



HSBC Securities (USA) Inc.

HSBC SECURITIES (USA) INC.  
452 FIFTH AVENUE,  
NEW YORK, NY 10018  
(800) 662-3343  
WWW.US.HSBC.COM

This brochure provides information about the qualifications and business practices of HSBC Securities (USA) Inc. ("HSI" or the "Firm"). If you have any questions about the contents of this brochure, please direct your written inquiry to the address listed above, or call (800) 662-3343. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about HSI is also available on the SEC's website at **[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**.

Please note that the use of the term "registered investment adviser" and description of HSI and/or our associates as "registered" does not imply a certain level of skill or training.

DATED March 30, 2012

**Item 2: Material Changes to Our Part 2A of Form ADV Firm Brochure**

This brochure dated March 30, 2012, covers the Firm's advisory services to an asset-backed commercial paper ("ABCP") conduit called Bryant Park Funding, LLC ("BPF").

In the future, this item will discuss only specific material changes that are made to the Brochure and we will provide clients with a summary of those changes.

### **Item 3: Table of Contents:**

<b>Section:</b>	<b>Page(s):</b>
Item 1: Cover Page For Part 2A of Form ADV Firm Brochure	1
Item 2: Material Changes to Our Part 2A of Form ADV Firm Brochure	2
Item 3: Table of Contents	3
Item 4: Advisory Business	4
Item 5: Fees and Compensation	5
Item 6: Performance-Based Fees and Side-By-Side Management	5
Item 7: Types of Clients and Account Requirements	5
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	5
Item 9: Disciplinary Information	7
Item 10: Other Financial Industry Activities and Affiliations	9
Item 11: Code Of Ethics, Participation or Interest in Client Transactions and Personal Trading	11
Item 12: Brokerage Practices	11
Item 13: Review of Accounts	12
Item 14: Client Referrals and Other Compensation	12
Item 15: Custody	12
Item 16: Investment Discretion	12
Item 17: Voting Client Securities	12
Item 18: Financial Information	13

#### ***Item 4: Advisory Business***

HSBC Securities (USA) Inc. (“HSI”) has been in business as an investment adviser since 2005. The Firm is a Delaware corporation headquartered in New York City, and an indirect, wholly owned subsidiary of HSBC Holdings plc.

HSI is the administrative agent for an asset-backed commercial paper (“ABCP”) conduit called Bryant Park Funding, LLC (“BPF”). BPF is incorporated in Delaware and is wholly-owned by BPF Member Inc., an entity also incorporated in Delaware. HSI initiated its asset-backed commercial paper (“ABCP”) conduit advisory business in June 2001.

It should be noted that the information provided in this Form ADV Part 2A only applies to this business. The Firm also provides investment advisory services outside of the services noted above. The Firm will provide a specific Form ADV Part 2A to those clients.

#### **Assets Under Management**

As of December 31, 2011, BPF’s outstanding ABCP totaled approximately \$2.84 billion. (Liabilities) Assets for this program are managed on a discretionary basis. As of December 31, 2011, HSI managed approximately \$5.9 billion in total assets under management.

The following is a general description of HSI’s ABCP conduit advisory business.

**Asset Backed Funding Programs:** Multi-seller ABCP conduits are special purpose entities, typically sponsored by banks, that issue ABCP to finance the acquisition of or secure lending against assets of various financial and industrial clients. As the administrator of BPF, HSI provides a full range of services, as documented in an Administration Agreement, including but not limited to asset acquisition and structuring, portfolio surveillance, loss mitigation, liability distribution, and investor marketing. Not all services provided by HSI to BPF constitute investment advice pursuant to the Investment Advisors Act.

The functions that HSI performs for BPF are separated in four broad responsibilities: Origination and Structuring, Surveillance and Monitoring, Liability Distribution, and Conduit Management.

