| | Subject to Completion<br>Preliminary Term Sheet dated<br>October 25, 2012 | Filed Pursuant to Rule 433<br>Registration No. 333-180289<br>(To Prospectus dated March 22, 2012,<br>Prospectus Supplement dated March 22, 2012 and<br>Product Supplement No. COMM-LIRN-1 dated<br>September 19, 2012) |
|---|---|---|

Units
$10 principal amount per unit
CUSIP No.

Pricing Date* November , 2012
Settlement Date* December , 2012
Maturity Date* December , 2014

*Subject to change based on the actual date the notes are priced for initial sale to the public (the "pricing date")

# Capped Leveraged Index Return Notes® Linked to the Silver Spot Price

- Maturity of approximately two years
- 2-to-1 upside exposure to increases in the Silver Spot Price, subject to a capped return of [21% to 25%]
- 1-to-1 downside exposure to decreases in the Silver Spot Price beyond a 10% decline, with up to 90% of the Original Offering Price at risk
- All payments occur at maturity and are subject to the credit risk of HSBC USA Inc.
- No interest payments

**The notes are being issued by HSBC USA Inc. ("HSBC"). Investing in the notes involves a number of risks. There are important differences between the notes and a conventional debt security, including different investment risks. See "Risk Factors" and "Additional Risk Factors" beginning on page TS-6 of this term sheet and "Risk Factors" beginning on page S-9 of product supplement COMM-LIRN-1.**

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Neither the Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of the notes or passed upon the accuracy or the adequacy of this document, the accompanying product supplement, prospectus or prospectus supplement. Any representation to the contrary is a criminal offense.

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| | Per Unit | Total |
|---|---|---|
| Public offering price[(1)(2)] ..... | $ 10.00 | $ |
| Underwriting discount[(1)(2)] ..... | $ 0.20 | $ |
| Proceeds, before expenses, to HSBC | $ 9.80 | $ |

(1) For any purchase of 500,000 units or more in a single transaction by an individual investor, the public offering price and the underwriting discount will be $9.95 per unit and $0.15 per unit, respectively.

(2) For any purchase by certain fee-based trusts and discretionary accounts managed by U.S. Trust operating through Bank of America, N.A., the public offering price and underwriting discount will be $9.80 per unit and $0.00 per unit, respectively. See as well "Supplement to the Plan of Distribution."

**The notes:**

| Are Not FDIC Insured | Are Not Bank Guaranteed | May Lose Value |
|---|---|---|

**Merrill Lynch & Co.**
November , 2012

Enhanced Return

# Summary

The Capped Leveraged Index Return Notes® Linked to the Silver Spot Price due December , 2014 (the "notes") are our senior unsecured debt securities and are not a direct or indirect obligation of any third party. The notes are not deposit liabilities or other obligations of a bank and are not guaranteed or insured by the Federal Deposit Insurance Corporation or any other governmental agency of the United States or any other jurisdiction. **The notes will rank equally with all of our other senior unsecured debt. Any payments due on the notes, including any repayment of principal, depends on the credit risk of HSBC and its ability to satisfy its obligations as they come due.** The notes provide you a leveraged return, subject to a cap, if the Ending Value (as determined below) of the Silver Spot Price is greater than the Starting Value. If the Ending Value is less than the Threshold Value, you will lose a portion, which could be significant, of the principal amount of your notes.

The terms and risks of the notes are contained in this term sheet and the documents listed below (together, the "Note Prospectus"). The documents have been filed as part of a registration statement with the SEC, which may, without cost, be accessed on the SEC website as indicated below or obtained from MLPF&S by calling 1-866-500-5408:

- Product supplement COMM-LIRN-1 dated September 19, 2012:
  http://www.sec.gov/Archives/edgar/data/83246/000114420412052027/v743050-1_424b5.htm
- Prospectus supplement dated March 22, 2012:
  http://www.sec.gov/Archives/edgar/data/83246/000104746912003151/a2208335z424b2.htm
- Prospectus dated March 22, 2012:
  http://www.sec.gov/Archives/edgar/data/83246/000104746912003148/a2208395z424b2.htm

