

Form ADV Part 2A – Appendix 1

## **MANAGED PORTFOLIO ACCOUNT WRAP FEE PROGRAM BROCHURE**

### **HSBC Securities (USA) Inc.**

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This managed account or wrap fee program brochure provides information about the qualifications and business practices of HSBC Securities (USA) Inc. (“HSI”) and its Managed Portfolio Account (“MPA”) program that should be considered before investing in MPA. 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 (“SEC”) or by any state securities authority.

Additional information about HSBC Securities (USA) Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

HSBC Securities (USA) Inc. is a federally registered investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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

### **Investment Products:**

<b>ARE NOT A BANK DEPOSIT OR OBLIGATION OF THE BANK OR ANY OF ITS AFFILIATES</b>	<b>ARE NOT FDIC INSURED</b>	<b>ARE NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY</b>	<b>ARE NOT GUARANTEED BY THE BANK OR ANY OF ITS AFFILIATES</b>	<b>MAY LOSE VALUE</b>
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## **Item 2: Material Changes**

### **Change of Chief Compliance Officer (“CCO”)**

Effective August 2015, John H. Ruggiero was hired as the Head of Regulatory Wealth Management Compliance and Chief Compliance Officer for HSI’s Registered Investment Adviser.

Mr. Ruggiero possesses greater than 27 years’ experience within the Financial Services Industry. Prior to joining HSBC, Mr. Ruggiero has served in various executive and department head capacities (Including Chief Compliance Officer, President and Director) at a number of Broker/Dealers and/or Registered Investment Advisors. His broad based experience and product knowledge includes investment advisory, capital markets, trading/market making, proprietary trading, equities, debt, options, managed products, mutual funds, structured products, asset based loans, and hedge funds.

Prior to entering the Financial Services Industry John graduated from Ithaca College with a BS Degree in Economics/Business Management. Mr. Ruggiero also possesses the following industry license examinations:

Series 4; Registered Options Principal  
Series 7; General Securities Representative  
Series 8(9/10); General Securities Sales Supervisor  
Series 14; Compliance Official  
Series 24; General Securities Principal  
Series 55; Equity Trader Examination  
Series 63; Uniform Securities Agent State Law

### **Sponsorship**

Effective October 2015, HSBC Global Asset Management (USA) Inc. (“AMUS”) transferred responsibility for the management of the HSBC Spectrum Account and the HSBC Managed Portfolio Account (“MPA”) programs to HSBC Securities (USA) Inc. HSBC Securities (USA) Inc. became the sponsor for both programs and AMUS continues to provide services to HSI in respect to these Programs including advice as to proposed asset allocations, due diligence, advice as to funds and portfolio managers and various operational services.

### **Disclosure**

In February 2016, HSBC Finance Corporation, HSBC Bank USA, HSBC Mortgage Services Inc. and HSBC North America Holdings entered into an agreement with the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, the Consumer Financial Protection Bureau, other federal agencies ("federal parties") and the state Attorneys General of 49 states and the District of Columbia ("state parties") to resolve civil claims related to past residential mortgage loan origination and servicing practices. The settlement is similar to prior national mortgage settlements reached with other U.S mortgage servicers and includes the following terms: \$100 million to be allocated among participating federal and state parties, and \$370 million in consumer relief. In addition, the settlement agreement sets forth national mortgage servicing standards to which HSBC U.S. affiliates will adhere. All except \$32 million of the settlement is allocable to HSBC Finance Corporation. This matter was settled within the amount reserved.

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#### Item 4: Services, Fees and Compensation

HSBC Securities (USA) Inc. (“HSI”, or “the Firm” or “We”) has been in business as an investment adviser registered with the Securities Exchange Commission since 2005. HSI is also a broker-dealer which was originally formed in December 1969 under a predecessor name. The Firm is a Delaware corporation headquartered in New York City. HSI is also a wholly-owned subsidiary of HSBC Markets (USA) Inc. and an indirect wholly-owned subsidiary of HSBC Holdings plc.