**Origination and Structuring** entails sourcing assets for the conduit to acquire or lend against by marketing the conduit to potential clients of the bank, performing seller and servicer due diligence, engaging third party audit providers, conducting collateral analysis and modeling, structuring the financing facilities to comply with investment guidelines, preparing credit underwriting recommendations, reviewing transaction documentation, assessing transaction amendments, and managing transaction execution.

**Surveillance and Monitoring** entails asset performance monitoring, testing for compliance with facility covenants and triggers, and internal and external portfolio reporting.

**Liability Distribution** entails the functions necessary to sell commercial paper to investors, including determining optimal funding strategies for the conduit, maintain relationships with commercial paper dealers and issuing and paying agents, and conduit cash management,

including the short-term investment of cash maintained by the conduit but not required to fund seller or repay commercial paper investors.

**Conduit Management** entails various administrative and operational functions, such as financial reporting, regulatory compliance, and business operations. As part of this function HSI ensures that BPF makes necessary regulatory filings and comply with relevant laws. HSI interacts with various third-party vendors (such as auditors, rating agencies, operational service providers and custodians) on behalf of BPF.

#### ***Item 5: Fees and Compensation***

HSI receives its advisory compensation on a monthly basis in arrears from residual cash flow received by BPF after the conduit pays its expenses. Most of the revenue received by an ABCP conduit comes from the underlying receivables sellers in the form of commitment fees and interest charges accruing against the financing provided by the conduit to the sellers. Clients are typically invoiced on a monthly basis in arrears.

ABCP conduits pay fees to third-party service providers (including HSI), such as rating agencies, CP dealers, sub-administrators, issuing and paying agents, bank liquidity and credit providers, auditors and legal counsel.

#### ***Item 6: Performance Based Fees and Side by Side Management***

HSI does not receive any performance based compensation from BPF or its underlying sellers.

#### ***Item 7: Types of Clients and Account Requirements***

BPF is a special purpose entity established by HSI for the sole purpose of providing securitized financing to corporate and financial institutions clients of HSBC Holdings plc and or one or more of its subsidiaries or affiliates (“**HSBC**”). There is no minimum investment amount for client accounts.

#### ***Item 8: Method of Analysis, Investment Strategies and Risk of Loss***

HSI is responsible for administering BPF’s day-to-day operations including the selection and restructuring of structured finance transactions, ongoing surveillance of the transactions and issuance of ABCP.

HSI reviews new transaction opportunities and proposed amendments to existing transactions on behalf of BPF. Related activities may include; analysis of the underlying financial assets, review of the legal structure of the transactions and due diligence of the activities of the sellers and the servicers. HSI observes certain policies and procedures for assessing transactions and conducting its administrative duties related to BPF. These policies and procedures are reviewed periodically by internal audit for accuracy.

### ***Types of Assets and Asset Characteristics***

- The assets serving as collateral for the financing transactions BPF enters into generally fit the following categories: short term corporate trade receivables, commercial equipment loans and leases, auto loans and leases and credit card account balances.
- Assets acquired by the conduit are structured with various forms of credit enhancement to minimize risk of loss to BPF and HSBC and attain the desired credit quality as dictated by securitization market standards.
- BPF is required to obtain a first priority perfected security interest in acquired assets;
- Assets acquired by BPF are generally originated by U.S. domiciled entities in US dollars, although BPF is permitted to acquire assets located in other countries and/or denominated in other currencies;
- The financial commitments that BPF makes to the underlying sellers typically ranges from 1 to 3 years.

### ***Credit Policies and Process***

Prior to approving a transaction, HSI

- Conducts a comprehensive due diligence review of potential underlying sellers and the collateral that will support the proposed transaction. The review includes analysis of the historical financial performance of the seller as well as the performance of the assets. Other factors such as experience of the seller are part of the analysis. In some cases, HSI will engage a third party audit firm to perform a seller and collateral review as well.
- Conducts mathematical collateral and structure analysis based on rating agency or internally developed models to determine the amount of credit enhancement necessary to protect BPF and HSBC from credit losses. Transactions are typically structured to achieve the equivalent of at least a single A rating, whether or not rated by an external party.
- Arrange for hedging when necessary to minimize interest rate or foreign currency risk.
- Review legal risks associated with the seller and the financial assets. Outside counsel is engaged to review legal integrity of the structure.