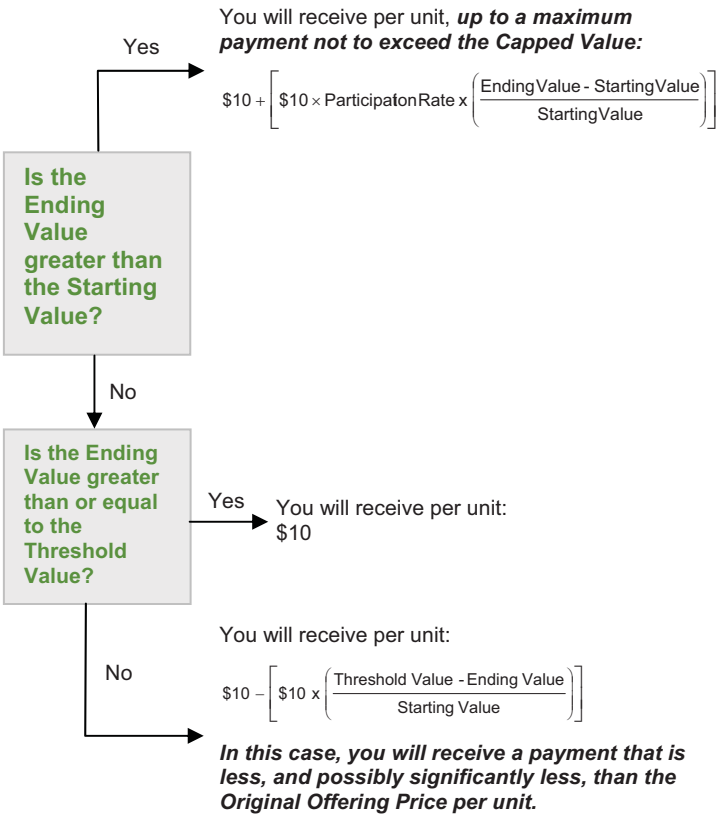
Our Central Index Key, or CIK, on the SEC Website is 83246. Before you invest, you should read the Note Prospectus, including this term sheet, for information about us and this offering. Any prior or contemporaneous oral statements and any other written materials you may have received are superseded by the Note Prospectus. You should carefully consider, among other things, the matters set forth under "Risk Factors" in the section indicated on the cover of this term sheet. The notes involve risks not associated with conventional debt securities. Capitalized terms used but not defined in this term sheet have the meanings set forth in product supplement COMM-LIRN-1. Unless otherwise indicated or unless the context requires otherwise, all references in this document to "we," "us," "our," or similar references are to HSBC.

# Terms of the Notes

| | |
|---|---|
| **Issuer:** | HSBC USA Inc. ("HSBC") |
| **Original Offering Price:** | $10.00 per unit |
| **Term:** | Approximately two years |
| **Market Measure:** | The London Silver Market Fixing Ltd. P.M. Fixing Price (the "Silver Spot Price"), which is a benchmark price for silver (Bloomberg symbol: "SLVRLN"). |
| **Starting Value:** | The Silver Spot Price on the pricing date subject to the Starting Value Market Measure Disruption Calculation, as described on page S-19 of product supplement COMM-LIRN-1. |
| **Ending Value:** | The Silver Spot Price on the scheduled calculation day. The calculation day is subject to postponement in the event of Market Disruption Events, as described on page S-21 of product supplement COMM-LIRN-1. |
| **Threshold Value:** | 90% of the Starting Value, rounded to two decimal places. |
| **Capped Value:** | [$12.10 to $12.50] per unit of the notes, which represents a return of [21% to 25%] over the Original Offering Price. The actual Capped Value will be determined on the pricing date. |
| **Calculation Day:** | The fifth scheduled Market Measure Business Day immediately preceding the maturity date |
| **Participation Rate:** | 200% |
| **Calculation Agent:** | Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") and HSBC, acting jointly. |
| **Fees Charged:** | The public offering price of the notes includes the underwriting discount of $0.20 per unit as listed on the cover page and an additional charge of $0.075 per unit more fully described on page TS-10. |

# Redemption Amount Determination

On the maturity date, you will receive a cash payment per unit determined as follows:



