

Units
\$10 principal amount per unit
CUSIP No.



Pricing Date* February , 2014
Settlement Date* March , 2014
Maturity Date* February , 2017

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

Market-Linked Step Up Notes Linked to a Global Equity Basket

- Maturity of approximately three years
- If the Basket is flat or increases, but is below the Step Up Value, a return of 18%
- If the Basket increases up to or above the Step Up Value, [115% to 135%] participation in increases in the Basket
- 1-to-1 downside exposure to decreases in the Basket, with up to 100% of the principal amount at risk
- The Basket will be comprised of the S&P 500[®] Index, the EURO STOXX 50[®] Index, and the MSCI EAFE Index. The S&P 500[®] Index will be given an initial weight of 40%, and each of the EURO STOXX 50[®] Index and the MSCI EAFE Index will be given an initial weight of 30%.
- All payments occur at maturity and are subject to the credit risk of HSBC USA Inc.
- No interest payments
- No listing on any securities exchange



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 and costs. See "Risk Factors" beginning on page TS-6 of this term sheet and beginning on page PS-6 of product supplement EQUITY INDICES SUN-1.

The estimated initial value of the notes on the pricing date is expected to be between \$9.25 and \$9.75 per unit, which will be less than the public offering price listed below. The market value of the notes at any time will reflect many factors and cannot be predicted with accuracy. See "Summary" on page TS-2 and "Risk Factors" beginning on page TS-6 of this term sheet for additional information.

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.

| | Per Unit | Total |
|---|----------|-------|
| Public offering price ⁽¹⁾⁽²⁾ | \$10.000 | \$ |
| Underwriting discount ⁽¹⁾⁽²⁾ | \$ 0.225 | \$ |
| Proceeds, before expenses, to HSBC | \$ 9.775 | \$ |

- (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 \$9.950 per unit and \$0.175 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 \$9.775 per unit and \$0.000 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.

February , 2014



Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February , 2017

Summary

The Market-Linked Step Up Notes Linked to a Global Equity Basket, due February , 2017 (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 with a Step Up Payment if the Ending Value (as determined below) of the Market Measure, which is the Global Equity Basket described below (the “Basket”), is equal to or greater than the Starting Value, but less than the Step Up Value. If the Ending Value is equal to or greater than the Step Up Value, the notes provide you a leveraged return. If the Ending Value is less than the Starting Value, you will lose all or a portion of the principal amount of your notes. Payments on the notes, including the amount you receive at maturity, will be calculated based on the \$10 principal amount per unit and will depend on our credit risk and the performance of the Basket. See “Terms of the Notes” below.

The Basket is comprised of the S&P 500® Index, the EURO STOXX 50® Index, and the MSCI EAFE Index (each, a “Basket Component”). On the pricing date, the S&P 500® Index will be given an initial weight of 40%, and each of the EURO STOXX 50® Index and the MSCI EAFE Index will be given an initial weight of 30%.

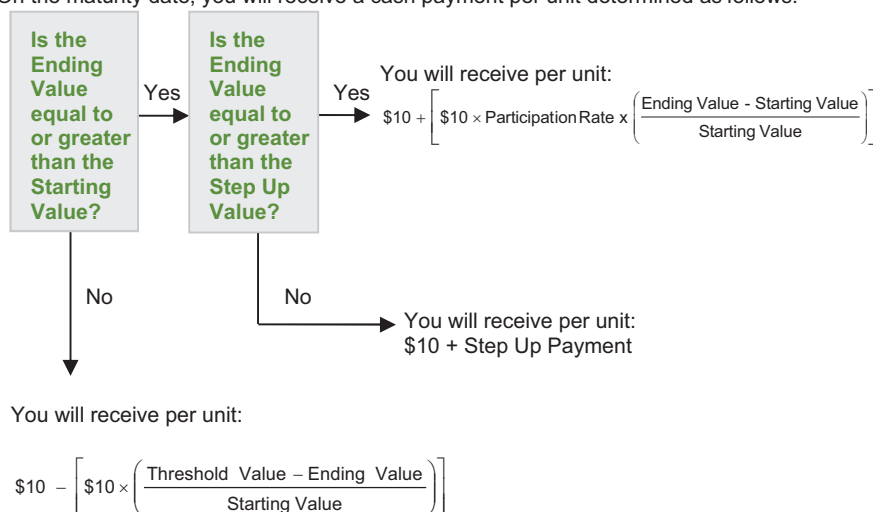
The estimated initial value of the notes will be less than the price you pay to purchase the notes. The estimated initial value is determined by reference to our or our affiliates’ internal pricing models and reflects the implied borrowing rate we pay to issue market-linked notes, which is typically lower than the rate we would use when we issue conventional fixed or floating rate debt securities, and the market prices for hedging arrangements related to the notes (which may include call options, put options or other derivatives). The difference in the borrowing rate, as well as the underwriting discount and the costs associated with hedging the notes, including the hedging related charge described below, will reduce the economic terms of the notes (including the Participation Rate). The estimated initial value will be calculated on the pricing date and will be set forth in the pricing supplement to which this term sheet relates.

Terms of the Notes

| | |
|----------------------------|---|
| Issuer: | HSBC USA Inc. (“HSBC”) |
| Principal Amount: | \$10.00 per unit |
| Term: | Approximately three years |
| Market Measure: | A global equity basket comprised of the S&P 500® Index (Bloomberg symbol: “SPX”), the EURO STOXX 50® Index (Bloomberg symbol: “SX5E”), and the MSCI EAFE Index (Bloomberg symbol: “MXEA”). Each Basket Component is a price return index. |
| Starting Value: | The Starting Value will be set to 100.00 on the pricing date |
| Ending Value: | The value of the Market Measure on the scheduled calculation day. The calculation day is subject to postponement in the event of Market Disruption Events, as described beginning on page PS-22 of product supplement EQUITY INDICES SUN-1. |
| Step Up Value: | 118% of the Starting Value. |
| Step Up Payment: | \$1.80 per unit, which represents a return of 18% over the principal amount. |
| Threshold Value: | 100% of the Starting Value. |
| Participation Rate: | [115% to 135%]. The actual Participation Rate will be determined on the pricing date. |
| Calculation Day: | Approximately the fifth scheduled Market Measure Business Day immediately preceding the maturity date. |
| Fees Charged: | The public offering price of the notes includes the underwriting discount of \$0.225 per unit as listed on the cover page and an additional charge of \$0.075 per unit more fully described on page TS-21. |
| Calculation Agent: | Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”) and HSBC, acting jointly. |

Redemption Amount Determination

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



Because the Threshold Value for the notes is equal to the Starting Value, you will lose all or a portion of your investment if the Ending Value is less than the Starting Value.



Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February , 2017

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 EQUITY INDICES SUN-1 dated October 28, 2013:
http://www.sec.gov/Archives/edgar/data/83246/000114420413057120/v358184_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 EQUITY INDICES SUN-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.

Investor Considerations

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

- You anticipate that the Basket will increase from the Starting Value to the Ending Value.
- You accept that your investment will result in a loss, which could be significant, if the Basket decreases from the Starting Value to the Ending Value.
- You are willing to forgo the interest payments that are paid on traditional interest bearing debt securities.
- You are willing to forgo dividends or other benefits of owning the stocks included in the Basket Components.
- 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 principal amount and will be affected by various factors, including our actual and perceived creditworthiness, the implied borrowing rate 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 Basket will decrease from the Starting Value to the Ending Value.
- You seek return of principal at maturity.
- You seek interest payments or other current income on your investment.
- You want to receive dividends or other distributions paid on the stocks included in the Basket Components.
- 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.



Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February 1, 2017

Hypothetical Payout Profile

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

Market-Linked Step Up Notes



This graph reflects the returns on the notes, based on a Participation Rate of 125% (the midpoint of the Participation Rate range of [115% to 135%]), the Step Up Payment of \$1.80, the Step Up Value of 118% of the Starting Value and the Threshold Value of 100% of the Starting Value. The green line reflects the returns on the notes, while the dotted gray line reflects the returns of a direct investment in the stocks included in the Basket Components, excluding dividends.

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 Participation Rate, Ending Value, and term of your investment.**

The following table is based on the Starting Value of 100, the Threshold Value of 100, the Step Up Value of 118, the Step Up Payment of \$1.80 per unit and a Participation Rate of 125%. 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 |
|--------------------------|---|----------------------------|-----------------------------------|
| 0.00 | -100.00% | \$0.000 | -100.00% |
| 50.00 | -50.00% | \$5.000 | -50.00% |
| 60.00 | -40.00% | \$6.000 | -40.00% |
| 70.00 | -30.00% | \$7.000 | -30.00% |
| 80.00 | -20.00% | \$8.000 | -20.00% |
| 85.00 | -15.00% | \$8.500 | -15.00% |
| 90.00 | -10.00% | \$9.000 | -10.00% |
| 95.00 | -5.00% | \$9.500 | -5.00% |
| 98.00 | -2.00% | \$9.800 | -2.00% |
| 100.00 ⁽¹⁾⁽²⁾ | 0.00% | \$11.800 ⁽³⁾ | 18.00% |
| 102.00 | 2.00% | \$11.800 | 18.00% |
| 105.00 | 5.00% | \$11.800 | 18.00% |
| 110.00 | 10.00% | \$11.800 | 18.00% |
| 118.00 ⁽⁴⁾ | 18.00% | \$12.250 ⁽⁵⁾ | 22.50% |
| 125.00 | 25.00% | \$13.125 | 31.25% |
| 130.00 | 30.00% | \$13.750 | 37.50% |
| 140.00 | 40.00% | \$15.000 | 50.00% |

(1) The Starting Value will be set to 100.00 on the pricing date.

(2) This is the Threshold Value.

(3) This amount represents the sum of the principal amount and the Step Up Payment of \$1.80.

(4) This is the Step Up Value.

(5) The Redemption Amount per unit where the Ending Value is equal to or greater than the Step Up Value is based on the **hypothetical** Participation Rate.

For recent actual levels of the Market Measure, see "The Global Equity Basket" section below. Each Basket Component is a price return index and as such the Ending Value will not include any income generated by dividends paid on the stocks included in any of the Basket Components, which you would otherwise be entitled to receive if you invested in those stocks directly. In addition, all payments on the notes are subject to issuer credit risk.



Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February , 2017

Redemption Amount Calculation Examples

Example 1

The Ending Value is 90.00, or 90.00% of the Starting Value:

Starting Value: 100.00

Threshold Value: 100.00

Ending Value: 90.00

$$\$10 - \left[\$10 \times \left(\frac{100-90}{100} \right) \right] = \$9.000 \quad \text{Redemption Amount per unit}$$

Example 2

The Ending Value is 110.00, or 110.00% of the Starting Value:

Starting Value: 100.00

Step Up Value: 118.00

Ending Value: 110.00

$$\$10.00 + \$1.80 = \$11.800 \quad \text{Redemption Amount per unit, the principal amount plus the Step Up Payment, since the Ending Value is equal to or greater than the Starting Value, but less than the Step Up Value.}$$

Example 3

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

Starting Value: 100.00

Step Up Value: 118.00

Ending Value: 140.00

$$\$10 + \left[\$10 \times 125\% \times \left(\frac{140-100}{100} \right) \right] = \$15.000 \quad \text{Redemption Amount per unit}$$



Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February , 2017

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 stocks included in the Basket Components. 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.”