HSI is the sponsor of a wrap fee account program referred to as the Managed Portfolio Account Program (“MPA” or “Managed Account Program” or “MPA Programs”), which is a multi-product, fee-based separately managed account program. MPA offers two investment account options: Separately Managed Accounts (“SMAs”) or Unified Managed Accounts (“UMAs”). MPA is designed to assist clients, including individuals, pension plans, profit sharing plans, and institutions, with their investment needs based on financial objectives, time horizon and risk tolerance.

HSI has entered into an agreement with AMUS to perform certain services, for compensation, in the MPA Programs. AMUS serves as a service provider and Advisory Affiliate to HSI, advising as to asset allocation for the Managed Account Programs. Further details of AMUS’ duties with the regard to the Managed Account Programs is available below.

Through the MPA program, HSI will facilitate access to professional asset management and other services, third party portfolio managers, mutual funds and/or exchange traded funds (“ETFs”) for a single “wrap” fee. UMA may also provide, at the client’s election, tax optimization services, at no additional cost, to U.S. persons, for U.S. taxes only.

HSI has engaged third party money managers who are SEC registered investment advisers to provide discretionary asset management services in respect of the MPA Programs.

HSI, through the Managed Account Oversight Committee (“Committee”), will oversee the services outlined in the agreement with AMUS. The Committee is chaired by HSI and consists of voting members who are employees of HSI, in addition to non-voting members of HSI and AMUS. Employees of AMUS will have no authority to make decisions or otherwise influence approvals of the Committee. The scope of the Committee is to oversee the managed account services and operational support provided by AMUS and its affiliates, evaluate regulatory disclosure regarding the managed account platforms, to consider any other significant vendor and third party-related business issues and to evaluate applicable regulatory compliance, fiduciary duty and financial crime risk related investor requirements.

#### Services

HSI offers the MPA Program to its clients, and aside from sponsorship, is responsible for client contact, communications, suitability, account opening services (not limited to Know Your Client and Anti-Money Laundering reviews) and relationship management. HSI also provides certain ongoing client services that include the following:

1. Periodic portfolio review and consultation with clients through our Investment Adviser Representatives.
2. Handling subsequent transactions (additional investments and redemptions).
3. Responding to client inquiries about their accounts and issues pertaining to their accounts.
4. Annual interviews with MPA Program clients to determine whether there have been any changes in the client's financial situation or investment objectives, whether the client wishes to impose any reasonable restrictions on the account, or whether the client wishes to modify any existing restrictions.

The Firm is also responsible for account opening, investment advice, trading, trade servicing, account maintenance, client service, custody of MPA client assets and overall operational support for the Firm's investment advisory products. For additional information on custody, please see Item 9.

Pursuant to an intercompany agreement, AMUS provides to HSI's Managed Account Programs among other services, (i) regarding proposed asset allocations, (ii) due diligence and advice as to funds made available within the program and (iii) various operational services.

HSI does not offer managed account or wrap fee programs other than Spectrum and MPA, its proprietary investment advisory offerings. Accordingly, HSI offers a limited range of investment advisory solutions available to meet certain client's particular circumstances.

#### Investor Profile

The Investment Adviser Representative ("IAR") will assist clients in completing information requests designed to elicit personal, financial and investment information concerning the client's financial circumstances, risk preference and tolerance, liquidity requirements, and investment objectives to help determine if the recommendation is in the client's interest.