# Investor Considerations

**You may wish to consider an investment in the notes if:**

- You anticipate that the Silver Spot Price will increase moderately from the Starting Value to the Ending Value.
- You accept that your investment will result in a loss, which could be significant, if the Silver Spot Price decreases from the Starting Value to an Ending Value that is below the Threshold Value.
- You accept that the return on the notes, if any, will be capped.
- You are willing to forgo the interest payments that are paid on traditional interest bearing debt securities.
- You are willing to forgo the rights and benefits of owning silver or any related futures contract.
- You are willing to accept that a secondary market is not expected to develop for the notes, and understand that the market prices for the notes, if any, may be less than the Original Offering Price and will be affected by various factors, including our actual and perceived creditworthiness, and the fees charged, as described on page TS-2.
- You are willing to assume our credit risk, as issuer of the notes, for all payments under the notes, including the Redemption Amount.

**The notes may not be an appropriate investment for you if:**

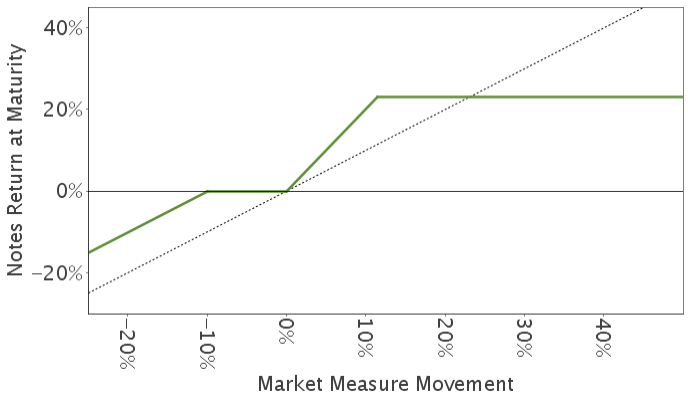
- You believe that the Silver Spot Price will decrease from the Starting Value or that it will not increase sufficiently over the term of the notes to provide you with your desired return.
- You seek 100% return of principal at maturity.
- You seek an uncapped return on your investment.
- You seek interest payments or other current income on your investment.
- You want to receive the rights and benefits of owning silver or any related futures contract.
- You seek an investment for which there will be a liquid secondary market.
- You are unwilling or are unable to take market risk on the notes or to take our credit risk as issuer of the notes.

We urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the notes.

# Hypothetical Payout Profile

The below graph is based on **hypothetical** numbers and values.

**Capped Leveraged Index Return Notes®**




This graph reflects the returns on the notes, based on the Participation Rate of 200%, a Threshold Value of 90% of the Starting Value and a Capped Value of $12.30, the midpoint of the Capped Value range of [$12.10 to $12.50] per unit. The green line reflects the returns on the notes, while the dotted gray line reflects the returns of a direct investment in silver, as measured by the Silver Spot Price.

This graph has been prepared for purposes of illustration only.

# Hypothetical Payments at Maturity

The following table and examples are for purposes of illustration only. They are based on **hypothetical** values and show **hypothetical** returns on the notes. **The actual amount you receive and the resulting total rate of return will depend on the actual Starting Value, Threshold Value, Ending Value, Capped Value, and term of your investment.**

The following table is based on a Starting Value of 100, a Threshold Value of 90, the Participation Rate of 200%, and a Capped Value of $12.30 per unit. It illustrates the effect of a range of Ending Values on the Redemption Amount per unit of the notes and the total rate of return to holders of the notes. The following examples do not take into account any tax consequences from investing in the notes.

| Ending Value | Percentage Change from the Starting Value to the Ending Value | Redemption Amount per Unit | Total Rate of Return on the Notes |
|---|---|---|---|
| 60.00 | -40.00% | $7.00 | -30.00% |
| 70.00 | -30.00% | $8.00 | -20.00% |
| 80.00 | -20.00% | $9.00 | -10.00% |
| 90.00(1) | -10.00% | $10.00 | 0.00% |
| 94.00 | -6.00% | $10.00 | 0.00% |
| 97.00 | -3.00% | $10.00 | 0.00% |
| 100.00(2) | 0.00% | $10.00 | 0.00% |
| 103.00 | 3.00% | $10.60 | 6.00% |
| 106.00 | 6.00% | $11.20 | 12.00% |
| 110.00 | 10.00% | $12.00 | 20.00% |
| 120.00 | 20.00% | $12.30(3) | 23.00% |
| 130.00 | 30.00% | $12.30 | 23.00% |
| 140.00 | 40.00% | $12.30 | 23.00% |
| 150.00 | 50.00% | $12.30 | 23.00% |
| 160.00 | 60.00% | $12.30 | 23.00% |

(1) This is the **hypothetical** Threshold Value.