- Depending on the performance of the Basket as measured shortly before the maturity date, your investment may result in a loss; there is no guaranteed return of principal.
- Your return on the notes may be less than the yield you could earn by owning a conventional fixed or floating rate debt security of comparable maturity.
- Payments on the notes are subject to our credit risk, and actual or perceived changes in our creditworthiness are expected to affect the value of the notes. If we become insolvent or are unable to pay our obligations, you may lose your entire investment.
- The estimated initial value of the notes will be less than the public offering price and may differ from the market value of the notes in the secondary market, if any. We will determine the estimated initial value by reference to our or our affiliates' internal pricing models. These pricing models consider certain assumptions and variables, which can include volatility and interest rates. These pricing models rely in part on certain forecasts about future events, which may prove to be incorrect. Different pricing models and assumptions could provide valuations for the notes that are different from our estimated initial value. The estimated initial value will reflect the implied borrowing rate we use to issue market-linked notes, as well as the mid-market value of the hedging arrangements related to the notes (which may include call options, put options or other derivatives).
- Our implied borrowing rate for the issuance of these notes is lower than the rate we would use when we issue conventional fixed or floating rate debt securities. This is one of the factors that may result in the market value of the notes being less than their estimated initial value. As a result of the difference between our implied borrowing rate and the rate we would use when we issue conventional fixed or floating rate debt securities, the estimated initial value of the notes may be lower if it were based on the levels at which our fixed or floating rate debt securities trade in the secondary market. In addition, if we were to use the rate we use for our conventional fixed or floating rate debt issuances, we would expect the economic terms of the notes to be more favorable to you.
- The price of your notes in the secondary market, if any, immediately after the pricing date will be less than the public offering price. The public offering price takes into account certain costs, principally the underwriting discount, the hedging costs described on page TS-21 and the costs associated with issuing the notes. The costs associated with issuing the notes will be used or retained by us or one of our affiliates. If you were to sell your notes in the secondary market, if any, the price you would receive for your notes may be less than the price you paid for them.
- The estimated initial value does not represent a minimum price at which we, MLPF&S or any of our respective affiliates would be willing to purchase your notes in the secondary market (if any exists) at any time. The price of your notes in the secondary market, if any, at any time after issuance will vary based on many factors, including the value of the Market Measure and changes in market conditions, and cannot be predicted with accuracy. The notes are not designed to be short-term trading instruments, and you should, therefore, be able and willing to hold the notes to maturity. Any sale of the notes prior to maturity could result in a loss to you.
- A trading market is not expected to develop for the notes. Neither we nor MLPF&S is obligated to make a market for, or to repurchase, the notes. There is no assurance that any party will be willing to purchase your notes at any price in any secondary market.
- Our business, hedging and trading activities, and those of MLPF&S and our respective affiliates (including trades in shares of companies included in the Basket Components), and any hedging and trading activities we, MLPF&S or our respective affiliates engage in for our clients' accounts, may affect the market value and return of the notes and may create conflicts of interest with you.
- Changes in the level of one Basket Component may be offset by changes in the levels of the other Basket Components. Due to its higher Initial Component Weight, changes in the level of the S&P 500® Index will have a more substantial impact on the value of the Basket than similar changes in the level of each of the EURO STOXX 50® Index and the MSCI EAFE Index.
- The relevant Index Sponsor (as defined below) may adjust a Basket Component in a way that affects its value, and the Index Sponsors have no obligation to consider your interests.
- You will have no rights of a holder of the securities represented by the Basket Components, and you will not be entitled to receive securities or dividends or other distributions by issuers of those securities.



Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February , 2017

- While we, MLPF&S or our respective affiliates may from time to time own securities of companies included in the Basket Components, we and MLPF&S do not control any company included in the Basket Components and are not responsible for any disclosure made by any other company, except to the extent that the common stock of HSBC Holdings plc (the parent corporation of HSBC) is included in the MSCI EAFE Index and the common stock of Bank of America Corporation (the parent company of MLPF&S) is included in the S&P 500[®] Index.
- Your return on the notes and the value of the notes may be affected by exchange rate movements and factors affecting the international securities markets.
- There may be potential conflicts of interest involving the calculation agent. We have the right to appoint and remove the calculation agent.
- 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 PS-29 of product supplement EQUITY INDICES SUN-1.

Other Terms of the Notes

Market Measure Business Day

The following definition shall supersede and replace the definition of a “Market Measure Business Day” set forth in product supplement EQUITY INDICES SUN-1 dated October 28, 2013.

A “Market Measure Business Day” means a day on which:

- (A) the New York Stock Exchange and NASDAQ Stock Market, Inc. (as to the S&P 500[®] Index), the Eurex (as to the EURO STOXX 50[®] Index), and the London Stock Exchange, Frankfurt Stock Exchange, Paris Bourse and Tokyo Stock Exchange (as to the MSCI EAFE Index) are open for trading; and
- (B) the Basket Components or any successors thereto are calculated and published.



Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February 1, 2017

The Global Equity Basket

The Basket is designed to allow investors to participate in the percentage changes in the levels of the Basket Components from the Starting Value to the Ending Value of the Basket. The Basket Components are described in the section "The Basket Components" below. Each Basket Component will be assigned an initial weight on the pricing date, as set forth in the table below.

For more information on the calculation of the value of the Basket, please see the section entitled "Description of the Notes – Basket Market Measures" beginning on page PS-19 of product supplement EQUITY INDICES SUN-1.

If January 28, 2014 were the pricing date, for each Basket Component, the Initial Component Weight, the closing level, the **hypothetical** Component Ratio and the initial contribution to the Basket value would be as follows:

| Basket Component | Bloomberg Symbol | Initial Component Weight | Closing Level ⁽¹⁾⁽²⁾ | Component Ratio ⁽¹⁾⁽³⁾ | Initial Basket Value Contribution |
|-----------------------|------------------|--------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| S&P 500® Index | SPX | 40.00 | 1,792.50 | 0.02231520 | 40.00 |
| EURO STOXX 50® Index | SX5E | 30.00 | 3,038.60 | 0.00987297 | 30.00 |
| MSCI EAFE Index | MXEA | 30.00 | 1,860.91 | 0.01612115 | 30.00 |
| Starting Value | | | | | 100.00 |

- (1) The actual closing level of each Basket Component and the resulting actual Component Ratios will be determined on the pricing date, subject to adjustment as more fully described in the section entitled "Description of the Notes—Basket Market Measures—Determination of the Component Ratio for Each Basket Component" beginning on page PS-20 of product supplement EQUITY INDICES SUN-1.
- (2) These were the closing levels of the Basket Components on January 28, 2014.
- (3) Each hypothetical Component Ratio equals the Initial Component Weight of the relevant Basket Component (as a percentage) multiplied by 100, and then divided by the closing level of that Basket Component on January 28, 2014 and rounded to eight decimal places.