The client, in consultation with his or her Investment Adviser Representative ("IAR"), may utilize the US Risk Profile Questionnaire and Scoring or may utilize other means at the IAR's disposal to evaluate the level of risk and investment preference desired for the client's MPA investment portfolio. As a result of this consultative process, the IAR facilitates the preparation of a Statement of Investment Selection ("SIS") for the client's MPA investment portfolio. The SIS will contain a recommended asset allocation with consideration of the risk tolerance and other factors pertinent to ascertaining the suitability of MPA and the investment products available through MPA. The client may make adjustments, within certain parameters, to stock and bond asset allocation targets or asset class allocation targets. Subject to client approval, client assets may be invested in accordance with a mix of investment strategies utilizing multiple third party investment advisory firms or in a single investment strategy. The SIS will be prepared with the MPA recommendations and the client's investment portfolio selections which may differ significantly from the recommendations.

The client's IAR will consult with the client periodically, but not less than annually, to determine whether to update the client's financial information previously provided through the IAR's consultative process with the client and determine whether any changes should be made to the client's SIS, asset

allocation, risk tolerance, or other factors pertaining to the continued suitability of MPA and the investments available through MPA. Clients are also encouraged to contact their IAR promptly in the event of any material changes to the information they have provided, or any other changes in their financial circumstances or investment goals that would affect the management of their account.

### Portfolio Management

For UMAs, HSI recommends an asset allocation based upon a client's responses to the questions in the asset allocation questionnaire. The recommended asset allocation is based on a set of broadly diversified, core investment portfolios through which the client may choose investment managers prescreened and chosen by HSI to participate in MPA. The client may also indicate their own personal preference for an asset allocation in consideration of assets and each client's unique financial circumstances.

In connection with a UMA, HSI will serve as overlay manager to coordinate asset allocation, portfolio rebalancing, investment restrictions, and, if selected, tax optimization in each UMA, with consolidated reporting. HSI is the primary investment manager for UMA portfolios and is responsible for selecting portfolio investments based on non-binding advice provided by the MPA third party investment managers. HSI may delegate all or part of the overlay management function to an affiliate or third party at its discretion.

An MPA client may choose an UMA account in a two-step process:

- i. HSI will provide a model portfolio based on the asset allocations selected by the client in the SIS, with the recommended mutual funds, ETFs, and MPA model managers in the investment style of the asset allocation.
- ii. The client, in consultation with the IAR, will select one or more of the underlying recommended investment selections to fulfill each of the asset allocation sections of the portfolio selected by the client. The MPA UMA portfolios will be monitored by the overlay manager and may be periodically rebalanced to the model selections.

Client adjustments to recommended asset allocation models, investment selections, imposed investment restrictions and preferences may materially affect the composition and performance of investment portfolios. In addition, each client's account may begin investing at different times in different market conditions which may also have an effect on the investment return earned by each account. The timing of contributions to the account or withdrawals from the account initiated by the client may also have an effect on the performance of the portfolio. For these reasons, the performance and investment returns of MPA client portfolios with the same or similar investment objectives may differ.

The optional tax optimization service in UMA utilizes client specific portfolio information to evaluate the tax implications of portfolio trades prior to execution. Within a single MPA UMA client's investment portfolio, where possible, gains and losses across multiple investment styles will be selected to minimize the overall tax impact. The tax impact of portfolio rebalancing will also be evaluated. Specific information as to client's tax status and other financial information (including holdings in non-MPA accounts) will not be considered in respect of this service. There can be no assurances that such

service will result in the optimal tax consequences for clients. In addition, the tax optimization service may have a negative impact on the investment performance of a UMA portfolio and any such negative impact may not be fully offset by tax benefits, if any. The tax optimization services should not be considered tax advice. Potential clients should consult with their independent tax advisors to assess the tax implications of the optimization service. The service is offered to U.S. persons, for U.S. taxes only.

Pursuant to the MPA, SMA and UMA client agreements, HSI is authorized to vote proxies for the securities held in those client accounts. HSI has delegated this authority to the MPA third party managers in SMA accounts. In UMA accounts, where HSI is acting as overlay manager, a third party voting service (ISS as defined below) votes all proxies unless there is a conflict of interest or need for clarification with respect to HSBC voting policy. If there is a conflict or need for clarification the third party voting service refers the proxy to AMUS whereupon it will be reviewed. AMUS will utilize any research provided by the third party voting service in rendering its decision and submitting the proxy vote.