(2) The **hypothetical** Starting Value of 100 used in these examples has been chosen for illustrative purposes only, and does not represent a likely actual Starting Value for the Market Measure.

(3) The Redemption Amount per unit cannot exceed the **hypothetical** Capped Value.

For recent actual levels of the Market Measure, see “The Silver Spot Price” section below. In addition, all payments on the notes are subject to issuer credit risk.

**Redemption Amount Calculation Examples**

**Example 1**

The Ending Value is 80.00, or 80.00% of the Starting Value:

Starting Value: 100.00

Ending Value: 80.00

Threshold Value: 90.00

$$\$10 - \left[\$10 \times \left(\frac{90-80}{100}\right)\right] = \$9.00$$ Redemption Amount per unit

**Example 2**

The Ending Value is 95.00, or 95.00% of the Starting Value:

Starting Value: 100.00

Ending Value: 95.00

Threshold Value: 90.00

Redemption Amount (per unit) = **$10.00**, the Original Offering Price, since the Ending Value is less than the Starting Value but equal to or greater than the Threshold Value.

**Example 3**

The Ending Value is 105.00, or 105.00% of the Starting Value:

Starting Value: 100.00

Ending Value: 105.00

$$\$10 + \left[\$10 \times 200\% \times \left(\frac{105-100}{100}\right)\right]$$ **= $11.00** Redemption Amount per unit

**Example 4**

The Ending Value is 140.00, or 140.00% of the Starting Value:

Starting Value: 100.00

Ending Value: 140.00

$$\$10 + \left[\$10 \times 200\% \times \left(\frac{140-100}{100}\right)\right]$$ **= $18.00, however, because the Redemption Amount for the notes cannot exceed the Capped Value, the Redemption Amount will be $12.30 per unit**

# Risk Factors

*We urge you to read the section "Risk Factors" in the product supplement and in the accompanying prospectus supplement. Investing in the notes is not equivalent to investing directly in the Market Measure. You should understand the risks of investing in the notes and should reach an investment decision only after careful consideration, with your advisers, with respect to the notes in light of your particular financial and other circumstances and the information set forth in this term sheet and the accompanying product supplement, prospectus supplement and prospectus.*

*In addition to the risks in the product supplement identified below, you should review "Risk Factors" in the accompanying prospectus supplement, including the explanation of risks relating to the notes described in the section "— Risks Relating to All Note Issuances."*

- Your investment may result in a loss; there is no guaranteed return of principal.
- Your yield may be less than the yield on a conventional debt security of comparable maturity.
- Payments on the notes are subject to our credit risk.
- Your return, if any, is limited to the return represented by the Capped Value.
- Your investment return may be less than a comparable investment directly in the Silver Spot Price.
- You must rely on your own evaluation of the merits of an investment linked to the Silver Spot Price.
- Commissions, fees and hedging costs as described on page TS-10 may affect the price at which you will be able to sell the notes in secondary market transactions.
- We cannot assure you that a trading market for your notes will ever develop or be maintained. MLPF&S is not obligated to make a market for, or to repurchase, the notes.
- The Redemption Amount will not reflect changes in the value of the Silver Spot Price prior to the calculation day.
- If you attempt to sell the notes prior to maturity, their market value, if any, will be affected by various factors that interrelate in complex ways and their market value may be less than their Original Offering Price.
- Our purchases and sales, and those of MLPF&S, and our respective affiliates may affect your return.
- Our trading and hedging activities, and those of MLPF&S, may create conflicts of interest with you.
- Our hedging activities, and those of MLPF&S, may affect your return on the notes and their market value.
- There may be potential conflicts of interest involving the calculation agent. We may appoint and remove the calculation agent.
- The notes are not insured by any governmental agency of the United States or any other jurisdiction.
- Ownership of the notes will not entitle you to any rights with respect to silver and any related futures contracts.
- The price of silver may change unpredictably, affecting the value of your notes in unforeseeable ways.
- Suspensions or disruptions of market trading in silver and related futures contracts may adversely affect the value of the notes.
- Changes in exchange methodology or changes in law or regulations may affect the value of the notes prior to maturity.
- The notes will not be regulated by the U.S. Commodity Futures Trading Commission.
- We are not responsible for the actions or public disclosure of information of the London Bullion Market Association (including any successor, the "LBMA").
- The U.S. federal income tax consequences of the notes are uncertain and may be adverse to a holder of the notes. See "Summary Tax Consequences" below and "U.S. Federal Income Tax Summary" beginning on page S-34 of product supplement COMM-LIRN-1.