The calculation agent will calculate the value of the Basket by summing the products of the closing level for each Basket Component on the calculation day and the Component Ratio applicable to such Basket Component. If a Market Disruption Event occurs as to any Basket Component on the scheduled calculation day, the closing level of that Basket Component will be determined as more fully described beginning on page PS-19 of product supplement EQUITY INDICES SUN-1 in the section "Description of the Notes—Basket Market Measures."

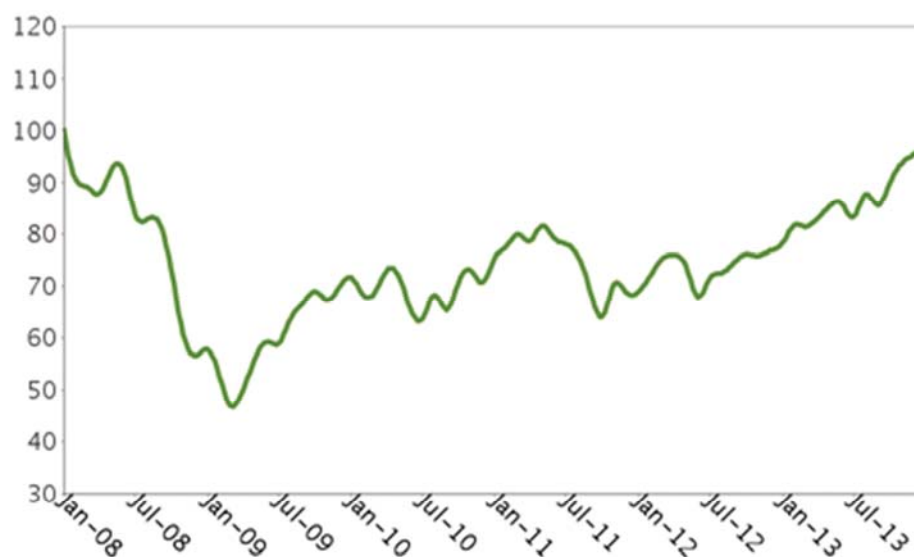


Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February 1, 2017

While actual historical information on the Basket will not exist before the pricing date, the following graph sets forth the hypothetical historical performance of the Basket from January 2008 through December 2013. The graph is based upon actual month-end historical levels of the Basket Components, hypothetical Component Ratios based on the closing levels of the Basket Components as of December 31, 2007, and a Basket value of 100 as of that date. This hypothetical historical data on the Basket is not necessarily indicative of the future performance of the Basket or what the value of the notes may be. Any hypothetical historical upward or downward trend in the value of the Basket during any period set forth below is not an indication that the value of the Basket is more or less likely to increase or decrease at any time over the term of the notes.

Hypothetical Historical Performance of the Basket





Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February , 2017

The Basket Components

All disclosures contained in this term sheet regarding the Basket Components, including, without limitation, their make up, method of calculation, and changes in their components, have been derived from publicly available sources. The information reflects the policies of, and is subject to change by each of S&P Dow Jones Indices LLP ("S&P") with respect to the S&P 500[®] Index, STOXX Limited ("STOXX") with respect to the EURO STOXX 50[®] Index and MSCI Inc. ("MSCI," and together with S&P and STOXX, the "Index Sponsors") with respect to the MSCI EAFE Index. The Index Sponsors have no obligation to continue to publish, and may discontinue or suspend the publication of any Basket Component at any time. The consequences of any Index Sponsor discontinuing publication of a Basket Component are discussed in the section entitled "Description of the Notes—Discontinuance of an Index" on page PS-19 of product supplement EQUITY INDICES SUN-1. None of us, the calculation agent, or the selling agent accepts any responsibility for the calculation, maintenance, or publication of any Basket Component or any successor index.

The S&P 500[®] Index

The S&P 500[®] Index is intended to provide an indication of the pattern of common stock price movement. The calculation of the level of the S&P 500[®] Index, discussed below in further detail, is based on the relative value of the aggregate Market Value (as defined below) of the common stocks of 500 companies as of a particular time compared to the aggregate average Market Value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. The Index Sponsor chooses companies for inclusion in the S&P 500[®] Index with the aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the Standard & Poor's Stock Guide Database, which the Index Sponsor uses as an assumed model for the composition of the total market. The Index Sponsor may from time to time in its sole discretion, add companies to or delete companies from, the S&P 500[®] Index to achieve these objectives.

Relevant criteria employed by the Index Sponsor include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the market price of that company's common stock is generally responsive to changes in the affairs of the respective industry and the market value and trading activity of the common stock of that company. Ten main industry groups comprise the S&P 500[®] Index: Information Technology, Financials, Consumer Staples, Health Care, Energy, Industrials, Consumer Discretionary, Utilities, Materials and Telecommunication Services. Changes in the S&P 500[®] Index are reported daily in the financial pages of many major newspapers, on Bloomberg Professional[®] service under the symbol "SPX" and on the Index Sponsor's website. Information contained in the Index Sponsor's website is not incorporated by reference in, and should not be considered a part of, this document.

The S&P 500[®] Index does not reflect the payment of dividends on the stocks included in the S&P 500[®] Index and therefore the payment on the notes will not produce the same return you would receive if you were able to purchase such underlying stocks and hold them until the maturity date or earlier call.

Computation of the S&P 500[®] Index

Prior to March 2005, the Market Value of a component stock was calculated as the product of the market price per share and the total number of outstanding shares of the component stock. In March 2004, the Index Sponsor announced that it would transition the S&P 500[®] Index to float adjusted market capitalization weights. The transition began in March 2005 and was completed in September 2005. The Index Sponsor's criteria for selecting stock for the S&P 500[®] Index was not changed by the shift to float adjustment. However, the adjustment affects each company's weight in the S&P 500[®] Index (i.e., its Market Value). Currently, the Index Sponsor calculates the S&P 500[®] Index based on the total float-adjusted market capitalization of each component stock, where each stock's weight in the S&P 500[®] Index is proportional to its float-adjusted Market Value.