HSI has delegated to AMUS the authority to vote the proxies on the securities held in the client's portfolio. AMUS has a responsibility with respect to proxy voting activities. To ensure that the proxies are voted in the best interests of clients, AMUS has adopted proxy voting policies and procedures. To assist in managing the proxy voting process, a third party voting service, ISS Client Service & Consultants ("ISS"), has been retained to act as an independent voting agent on behalf of AMUS. ISS provides objective proxy analysis and voting recommendations, manages the operational end of the process, and votes proxies based on their guidelines. However, certain accounts may warrant specialized treatment in voting proxies. Contractual stipulations and individual client direction will dictate how voting will be done in these cases.

A copy of AMUS's Proxy Voting Policy and information about how proxies were voted is available upon client request.

### Custody and Reporting

HSI, or another financial intermediary, serves as custodian for accounts. Currently, HSI has entered into an agreement with Pershing® LLC ("Pershing" or "The Custodian") to act as the custodian for the MPA Program. Pershing is located at One Pershing Plaza, Jersey City, New Jersey 07399. The Custodian will generally furnish monthly, but no less frequently than quarterly, account statements summarizing account activity during the period. Clients can elect suppression of separate trade confirmations for an account by completing a confirmation suppression request. Information from the confirmation will be reported at least quarterly to the client, in lieu of separate trade confirmations.

AMUS facilitates the production and mailing of quarterly performance statements to clients in the MPA Program. The performance statements are intended to inform clients as to how their accounts within the MPA Program have performed during the period and are not intended to replace the statements of the Custodian.

In respect of the MPA Programs, HSI from time to time comes into possession of client assets. As such, on an annual basis, HSI must ensure that the requirements of the Custody Rule are met (i.e., the performance of a surprise examination by an independent public accountant) as well as obtaining an



internal control report, issued by an independent public accountant, from Pershing). Managed account clients also receive on regular basis custodial statements directly from Pershing.

### Discretionary Authority

Pursuant to the SMA client agreement, HSI's discretionary authority is limited to evaluating and monitoring the Portfolio Managers responsible for managing the assets in this account and evaluating and monitoring the funds. Client further acknowledges that neither HSI nor AMUS shall have responsibility or liability for the individual investment decisions of any Portfolio Manager selected to manage the Account or any investment manager of a Fund.

The client will designate third party portfolio managers who will have investment discretion over their account. The portfolio manager will determine the securities to be purchased, held or sold for an account and the weightings thereof, subject to any reasonable investment restrictions or limitations imposed by client, properly communicated in writing to HSI and accepted by the portfolio manager.

Pursuant to the UMA client agreement, HSI acts as Overlay Manager to provide portfolio implementation and coordination services for the Account. From time to time HSI may delegate all or a portion of its responsibilities as an Overlay Manager to an affiliate. In addition, HSI may at its discretion engage an unaffiliated Overlay Manager upon 30 days written notice to the client.

In the event a Third Party Overlay Manager is engaged, HSI will not make any investment decision with respect to the purchase and sale of specific securities or Funds by the Overlay Manager. In that circumstance, HSI's discretionary authority is limited to establishing and rebalancing the asset allocation for the Account, evaluating, selecting and monitoring the Model Managers and Funds, and purchasing and selling Fund shares for the Account. Client acknowledges that HSI (or any Third Party Overlay Manager) shall have no responsibility or liability for the individual recommendations of any Model Manager or the investment manager of any Fund.

### Best Execution and Brokerage Services

Securities execution and related brokerage services are generally provided by HSI using the clearing and execution facilities of the Custodian. Each portfolio manager has the discretion to select broker-dealers to execute trades for MPA and is responsible for executing MPA trades in a manner consistent with its obligation to obtain best execution, and clients are encouraged to review the each portfolio manager's Firm Brochure regarding its brokerage practices.