# Additional Risk Factors

**There are risks associated with investing in silver or silver-linked notes.**

The Silver Spot Price is derived from a principals' market which operates as an over-the-counter ("OTC") physical commodity market. Certain features of U.S. futures markets are not present in the context of trading on such principals' markets. For example, there are no daily price limits, which would otherwise restrict the extent of daily fluctuations in the prices of the commodities in such markets. In a declining market, therefore, it is possible that prices would continue to decline without limitation within a trading day or over a period of trading days. Silver prices are subject to volatile price movements over short periods of time and are affected by numerous factors. These include economic factors, including the structure of and confidence in the global monetary system, expectations of the future rate of inflation, the relative strength of, and confidence in, the U.S. dollar (the currency in which the price of silver is generally quoted), interest rates and silver borrowing and lending rates, and global or regional economic, financial, political, regulatory, judicial, or other events. Silver prices may also be affected by industry factors such as industrial and jewelry demand, lending, sales and purchases of silver by the official sector, including central banks and other governmental agencies and multilateral institutions which hold silver, levels of silver production and production costs, and short-term changes in supply and demand because of trading activities in the silver market. It is not possible to predict the aggregate effect of all or any combination of these factors.

**There are certain risks relating to the Silver Spot Price being determined by three market making members of the LBMA, which includes HSBC Bank USA, N.A, an affiliate of the Issuer.**

Your notes are linked to the performance of the Silver Spot Price. The Silver Spot Price is determined by three market making members of the LBMA, referred to as the London Silver Market Fixing, Ltd. HSBC Bank USA, N.A. ("HSBC Bank"), an affiliate of the Issuer, is a member of the London Silver Market Fixing Ltd. Actions by the London Silver Market Fixing Ltd. may have an adverse effect on the Silver Spot Price and therefore on the market value of the notes. Although HSBC Bank is a member of the London Silver Market Fixing Ltd., we have no ability to control or predict the actions of the London Silver Market Fixing Ltd. The London Silver Market Fixing, Ltd. has no obligation to consider your interests in calculating or revising the official afternoon silver fixing. In addition, HSBC Bank will have no obligation to consider your interests as a holder of the notes in determining the Silver Spot Price on any day. For additional information, see "The Silver Spot Price" below.

**The market value of the notes may be affected by price movements in distant-delivery futures contracts associated with the Silver Spot Price.**

The price movements in the Silver Spot Price may not be reflected in the market value of the notes. If you are able to sell your notes, the price you receive could be affected by changes in the values of futures contracts for silver that have more distant delivery dates than the Silver Spot Price. The prices for these distant-delivery futures contracts may not increase to the same extent as the Silver Spot Price, or may decrease to a greater extent, which may adversely affect the value of the notes.

**Changes in the methodology used to calculate the Silver Spot Price or changes in laws or regulations may affect the value of the notes.**

Members of the LBMA set the Silver Spot Price and may adjust the value of the Silver Spot Price in a way that adversely affects the value of the notes. In setting the Silver Spot Price, these members have no obligation to consider your interests. The LBMA may from time to time change any rule or bylaw or take emergency action under its rules, any of which could affect the Silver Spot Price. Any change of this kind could cause a decrease in the Silver Spot Price, which would adversely affect the value of the notes. In addition, the price of silver could be adversely affected by the promulgation of new laws or regulations or by the reinterpretation of existing laws or regulations (including, without limitation, those relating to taxes and duties on commodities or commodity components) by one or more governments, governmental agencies or instrumentalities, courts, or other official bodies. Any event of this kind could adversely affect the Silver Spot Price and, as a result, could adversely affect the value of the notes.