Under float adjustment, the share counts used in calculating the S&P 500[®] Index reflect only those shares that are available to investors, not all of a company's outstanding shares. Float adjustment excludes shares that are closely held by control groups, other publicly traded companies or government agencies.

In September 2012, all shareholdings representing more than 5% of a stock's outstanding shares, other than holdings by "block owners," were removed from the float for purposes of calculating the S&P 500[®] Index. Generally, these "control holders" will include officers and directors, private equity, venture capital and special equity firms, other publicly traded companies that hold shares for control, strategic partners, holders of restricted shares, ESOPs, employee and family trusts, foundations associated with the company, holders of unlisted share classes of stock, government entities at all levels (other than government retirement/pension funds) and any individual person who controls a 5% or greater stake in a company as reported in regulatory filings. However, holdings by block owners, such as depository banks, pension funds, mutual funds and ETF providers, 401(k) plans of the company, government retirement/pension funds, investment funds of insurance companies, asset managers and investment funds, independent foundations and savings and investment plans, will ordinarily be considered part of the float.

Treasury stock, stock options, restricted shares, equity participation units, warrants, preferred stock, convertible stock, and rights are not part of the float. Shares of a U.S. company traded in Canada as "exchangeable shares," are normally part of the float unless those shares form a control block. If a company has multiple classes of stock outstanding, shares in an unlisted or non-traded class are treated as a control block.

For each stock, an investable weight factor ("IWF") is calculated by dividing the available float shares by the total shares outstanding. As of September 21, 2012, available float shares are defined as the total shares outstanding less shares held by control holders. This



Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February , 2017

calculation is subject to a 5% minimum threshold for control blocks. For example, if a company's officers and directors hold 3% of the company's shares, and no other control group holds 5% of the company's shares, the Index Sponsor would assign that company an IWF of 1.00, as no control group meets the 5% threshold. However, if a company's officers and directors hold 3% of the company's shares and another control group holds 20% of the company's shares, the Index Sponsor would assign an IWF of 0.77, reflecting the fact that 23% of the company's outstanding shares are considered to be held for control. For companies with multiple classes of stock, the Index Sponsor calculates the weighted average IWF for each stock using the proportion of the total company market capitalization of each share class as weights.

As of the date of this term sheet, the S&P 500[®] Index is also calculated using a base-weighted aggregate methodology: the level of the S&P 500[®] Index reflects the total Market Value of all the component stocks relative to the S&P 500[®] Index base period of 1941-43. The daily calculation of the S&P 500[®] Index is computed by dividing the Market Value of the index component stocks by a Divisor, which is adjusted from time to time as discussed below.

The simplest capitalization weighted index can be thought of as a portfolio consisting of all available shares of the stocks in the index. While this might track this portfolio's value in dollar terms, it would probably yield an unwieldy number in the trillions. Therefore, the actual number used in the S&P 500[®] Index is scaled to a more easily handled number, currently in the thousands, by dividing the portfolio Market Value by the Divisor.

Ongoing maintenance of the S&P 500[®] Index includes monitoring and completing the adjustments for additions and deletions of the constituent companies, share changes, stock splits, stock dividends and stock price adjustments due to company restructurings or spin-offs. Continuity in the level of the S&P 500[®] Index is maintained by adjusting the Divisor for all changes in the index constituents' share capital after the base period of 1941-43 with the level of the S&P 500[®] Index as of the base period set at 10. Some corporate actions, such as stock splits and stock dividends do not require Divisor adjustments because following a stock split or stock dividend, both the stock price and number of shares outstanding are adjusted by the Index Sponsor so that there is no change in the Market Value of the component stock. All stock split and dividend adjustments are made after the close of trading on the day before the ex-date.

To prevent the level of the S&P 500[®] Index from changing due to corporate actions, all corporate actions which affect the total Market Value of the S&P 500[®] Index also require a Divisor adjustment. By adjusting the Divisor for the change in total Market Value, the level of the S&P 500[®] Index remains constant. This helps maintain the level of the S&P 500[®] Index as an accurate barometer of stock market performance and ensures that the movement of the S&P 500[®] Index does not reflect the corporate actions of individual companies in the S&P 500[®] Index. All Divisor adjustments are made after the close of trading and after the calculation of the closing levels of the S&P 500[®] Index. As noted in the preceding paragraph, some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the S&P 500[®] Index and do not require Divisor adjustments.

The table below summarizes the types of index maintenance adjustments and indicates whether or not a Divisor adjustment is required.

| Type of Corporate Action | Comments | Divisor Adjustment |
|------------------------------|---|--------------------|
| Company added/deleted | Net change in market value determines Divisor adjustment. | Yes |
| Change in shares outstanding | Any combination of secondary issuance, share repurchase or buy back—share counts revised to reflect change. | Yes |
| Stock split | Share count revised to reflect new count. Divisor adjustment is not required since the share count and price changes are offsetting. | No |
| Spin-off | If spun-off company is not being added to the S&P 500 [®] Index, the divisor adjustment reflects the decline in Index Market Value (i.e., the value of the spun-off unit). | Yes |
| Spin-off | Spun-off company added to the S&P 500 [®] Index, no company removed from the S&P 500 [®] Index. | No |
| Spin-off | Spun-off company added to the S&P 500 [®] Index, another company removed to keep number of names fixed. Divisor adjustment reflects deletion. | Yes |
| Change in IWF | Increasing (decreasing) the IWF increases (decreases) the total market value of the S&P 500 [®] | Yes |



Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February , 2017

| | | |
|------------------|--|-----|
| | Index. The Divisor change reflects the change in market value caused by the change to an IWF. | |
| Special dividend | When a company pays a special dividend the share price is assumed to drop by the amount of the dividend; the divisor adjustment reflects this drop in Index Market Value. | Yes |
| Rights offering | Each shareholder receives the right to buy a proportional number of additional shares at a set (often discounted) price. The calculation assumes that the offering is fully subscribed. Divisor adjustment reflects increase in market cap measured as the shares issued multiplied by the price paid. | Yes |