HSI manages the CP issuance for its conduit, Bryant Park Funding, LLC. BPF issues ABCP to fund the purchase of, or lending against, assets from the underlying sellers. Such assets serve as collateral for the ABCP. HSI's responsibilities include issuing ABCP in the appropriate amounts, maturities and discount responsibilities consistent with the underlying sellers' preferences, BPF's business purpose, and the program documents. HSI generally seeks to achieve the lowest funding costs for a customer; however achieving efficient execution does not require that the lowest funding rates be obtained. Other factors include the amount that needs to be funded and the tenor for which the funding must be obtained.

As part of its liability management function HSI ensures the prompt repayment of maturing ABCP, either from cash collections on the underlying assets, from the issuance of new ABCP, or by timely draws on liquidity, credit enhancement or other support facilities provided to the BPF.

## **Risk of Loss Factors**

Investing in structured finance transactions involves risk of loss. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in HSI's ABCP operations and advisory business.

### *Credit and Liquidity Risk*

Credit risk is the risk that the receivables financed through an ABCP conduit will suffer losses as a result of the default or inability to pay of the underlying receivables obligor and ultimately not be fully collectible. Liquidity risk is the risk that collections on the assets will not be received quickly enough to provide funds for the payment of maturing ABCP, assuming that new ABCP cannot be issued to provide funds for the repayment of maturing ABCP. These risks are mitigated by seller-provided credit enhancement; credit enhancement provided by third parties, including HSBC and committed liquidity facilities that are available to repay maturing ABCP, if there are not sufficient collections on the underlying receivables from the seller. HSI negotiates and structures the appropriate credit enhancement for its conduit clients based on market standards and the credit rating equivalent desired for the ABCP conduit.

### *Legal Risk*

The financing transactions provided by BPF are bilaterally negotiated between HSI and the client, and contain complex legal structures. HSI engages outside counsel with the necessary experience to provide the structuring advice required to ensure legal risk to BPF and HSBC is minimized. Although the legal principles supporting securitization are well established there is a risk that the legal structures for any given transaction may be successfully challenged. For example, an ABCP conduit's security interest in the underlying collateral could be deficient leading to an ability to pursue remedies against that collateral.

### *Reliance on Management and Key Personnel*

An ABCP conduit's success will be dependent on the expertise and performance of key HSI employees. There can be no assurance that key employees related to its conduit business will continue to be associated with HSI. HSI may not be able to fund equally desirable replacements in which the conduit may be adversely affected.

## ***Item 9: Disciplinary Information***

In the past, we have entered into certain settlements with our regulators and other third parties and have been the subject of adverse legal and disciplinary events. Below are summaries of certain events that may be material to your decision of whether to retain us for as an investment adviser. You may find other information on our Form ADV Part 1, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The Federal Reserve Bank of Chicago reviewed and assessed the effectiveness of HSBC North America Holdings, Inc.'s ("HNAH") complex-wide Corporate Governance and Compliance Risk Management practices, policies, and internal controls, and identified deficiencies. HNAH entered into a consent cease and desist order on October 4, 2010 and agreed to take affirmative action to strengthen HNAH's corporate governance and compliance risk management practices, policies, and internal controls.

FINRA alleged that during the period from May 31, 2006 through February 28, 2008, except as otherwise noted, HSI violated certain NASD, FINRA, and MSRB rules by (1) making negligent misrepresentations and omissions of material facts to clients concerning the safety and liquidity of Auction Rate Securities ("ARS"); (2) using advertising and marketing materials that were not fair and balanced and did not provide a sound basis for evaluating the facts about purchasing ARS; (3) selling restricted, and therefore unsuitable, ARS to certain non-qualified clients; (4) failing to retain certain emails from May 2004 to April 2009, and failing to retain certain internal instant messages from February 2007 to September 2008; and (5) failing to maintain adequate supervisory procedures concerning its sales and marketing activities regarding ARS and its retention of certain emails and instant messages.