If the portfolio manager believes a certain allocation is consistent with the portfolio manager's obligation to seek best execution on a particular transaction, the portfolio manager may allocate a purchase or sale transaction for the client account to a broker-dealer other than the Custodian (referred to as "step-out trades"). In selecting a broker-dealer, the portfolio manager will consider the full range and quality of a broker-dealer's services including, among other things, the value of research provided, execution capability, commission rate, financial responsibility, market making capabilities and responsiveness, as well as available prices and commission rates. Therefore, the portfolio manager may select broker-dealers that provide research or other transaction-related services and may cause the client



account to pay such broker-dealer commissions for effecting transactions in excess of commissions other broker-dealers may have charged. Such research and other services may be used for the portfolio manager's own and for other client and affiliate client accounts to the extent permitted by law. To the extent the portfolio manager directs transactions for execution with or through broker-dealers other than the Custodian, the client may incur additional transaction costs not included in the MPA investment advisory fee. These transaction costs will not be shown on the brokerage statements or trade confirmations, and are embedded in the price of the security.

#### Principal, Agency and Cross Transactions

Trades placed in the MPA programs are made by the respective money manager or overlay manager. For the trading policies of the third party money managers please refer to their respective Form ADV Part 2A or Appendix 1.

It is HSI's policy that the Firm will not affect principal or cross trade transactions in the MPA Program. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser acts as broker for both the advisory client and for another person on the other side of the transaction.

#### Termination

The client agreement may be terminated at any time upon written notice by either party and termination will become effective upon the receipt of the notice. Account termination will not affect: (i) the validity of any action taken previously by HSI under the client agreement; (ii) liabilities or obligations of the parties from transactions initiated before termination; or (iii) the client's obligation to pay advisory fees pro-rated through the date of termination.

#### Fees and Other Charges

Fees are charged quarterly in advance. Fees will be a percentage of assets in the account based on assets under management at the beginning of the quarter. The fee covers all advisory, administrative, custodial and brokerage services under the MPA program. The fee does not cover the transaction costs of any step-out trades and mark-ups or markdowns, wire fees, bank charges, IRA fees, and fees and expenses associated with investments in mutual funds, ETFs or other investment companies. In addition, MPA Program trades may incur other fees and charges not included in the MPA account fee, including markups, markdowns, ticket charges, market charges and charges assessed by the Securities and Exchange Commission ("SEC"). Related accounts may be entitled to discounted fees. To determine if a client's related account is eligible for discount, clients should contact their IAR. The client authorizes the Custodian to deduct HSI's and AMUS's fees directly from the client's account. HSI pays a portion of the fees associated with third party service providers and third party money managers.

Fees for each new or terminated account will be pro-rated for the appropriate number of days in the billing period. New client accounts will be charged a fee in advance based on the inception value of the account through the end of the first quarter AUM. Terminated accounts will receive a rebate of fees

charged in advance and not earned based on the prorated fee that was charged for the balance of the quarter. In addition, fees are charged on contributions in excess of \$25,000 cash or equivalent value of “in kind” securities at the time the contribution is made to the portfolio pro-rated through the end of the quarter. Withdrawals of cash or equivalent market value of “in kind” securities in excess of \$25,000 generate a fee refund pro-rated to the end of the quarter.

The funds made available through the MPA Program include both funds advised by non-HSBC investment companies and funds advised by AMUS and its affiliates. Clients have the option to elect to have their idle cash balances swept into money market funds including funds that are managed by AMUS for which AMUS receives advisory fees. Clients may pay these fees as well as their Program fee as permissible by law.

HSI will rebate to clients an amount equal to the amount of the client’s share of any Rule 12b-1 fees received and other certain fees from any funds in which the account is invested. The rebate may be offset against the Program fee or reimbursed to the client’s account. Such rebates may be discontinued at any time, without prior notice. Clients should be aware that the practice of accepting these fees could be viewed as a conflict of interest; although IARs are not compensated based on commissions or fees, while the Firm may receive commissions or fees it is also a broker-dealer.