Each of the corporate events exemplified in the table requiring an adjustment to the Divisor has the effect of altering the Market Value of the component stock and consequently of altering the aggregate Market Value of the index component stocks (the "Post-Event Aggregate Market Value"). In order that the level of the S&P 500® Index (the "Pre-Event Index Value") not be affected by the altered Market Value (whether increase or decrease) of the affected component stock, a new Divisor ("New Divisor") is derived as follows:

$$\frac{\text{Post-Event Aggregate Market Value}}{\text{New Divisor}} = \text{Pre-Event Index Value}$$

$$\text{New Divisor} = \frac{\text{Post-Event Aggregate Market Value}}{\text{Pre-Event Index Value}}$$

Another large part of the index maintenance process involves tracking the changes in the number of shares outstanding of each of the companies whose stocks are included in the S&P 500® Index. Four times a year, on a Friday close to the end of each calendar quarter, the share totals of companies in the S&P 500® Index are updated as required by any changes in the number of shares outstanding and then the Index Divisor is adjusted accordingly. In addition, changes in a company's shares outstanding of 5% or more due to mergers, acquisitions, public offerings, private placements, tender offers, Dutch auctions or exchange offers are made as soon as reasonably possible. Other changes of 5% or more (due to, for example, company stock repurchases, redemptions, exercise of options, warrants, conversion of preferred stock, notes, debt, equity participations or other recapitalizations) are made weekly, and are announced on Wednesdays for implementation after the close of trading on the following Wednesday. If a 5% or more change causes a company's IWF to change by 5 percentage points or more (for example from 0.80 to 0.85), the IWF will be updated at the same time as the share change, except IWF changes resulting from partial tender offers will be considered on a case-by-case basis. Changes to an IWF of less than 5 percentage points are implemented at the next IWF review, which occurs annually. In the case of certain rights issuances, in which the number of rights issued and/or terms of their exercise are deemed substantial, a price adjustment and share increase may be implemented immediately.

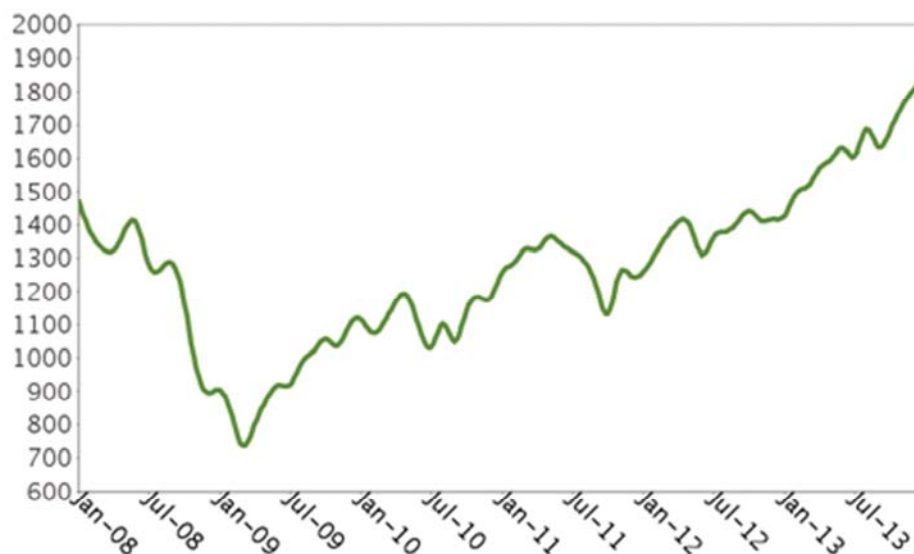


Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February 1, 2017

The following graph shows the monthly historical performance of the S&P 500® Index in the period from January 2008 through December 2013. We obtained this historical data from Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg L.P. On January 28, 2013, the closing level of the S&P 500® Index was 1,792.50.

Historical Performance of the S&P 500® Index



This historical data on the S&P 500® Index is not necessarily indicative of the future performance of the S&P 500® Index or what the value of the notes may be. Any historical upward or downward trend in the level of the S&P 500® Index during any period set forth above is not an indication that the level of the S&P 500® Index 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 and trading pattern of the S&P 500® Index.



Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February , 2017

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Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February , 2017

The EURO STOXX 50® Index

The EURO STOXX 50® Index was created by STOXX Limited, which is owned by Deutsche Börse AG and SIX Group AG. Publication of the EURO STOXX 50® Index began on February 28, 1998, based on an initial index value of 1,000 at December 31, 1991. The EURO STOXX 50® Index is reported daily on the Bloomberg Professional® service under the symbol "SX5E" and on the STOXX Limited website. Information contained in the STOXX Limited website is not incorporated by reference in, and should not be considered a part of, this term sheet.

Composition and Maintenance of the EURO STOXX 50® Index

The EURO STOXX 50® Index is composed of 50 component stocks from of market sectors from within the 19 EURO STOXX Supersector indices, which represent the Eurozone portion of the STOXX Europe 600 Supersector indices. The STOXX 600 Supersector indices contain the 600 largest stocks traded on the major exchanges of 18 European countries and are organized into the following 19 Supersectors: automobiles & parts; banks; basic resources; chemicals; construction & materials; financial services; food & beverage; health care; industrial goods & services; insurance; media; oil & gas; personal & household goods; real estate; retail; technology; telecommunications; and utilities.

The EURO STOXX 50® Index is weighted by free float market capitalization. Each component's weight is capped at 10% of the EURO STOXX 50® Index's total free float market capitalization. Free float weights are reviewed quarterly and the EURO STOXX 50® Index composition is reviewed annually September.