The matter was finalized by Acceptance, Waiver and Consent ("AWC") on April 22, 2010. HSI was censured, paid a fine of \$1.5 million, and made repurchase offers to certain eligible investors. In determining the sanctions in this matter, FINRA took into account HSI's voluntary repurchase of ARS from its clients in 2008. As of July 2008, HSI repurchased more than ninety percent of its then current clients' ARS holdings and in October 2008 offered to repurchase all of the remaining ARS held in those clients' HSBC Securities accounts.

FINRA alleged that HSI violated NASD Rules 2110 and 3010. During the period January 2004 through June 2006, clients who maintained escrow accounts with the firm's bank affiliate allegedly were charged commissions for fixed income securities trades executed by the firm on their behalf, which were higher than the commissions they were charged in the past and in certain instances, higher than industry standards. FINRA alleged that the firm failed to take adequate steps to assess the fairness of the commissions; lacked adequate written guidelines for mark-ups and commissions on trades for fixed income products, and also failed to establish and maintain adequate procedures to monitor the appropriateness of commissions charged these clients in that the firm failed to (A) establish adequate written guidelines for mark-ups and commissions on fixed income products; (B) give adequate guidance in reference to determining what is a fair mark-up or commission on fixed income products; (C) include trades executed for clients in branch examination reviews; and (D) established reasonable procedures for monitoring fixed income security mark-ups and commissions.

The matter was finalized by Acceptance, Waiver and Consent ("AWC") on May 14, 2008. HSI was censured and paid a fine of \$200,000.

On May 20, 2010, the Firm submitted a letter of Acceptance, Waiver and Consent to FINRA in which, without admitting or denying guilt, the Firm consented to findings that it: (1) failed to establish and maintain a supervisory system and written procedures regarding the sale of collateralized mortgage obligations ("CMOs") to clients that were reasonably designed to achieve compliance with applicable securities laws and regulations and with FINRA rules; (2) failed to establish and maintain a system of written procedures reasonably designed to supervise whether the sales of CMOs were suitable for its clients and the attendant risks of the products were fully explained whenever a registered representative recommended a CMO investment; (3)



failed to offer certain educational materials to certain clients before the sale of a CMO and (4) recommended and sold inverse floater CMOs to clients for whom such products were unsuitable. HSI consented to a sanction of a censure and a \$375,000 fine. FINRA acknowledged that, independent of the imposed sanction, affected clients received full restitution from the firm.

A Regulatory Action was initiated by the New York Stock Exchange Division of Enforcement for a Principal Sanction of Civil and Administrative Penalties and Fine of Censure and Undertaking. The New York Stock Exchange Division of Enforcement initiated this on or about July 27, 2007 against HSBC Securities (USA) Inc. ("HSBC"). The docket and case number was NYSE Hearing Board Decision 07-150. The principal product type claimed was Callable Range Accrual Certificates of Deposit.

The New York Stock Exchange Division of Enforcement alleged that HSI violated: (1) NYSE Rule 476(a)(6) for engaging in conduct inconsistent with just and equitable principles of trade by: (a) recommending and selling LIBOR CDs to clients for whom such products were unsuitable; (b) failing to accurately advise clients about the risks associated with the LIBOR CDs; and/or (c) making material misrepresentations regarding certain material features of the LIBOR CDs and/or the manner in which the products were likely to perform; (2) NYSE Rule 401(a) by failing to adhere to principles of good business practice by recommending and selling the LIBOR CD products to clients for whom they were not suitable; and (3) NYSE Rule 342(a) and (b) by: (a) failing to establish and maintain appropriate procedures to reasonably supervise whether the sale of callable LIBOR CDs were suitable for its clients, and (b) failing to adequately supervise its personnel in order to reasonably detect and prevent misrepresentations regarding material features of LIBOR CDs, and/or the manner in which they were likely to perform.