**The Silver Spot Price and the value of the securities may be affected by currency exchange fluctuations.**

The Silver Spot Price is determined in U.S. dollars. As a result, appreciation of the U.S. dollar may increase the relative cost of the Silver Spot Price for foreign consumers, thereby potentially reducing demand for silver. As a result, the Silver Spot Price and the value of the notes may be adversely affected by changes in exchange rates between the U.S. dollar and foreign currencies. In recent years, rates of exchange between the U.S. dollar and various foreign currencies have been highly volatile, and this volatility may continue in the future. However, fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative of fluctuations that may occur during the term of the notes.

# Other Terms of the Notes

The provisions of this section supersede and replace the definitions of “Market Measure Business Day” and “Market Disruption Event” set forth in product supplement COMM-LIRN-1.

**Market Measure Business Day**

A “Market Measure Business Day” means a day on which the Silver Spot Price or any successor thereto is determined and published by LBMA, or any successor thereto.

**Market Disruption Event**

A “Market Disruption Event” means any of the following events, as determined by the calculation agent:

(A) the suspension of or material limitation on trading in silver, or futures contracts or options related to silver, on the Relevant Market (as defined below);

(B) the failure of trading to commence, or permanent discontinuance of trading, in silver, or futures contracts or options related to silver, on the Relevant Market;

(C) the failure of the LBMA (as defined above) to calculate or publish the official fixing price of silver for that day (or the information necessary for determining the official fixing prices); or

(D) any other event, if the calculation agent determines in its sole discretion that the event materially interferes with the issuer’s ability or the ability of any of the issuer’s affiliates to unwind all or a material portion of a hedge that the issuer or the issuer’s affiliates have effected or may effect as to the notes.

For the purpose of determining whether a Market Disruption Event has occurred:

(A) a limitation on the hours in a trading day and/or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular trading hours of the Relevant Market; and

(B) a suspension of or material limitation on trading in the Relevant Market will not include any time when trading is not conducted or prices are not quoted by the LBMA in the Relevant Market under ordinary circumstances.

**Relevant Market**

“Relevant Market” means the market in London on which members of the LBMA, or any successor thereto, quote prices for the buying and selling of silver, or if such market is no longer the principal trading market for silver or options or futures contracts for silver, such other exchange or principal trading market for silver as determined by the calculation agent which serves as the source of prices for silver, and any principal exchanges where options or futures contracts on silver are traded.

# The Silver Spot Price

The Silver Spot Price is a benchmark price used in the markets where silver is sold for U.S. dollars and delivered immediately. The Silver Spot Price is published by Bloomberg L.P. ("Bloomberg") under the symbol SLVRLN. The Silver Spot Price is an internationally published benchmark of the spot price of silver in U.S. cents per troy ounce as determined at 12:00 P.M. London time. The Silver Spot Price is determined by three market-making members of the LBMA. These members meet by telephone each London business day at 12:00 p.m. to determine the Silver Spot Price. The three members are the Bank of Nova Scotia –ScotiaMocatta, Deutsche Bank AG, and HSBC Bank USA, N.A. (an affiliate of the Issuer) .