Within each of the 19 EURO STOXX Supersector indices, the component stocks are ranked by free float market capitalization. The largest stocks are added to the selection list until the coverage is close to, but still less than, 60% of the free float market capitalization of the corresponding EURO STOXX Total Market Index Supersector index. If the next-ranked stock brings the coverage closer to 60% in absolute terms, then it is also added to the selection list. Any remaining stocks that are current EURO STOXX 50® Index components are added to the selection list. The stocks on the selection list are ranked by free float market capitalization. In exceptional cases, the STOXX Limited Supervisory Board may make additions and deletions to the selection list.

The 40 largest stocks on the selection list are chosen as components. Any remaining current components of the EURO STOXX 50® Index ranked between 41 and 60 are added as index components. If the component number is still below 50, then the largest remaining stocks on the selection list are added until the EURO STOXX 50® Index contains 50 stocks.

Calculation of the EURO STOXX 50® Index

The EURO STOXX 50® Index is calculated with the "Laspeyres formula", which measures the aggregate price changes in the component stocks against a fixed base quantity weight. The formula for calculating the index value can be expressed as follows:

$$\text{index} = \frac{\text{free float market capitalization of the index}}{\text{divisor of the index}}$$

The "free float market capitalization of the index" is equal to the sum of the product of the price, number of shares, free float factor and weighting cap factor for each component stock as of the time the EURO STOXX 50® Index is being calculated.

The EURO STOXX 50® Index is also subject to a divisor, which is adjusted to maintain the continuity of index values despite changes due to corporate actions.

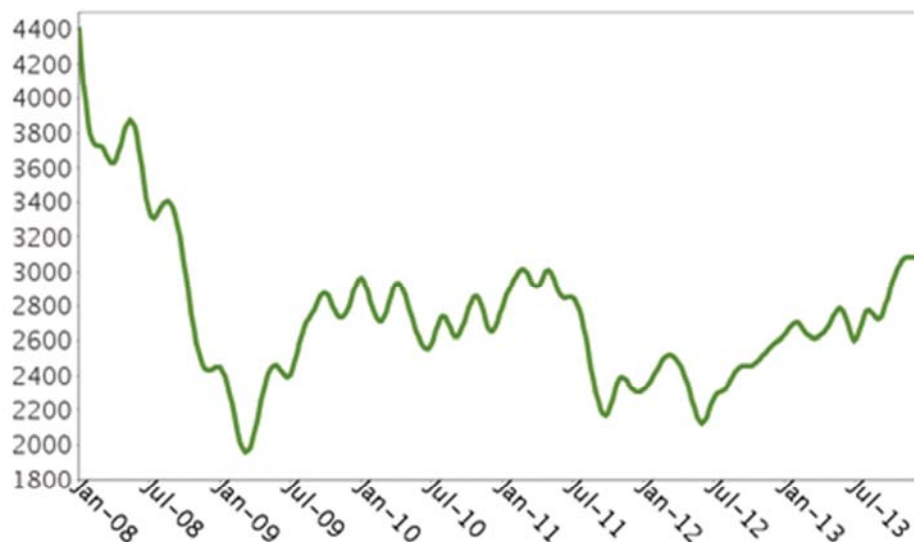


Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February , 2017

The following graph shows the monthly historical performance of the EURO STOXX 50[®] Index in the period from January 2008 through December 2013. We obtained this historical data from Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg L.P. On January 28, 2013, the closing level of the EURO STOXX 50[®] Index was 3,038.60.

Historical Performance of the EURO STOXX 50[®] Index



This historical data on the EURO STOXX 50[®] Index is not necessarily indicative of the future performance of the EURO STOXX 50[®] Index or what the value of the notes may be. Any historical upward or downward trend in the level of the EURO STOXX 50[®] Index during any period set forth above is not an indication that the level of the EURO STOXX 50[®] Index 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 and trading pattern of the EURO STOXX 50[®] Index.



Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February , 2017

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Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February , 2017

The MSCI EAFE Index

The MSCI EAFE Index offers a representation of developed markets (Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and United Kingdom) by targeting all companies with a market capitalization within the top 85% of their investable equity universe, subject to a global minimum size requirement (each, an “MSCI EAFE Constituent Country Index”).

The Country Indices

The components of each MSCI Constituent Country Index used to be selected by MSCI from among the universe of securities eligible for inclusion in the relevant MSCI Constituent Country Index so as to target an 85% free float-adjusted market representation level within each of a number of industry groups, subject to adjustments to (i) provide for sufficient liquidity, (ii) reflect foreign investment restrictions (only those securities that can be held by non-residents of the country corresponding to the relevant MSCI Constituent Country Index are included) and (iii) meet certain other investability criteria. Following a change in MSCI’s methodology implemented in May 2008, the 85% target is now measured at the level of the country universe of eligible securities rather than the industry group level—so each MSCI Constituent Country Index will seek to include the securities that represent 85% of the free float-adjusted market capitalization of all securities eligible for inclusion—but will still be subject to liquidity, foreign investment restrictions and other investability adjustments. MSCI defines “free float” as total shares excluding shares held by strategic investors such as governments, corporations, controlling shareholders and management, and shares subject to foreign ownership restrictions.

Calculation of an MSCI Index

The performance of an MSCI index on any given day represents the weighted performance of all of the components included in all of the relevant MSCI Constituent Country Indices. Each component in the index is included at a weight that reflects the ratio of its free float-adjusted market capitalization (i.e., free public float multiplied by price) to the free float-adjusted market capitalization of all the components included in all of the MSCI Constituent Country Indices.

Maintenance of and Changes to an MSCI Index

MSCI maintains an index with the objective of reflecting, on a timely basis, the evolution of the underlying equity markets and segments. In maintaining the index, emphasis is also placed on continuity, continuous investability of constituents, replicability, index stability and minimizing turnover in the Index.

Maintenance of the indices falls into three broad categories:

- semi-annual reviews, which will occur each May and November and will involve a comprehensive reevaluation of the market, the universe of eligible securities and other factors involved in composing the index;
- quarterly reviews, which will occur each February and August and will focus on significant changes in the market since the last semi-annual review; and
- ongoing event-related changes, which will generally be reflected in the indices at the time of the event and will include changes resulting from mergers, acquisitions, spin-offs, bankruptcies, reorganizations, issuances and other extraordinary transactions, corporate actions and events.