On October 8, 2007, HSI agreed to a censure and fine in the amount of \$500,000 and an undertaking requiring the firm to review the purchases of the outstanding LIBOR CDs (that existed as of June 1, 2007) and offer a remediation plan, reviewed and approved by NYSE enforcement, in accordance with the terms of the stipulation and consent to penalty.

#### ***Item 10: Other Financial Industry Activities and Affiliations***

The principal business of our firm is that of a full service broker-dealer. We engage in a full range of primary and secondary securities activity in the U.S. and international markets, including acting as a primary dealer in corporate bonds, U.S. and international equities, and as a broker in futures and options. We are registered with the Securities and Exchange Commission, the Financial Industry Regulatory Authority, and various other regulatory bodies.

Some of our management persons are registered, or have an application pending to register, as a registered representative of HSI.

HSI is registered as a futures commission merchant, and some of our management persons are associated persons of this entity.

Certain employees of HSI are registered representatives of HSI in its capacity as a broker-dealer.

**Material Relationships with Related Persons**

HSI and/or our management persons have a material relationship with the following related person(s) as follows:

Our firm also acts as an introducing broker in respect to managed account programs, using the clearing and execution facilities of our third party clearing agent, Pershing LLC, in respect of all securities transactions executed within a client's account, subject in all cases to best execution obligations and applicable law.

AMUS provides investment advice to registered investment companies and other institutions. AMUS is a wholly-owned subsidiary of HSBC Bank USA, N.A ("HSBC Bank"). AMUS acts as the general partner or manager to certain registered investment companies. In addition, AMUS is the sponsor of the Managed Portfolio Account and World Selection Spectrum and Offshore World Selection Spectrum managed account programs. Some of the mutual funds AMUS manages or is the general partner are also offered in the managed account programs offered by HSI to its retail investment advisory clients. We may offer to our retail non advisory clients, shares of investment companies to which AMUS serves as investment adviser. HSI has policies and procedures that are reasonably designed to mitigate conflicts of interests and comply with the regulatory requirements in selling securities including mutual funds.

Our investment banking division provides investment banking services to the HSBC Group's major corporate clients. Financial Advisor representatives of our firm may conduct business on the premises of HSBC Bank.

In addition, Financial Advisors of the Company may be located in branches of HSBC Bank and clients of HSBC Bank. Financial Advisers do not offer the products, may be investment advisory clients. Clients are informed both verbally and in writing that securities products are not a deposit or other obligation of the bank or any of its affiliates; not FDIC insured or insured by any federal government agency of the United States; not guaranteed by the bank or any of its affiliates; and are subject to investment risk, including possible loss of principal invested.

HSBC Bank is a national bank organized and existing under the laws of the United States and a member of the Federal Reserve. HSBC Bank, with which we have entered into agreements, provides certain office space and certain administrative service such as payroll and benefits processing to HSI. Certain employees and officers of HSI are officers of HSBC Bank and report into the bank's Fiduciary Committee.

Our firm and representatives are also licensed insurance agents with HSBC Insurance Agency USA, Inc. and HSI. In California, HSI conducts insurance business as HSBC Securities Insurance Services. In this capacity, we may offer advisory clients of our firm insurance products for which we receive compensation. HSI has policies and procedures that are reasonably designed to mitigate conflicts of interests and comply with the regulatory requirements in selling insurance products.

HSBC's Investment Banking Group may offer sponsorship or syndication of limited partnerships. However this is not offered through the Firm's investment advisory business or clients.

***Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading***

The firm has adopted a Code of Ethics and Staff Dealing Policies and Procedures that governs employee personal securities transactions ("Code of Ethics"), prohibits trading on inside information, and requires employees to comply with all relevant securities laws. The Code of Ethics reflects our belief in the absolute necessity to conduct business at the highest ethical and professional levels. Our firm requires all personnel to report their personal securities accounts to the Compliance Department and requires pre-approval of personal trades in accordance with the Firm's policies and procedures. Firm personnel are required to submit an annual acknowledgement and certification attesting to their compliance and reporting requirements as well as compliance with all other aspects of our Code of Ethics. The Code of Ethics encourages internal reporting and protects employees who report violations from retaliation. Any violations of the code must be reported to the Chief Compliance Officer or other designated personnel. A copy of our firm's Code of Ethics will be furnished upon request.