The current MPA Program fee schedules for SMA and UMA are:

**SMA:**

	<b>All Fixed Income</b>	<b>All Equity</b>
<b><u>Total Portfolio Assets Under Management:</u></b>	<b>Fee rate (per annum) on assets:<sup>L1</sup></b>	
<b>First \$500,000</b>	1.50%	2.50%
<b>Next \$500,000</b>	1.20%	2.00%
<b>Over \$1,000,000</b>	0.95%	1.50%

**UMA:**

Standard Fee Schedule for accounts **opened on or after November 10, 2014:**

<b>Model:</b>	<b>Conservative</b>	<b>Moderately Conservative</b>	<b>Moderate</b>	<b>Moderately Aggressive</b>	<b>Aggressive</b>
<b><u>Total Portfolio Assets Under Management:</u></b>	<b>Fee rate (per annum) on assets:<sup>L1</sup></b>				
<b>First \$500,000</b>	1.55%	1.60%	1.70%	2.15%	2.50%
<b>Next \$500,000</b>	1.25%	1.30%	1.35%	1.70%	2.00%
<b>Over \$1,000,000</b>	0.90%	0.95%	1.00%	1.30%	1.50%

Standard Fee Schedule for accounts **opened on or after December 20, 2013:**

<b>Model:</b>	<b>Moderate</b>	<b>Moderately Aggressive</b>	<b>Aggressive</b>
<b><u>Equity/Fixed Income/&amp; money market allocation (+/-5%)</u></b>	<b><u>35% / 65%</u></b>	<b><u>60% / 40%</u></b>	<b><u>100% / 0%</u></b>
<b><u>Total Portfolio Assets Under Management:</u></b>	<b>Fee rate (per annum) on assets:<sup>L1</sup></b>		
<b>First \$500,000</b>	1.70%	2.15%	2.50%
<b>Next \$500,000</b>	1.35%	1.70%	2.00%
<b>Over \$1,000,000</b>	1.00%	1.30%	1.50%

Standard Fee Schedule for accounts **opened prior to December 20,2013:**

<b>Model:</b>	<b>Conservative</b>	<b>Income &amp; Growth</b>	<b>Balanced</b>	<b>Balanced with Growth</b>	<b>Growth &amp; Income</b>	<b>Growth</b>	<b>All Equity</b>
<b><u>Total Portfolio Assets Under Management:</u></b>	<b>Fee rate (per annum) on assets:<sup>L1</sup></b>						
<b>First \$500,000</b>	1.70%	1.85%	2.00%	2.15%	2.25%	2.40%	2.50%
<b>Next \$500,000</b>	1.35%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
<b>Over \$1,000,000</b>	1.00%	1.15%	1.20%	1.30%	1.35%	1.50%	1.50%

<sup>L1</sup> Fiduciaries of ERISA and Tax Qualified Plans should refer to Section 4(f) of the advisory agreement for a discussion of certain credits applicable in the event investments are made in affiliated mutual funds.

Comparison Cost of Service

The MPA program may cost clients more or less than purchasing such services separately depending on the frequency of trading in the client's accounts, commissions charged at other broker-dealers or investment firms for similar products, fees charged for like services by other broker-dealers or investment firms, and other factors.

Please consult the advisory agreement, accompanying schedule of fees, and fund prospectuses for other terms, conditions, representations and disclosures relating to the MPA program.

HSI encourages clients to review each recommended portfolio manager's SEC Form ADV Part and Part 2A for their respective conflicts of interest, trading, privacy policies, codes of ethics, etc.

**Item 5: Account Requirements and Types of Clients**

HSI has established a minimum account size of \$250,000 for MPA accounts and may waive this minimum account size at its discretion and will be subject to money manager standards. MPA is designed to assist clients, including individuals, pension plans, profit sharing plans and institutions, with the fulfillment of their investment objectives.