Based on these reviews, additional components may be added, and current components may be removed, at any time. MSCI generally announces all changes resulting from semi-annual reviews, quarterly reviews and ongoing events in advance of their implementation, although in exceptional cases they may be announced during market hours for same or next day implementation.

Prices

The prices used to calculate an index are the official exchange closing prices or those figures accepted as such. MSCI reserves the right to use an alternative pricing source on any given day.

Exchange Rates

MSCI uses the foreign exchange rates published by WM / Reuters at 4:00 p.m., London time. MSCI uses WM / Reuters rates for all developed and emerging markets.

In case WM/Reuters does not provide rates for specific markets on given days (for example Christmas Day and New Years Day), the previous business day’s rates are normally used.

MSCI continues to monitor exchange rates independently and may, under exceptional circumstances, elect to use an alternative exchange rate if the WM / Reuters rates are not available, or if MSCI determines that the WM / Reuters rates are not reflective of market circumstances for a given currency on a particular day. In such circumstances, an announcement would be sent to clients with the related information. If appropriate, MSCI may conduct a consultation with the investment community to gather feedback on the most relevant exchange rate.

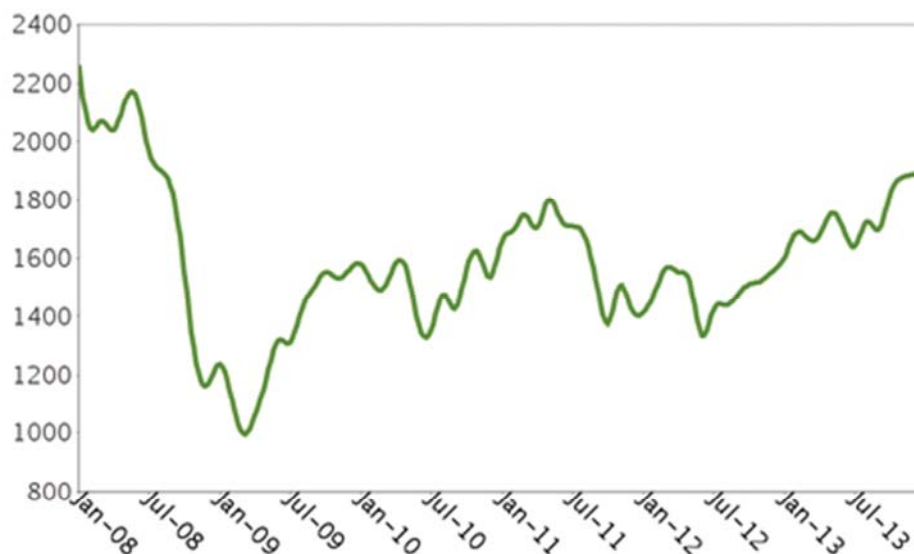


Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February 1, 2017

The following graph shows the monthly historical performance of the MSCI EAFE Index in the period from January 2008 through December 2013. We obtained this historical data from Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg L.P. On January 28, 2013, the closing level of the MSCI EAFE Index was 1,860.91.

Historical Performance of the MSCI EAFE Index



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

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Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February , 2017

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Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February , 2017

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. 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 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.

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, and these will include MLPF&S's trading commissions and mark-ups. MLPF&S may act as principal or agent in these market-making transactions; however, it is not obligated to engage in any such transactions. At MLPF&S's discretion, for a short, undetermined initial period after the issuance of the notes, any purchase price paid by MLPF&S in the secondary market may be, in certain circumstances, closer to the amount that you paid for the notes than to the estimated initial value. However, neither we nor any of our affiliates is obligated to purchase your notes at any price, or at a price that exceeds the estimated initial value.

The value of the notes shown on your account statement provided by MLPF&S will be based on their estimate of the value of the notes if MLPF&S or one of its affiliates were to make a market in the notes, which it is not obligated to do. This estimate will be based upon the price that MLPF&S may pay for the notes in light of then-prevailing market conditions, the issuer's creditworthiness and transaction costs. At certain times, this price may be higher than or lower than the estimated initial value of the notes.

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.

At maturity, we are required to pay the Redemption Amount to holders of the notes, which will be calculated based on the performance of the Basket and the \$10 per unit principal amount. In order to meet these payment obligations, at the time we issue the notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) with MLPF&S or one of its affiliates. The terms of these hedging arrangements are determined by MLPF&S seeking bids from market participants, which could include one of our affiliates and MLPF&S and its affiliates. These hedging arrangements take into account a number of factors, including the issuer's creditworthiness, interest rate movements, the volatility of the Basket, the tenor of the note and the tenor of the hedging arrangements. The economic terms of the notes depend in part on the terms of the hedging arrangements.

MLPF&S has advised us that the hedging arrangements will include a hedging related charge of approximately \$0.075 per unit, reflecting an estimated profit to be credited to MLPF&S from these transactions. Since hedging entails risk and may be influenced by unpredictable market forces, additional profits and losses from these hedging arrangements may be realized by MLPF&S or any third party hedge providers.

For further information, see "Risk Factors—General Risks Relating to the Notes" beginning on page PS-6 and "Use of Proceeds" on page PS-15 of product supplement EQUITY INDICES SUN-1.



Market-Linked Step Up Notes

Linked to a Global Equity Basket, due February 1, 2017

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 Basket.
- Under this characterization and tax treatment of the notes, a U.S. holder (as defined in the prospectus supplement) 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.
- Under newly proposed Treasury regulations, a “dividend equivalent” payment (as discussed in product supplement EQUITY INDICES SUN-1) includes payments (including deemed payments) that are contingent upon or determined by reference to actual or estimated U.S. source dividends with respect to certain equity-linked instruments, whether explicitly stated or implicitly taken into account in computing one or more of the terms of such instrument. If enacted in their current form, the regulations will impose a withholding tax on payments made on the notes on or after January 1, 2016 that are treated as dividend equivalents.

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 PS-29 of product supplement EQUITY INDICES SUN-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



Enhanced Return

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.