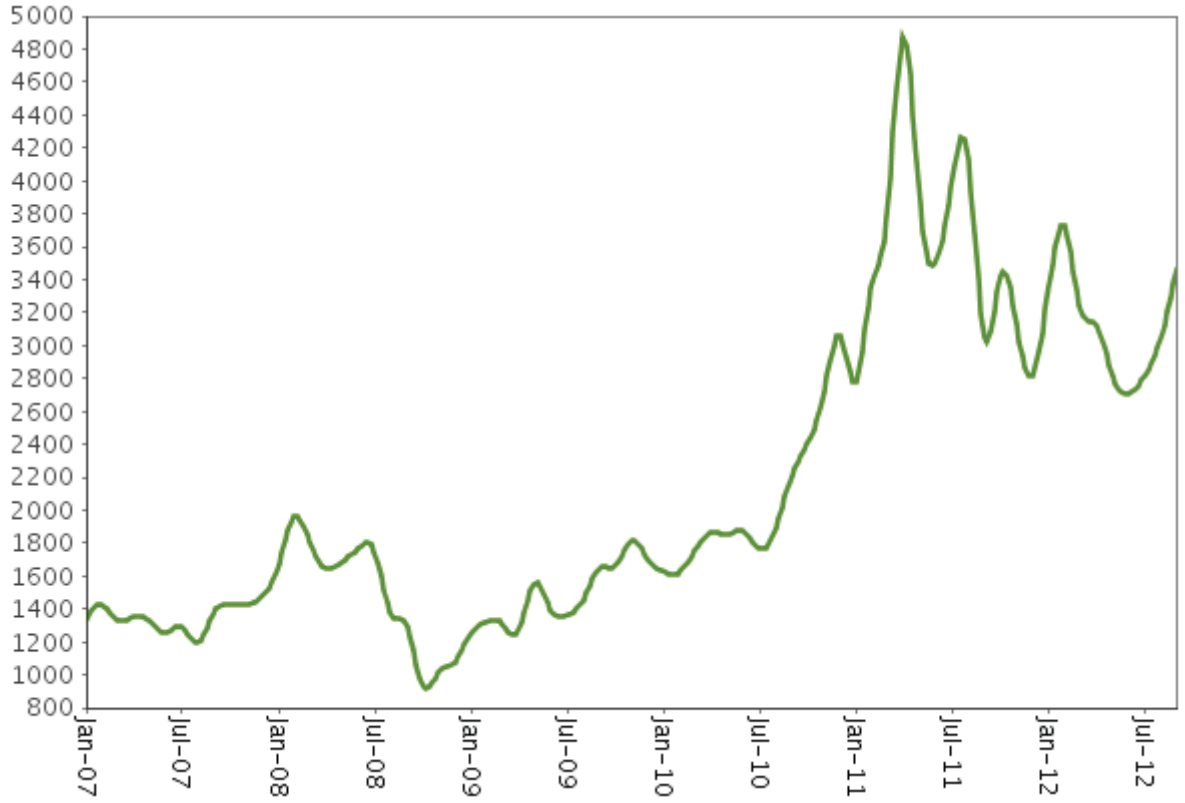
The London bullion market is an OTC market, as opposed to an exchange-traded environment. Members of the London bullion market typically trade with each other and with their clients on a principal-to-principal basis. All risks, including those of credit, are between the two parties to a transaction.

An investment in the notes does not entitle you to any ownership interest, either directly or indirectly, in silver or in any silver transaction traded on the London bullion market.

The notes are not sponsored, endorsed, sold, or promoted by the LBMA. The LBMA takes no responsibility for the accuracy and/or the completeness of information provided in this term sheet, the accompanying product supplement, the accompanying prospectus supplement or the accompanying prospectus. In addition, the LBMA is not responsible for and has not participated in the determination of the timing of the sale of the notes, prices at which the notes are to initially be sold, or the quantities of the notes to be issued or in the determination or calculation of the amount payable on maturity. The LBMA has no obligation in connection with the administration, marketing, or trading of the notes.

***The following graph shows the monthly historical performance of the Silver Spot Price in the period from January 2007 through September 2012. We obtained this historical data from Bloomberg. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg. On October 22, 2012, the Silver Spot Price was 3,217.00.***

**Historical Performance of the Silver Spot Price**




***This historical data on the Silver Spot Price is not necessarily indicative of the future performance of the Silver Spot Price or what the value of the notes may be. Any historical upward or downward trend in the Silver Spot Price during any period set forth above is not an indication that the Silver Spot Price is more or less likely to increase or decrease at any time over the term of the notes.***

Before investing in the notes, you should consult publicly available sources for the levels of the Silver Spot Price.

# Supplement to the Plan of Distribution

We may deliver the notes against payment therefor in New York, New York on a date that is greater than three business days following the pricing date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, if the initial settlement of the notes occurs more than three business days from the pricing date, purchasers who wish to trade the notes more than three business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

The notes will not be listed on any securities exchange. In the original offering of the notes, the notes will be sold in minimum investment amounts of 100 units.

MLPF&S will not receive an underwriting discount for notes sold to certain fee-based trusts and fee-based discretionary accounts managed by U.S. Trust operating through Bank of America, N.A.

