBC, will purchase the notes from HSBC for distribution to J.P. Morgan Securities Inc. J.P. Morgan Securities Inc. will act as placement agent for the notes and will receive a fee that will not exceed $10.00 per $1,000 face amount of notes.

In addition, HSBC Securities (USA) Inc. or another of its affiliates or agents may use the pricing supplement to which this free writing prospectus relates in market-making transactions after the initial sale of the securities, but is under no obligation to do so and may discontinue any market-making activities at any time without notice.
See “Supplemental Plan of Distribution” on page S-52 in the prospectus supplement.