Our firm and its employees may buy or sell securities for its or their own account, including the same securities that it recommends to clients, and the same or different times as client trades on those securities, in accordance with the Code of Ethics.

***Item 12: Brokerage Practices***

HSI issues BPF's commercial paper through multiple CP dealers. Dealer selection is based on the experience of the dealer, financial strength and stability. Additional considerations are operational efficiency and its ability to provide efficient execution (including price, speed and volume) and market insight. HSI may receive proprietary research from the dealers in connection with BPF's commercial paper distribution. Research generally includes (i) written information and analyses concerning specific securities, companies, or sectors or (ii) analysis of markets and financial and economic studies and forecasts.

The receipt of proprietary research from dealers is indirectly related to BPF's dealer commissions, and is therefore a benefit to HSI who does not pay for that research. Although, HSI may have an incentive to use a particular dealer based on the receipt of research, the risk of an adverse impact on a conduit client is considered to be low because there is no formal calculation matching brokerage commissions to the amount or type of research received from any dealer. As such, HSI's selection of dealers is not directly influenced by a need to generate a certain level of commissions to pay for the research received.

Assets are typically acquired the conduit through bilaterally negotiated private transactions which do not involve a dealer.

### ***Item 13: Review of Accounts***

Conduit accounts are reviewed on a daily basis to ensure transactions are properly reflected. BPF contracts with sub-administrator (Global Securitization Services LLC) and an issuing and paying agent HSBC Bank USA, N.A. to assist in the proper booking and review of these transactions. On a periodic basis, management-level employees involved with the conduit advisory business review conduit accounts to ensure conformity with investment objectives and guidelines. Additionally, on a monthly basis accounts are reviewed to compile the necessary data to report to an internal conduit oversight committee, rating agencies, enhancement providers, and investors in the conduits' commercial paper.

### ***Item 14: Client Referrals and Other Compensation***

HSI does not receive an economic benefit from third parties for providing services to HSI clients. HSI does not compensate non-supervised persons for client referrals.

### ***Item 15: Custody***

BPF audited financial statements are made available to commercial paper investors via its placement agents. Additionally, HSI distributes monthly investor reports to all investors of BPF.

### ***Item 16: Investment Discretion***

HSI may exercise discretionary authority in the management of BPF's securities and cash on hand as described in the Administration Agreement. Such discretionary authority is exercised in the selection of investments and their on-going management. HSI will also exercise its discretion in managing the renewal of expiring seller transactions, voting on amendments, and resolving breaches of facility triggers, representations, or warranties. HSI also typically has discretion over the issuance of commercial paper that funds the acquisition of underlying assets. Such discretion generally entails selecting the maturity and amount of the commercial paper issued.

### ***Item 17: Voting Client Securities***

While HSI does not anticipate situations where we would vote on securities for clients for this program. HSI may vote securities held by clients without client consent. In the event that HSI is required to vote regarding a portfolio holding for a client, HSI will ensure that all matters are voted in the best interests of the client. In addition, HSI may provide advice to its conduit clients regarding how to vote certain matters. In these instances, HSI will provide advice that it believes is in the best interest of the conduit client.

Pursuant to Rule 206(4)-6, HSI has adopted and implemented written policies and procedures that are reasonably designed to ensure that client securities are voted in the best interest of clients. Upon request, HSI will provide conduit clients with information on how the proxies/corporate actions were voted and HSI's proxy voting policies.

***Item 18: Financial Information***

There are no financial conditions to likely impair our ability to meet contractual obligations to our clients, and we have not been the subject of a bankruptcy petition at any time during the past ten years.