If you place an order to purchase the notes, you are consenting to MLPF&S acting as a principal in effecting the transaction for your account.

MLPF&S may repurchase and resell the notes, with repurchases and resales being made at prices related to then-prevailing market prices or at negotiated prices. MLPF&S may act as principal or agent in these market-making transactions; however it is not obligated to engage in any such transactions.

The distribution of the Note Prospectus in connection with these offers or sales will be solely for the purpose of providing investors with the description of the terms of the notes that was made available to investors in connection with their initial offering. Secondary market investors should not, and will not be authorized to, rely on the Note Prospectus for information regarding HSBC or for any purpose other than that described in the immediately preceding sentence.

***Role of MLPF&S***

MLPF&S will participate as selling agent in the distribution of the notes. Under our distribution agreement with MLPF&S, MLPF&S will purchase the notes from us as principal at the public offering price indicated on the cover of this term sheet, less the indicated underwriting discount. In connection with hedging our obligations under the notes, we will enter into a hedge transaction with an affiliate of MLPF&S, which will include a charge of up to $0.075 per unit, representing an estimated profit credited to MLPF&S through the hedge transaction. The public offering price you pay for the notes includes this charge and the underwriting discount. This charge and fee reduce the economic terms of the notes. In arranging the hedge transaction for the notes, MLPF&S seeks bids from market participants, which could include one of our affiliates. Additional profits and losses may be realized by the hedge providers from these hedging transactions. For further information regarding how these fees and hedging costs may affect the price at which you will be able to sell the notes in secondary market transaction and conflicts of interest, see "Risk Factors—General Risks Relating to LIRNs" beginning on page S-9 and "Use of Proceeds" on page S-17 of product supplement COMM-LIRN-1.

# Summary Tax Consequences

You should consider the U.S. federal income tax consequences of an investment in the notes, including the following:

- There is no statutory, judicial, or administrative authority directly addressing the characterization of the notes.
- You agree with us (in the absence of an administrative determination, or judicial ruling to the contrary) to characterize and treat the notes for all tax purposes as pre-paid executory contracts with respect to the Silver Spot Price.
- Under this characterization and tax treatment of the notes, a U.S. Holder (as defined in product supplement COMM-LIRN-1) generally will recognize capital gain or loss upon maturity or upon a sale or exchange of the notes prior to maturity. This capital gain or loss generally will be long-term capital gain or loss if you held the notes for more than one year.
- No assurance can be given that the IRS or any court will agree with this characterization and tax treatment.

**You should consult your own tax advisor concerning the U.S. federal income tax consequences to you of acquiring, owning, and disposing of the notes, as well as any tax consequences arising under the laws of any state, local, foreign, or other tax jurisdiction and the possible effects of changes in U.S. federal or other tax laws. You should review carefully the discussion under the section entitled "U.S. Federal Income Tax Summary" beginning on page S-34 of product supplement COMM-LIRN-1.**

# Where You Can Find More Information

We have filed a registration statement (including a product supplement, a prospectus supplement, and a prospectus) with the SEC for the offering to which this term sheet relates. Before you invest, you should read the Note Prospectus, including this term sheet, and the other documents that we have filed with the SEC, for more complete information about us and this offering. You may get these documents without cost by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, we, any agent, or any dealer participating in this offering will arrange to send you these documents if you so request by calling MLPF&S toll-free at 1-866-500-5408.

# Market-Linked Investments Classification

*MLPF&S classifies certain market-linked investments (the "Market-Linked Investments") into categories, each with different investment characteristics. The following description is meant solely for informational purposes and is not intended to represent any particular Enhanced Return Market-Linked Investment or guarantee any performance.*

Enhanced Return Market-Linked Investments are short- to medium-term investments that offer you a way to enhance exposure to a particular market view without taking on a similarly enhanced level of market downside risk. They can be especially effective in a flat to moderately positive market (or, in the case of bearish investments, a flat to moderately negative market). In exchange for the potential to receive better-than market returns on the linked asset, you must generally accept market downside risk and capped upside potential. As these investments are not market downside protected, and do not assure full repayment of principal at maturity, you need to be prepared for the possibility that you may lose all or part of your investment.

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