### Item 6: Portfolio Manager Selection and Evaluation

AMUS selects the MPA investment managers using a variety of qualitative and quantitative criteria.

AMUS, through its Wealth Portfolio Management division (“WPM”), conducts due diligence based upon both quantitative (e.g., investment performance returns, rankings, tracking errors, etc.) and qualitative (e.g., firm, people, investment strategy and process, idea generation, portfolio construction, etc.) factors to recommend the unaffiliated asset managers and mutual funds (“Recommended List”) available through the MPA and to various wealth management products. WPM also conducts ongoing monitoring of its Recommended List of unaffiliated asset managers and mutual funds using similar criteria as the initial selection process and AMUS assists with operational arrangements and terms for engagement of the investment managers. WPM reviews the asset allocation models on a regular basis and implements any changes. As part of the qualitative review, WPM will analyze portfolio holdings, review performance attribution and conduct manager meetings.

WPM seeks to identify investment strategies that they believe will deliver consistent risk-adjusted returns going forward over a market cycle. WPM also conducts ongoing monitoring of its Recommended List of asset managers and mutual funds using similar criteria as the initial selection process. Style analytics, attribution and periodic performance comparisons against representative benchmarks and peers are used as part of the monitoring process.

Based upon its findings, WPM may place a MPA manager on probation. If the factors that led to the probation remain unresolved, WPM will recommend the removal of the manager from the MPA program and will recommend a new or pre-existing alternative manager to replace the manager removed. In certain cases where there is a significant change at the asset manager, WPM may recommend the removal without a probation period. In the event of an MPA manager change, impacted SMA investors will be notified by their respective IAR and provided with information on the alternative manager recommendations available by WPM. The client’s portfolio invested with the manager to be removed may be frozen until the replacement manager is established within MPA. The transition process from one manager to another may result in transactions that will generate realized gains or losses. To the extent the new manager accepts responsibility for the management of specific security positions from the manager being replaced, the transfer of positions to the new manager will not incur a transaction cost.

UMA investors are notified via client letter and provided with information on the alternative manager or fund recommendations available by WPM, including a default replacement option. The client may select, at this time, an alternative manager, mutual fund or ETF to the investment selection specifically recommended to replace the manager, mutual fund or ETF that is being removed from the MPA Recommended List of investment selections. Concurrently, the overlay manager will be notified of the manager or fund change and on a specified date with 30 days’ notice to accountholders, will transition the account taking into consideration the specifics of the client account.

WPM reviews the asset allocation models on a regular basis and implements any changes. Both qualitative and quantitative factors are used as inputs to the asset allocation process. From time to time WPM may also recommend changes to the asset allocation model associated with a given risk profile.

The overlay manager for UMA accounts determines whether and when an account should be rebalanced

based on market movements resulting in drift from the clients' selected asset allocations. Rebalancing is done at the individual account level. Clients who elect automated rebalancing will not be notified prior to the rebalancing.

The overlay manager is also responsible for managing cash for UMA accounts. In managing cash the overlay manager may consider security-specific and systematic cash flows, asset allocation model or other relevant factors.

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase in value and your account(s) could enjoy a gain, it is also possible that the stock market may decrease in value and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

Please also refer to the Third Party Managers ADV Part 2A in addition to the prospectuses for funds offered in the programs for additional descriptions of risks.

Investments in a client's MPA Account and shares of funds, including money market funds, are: not a deposit or other obligation of HSBC Bank or any of its affiliates; not FDIC insured or insured by any federal government agency of the United States; not guaranteed by HSBC Bank or any of its affiliates; and are subject to investment risk, including possible loss of the principal amount invested.

Set forth below are certain material risk factors that are often associated with the investment strategies and types of investments relevant to most of HSI's clients. The information included in this brochure does not include every potential risk associated with each investment strategy or applicable to a particular client account. Not all risks are applicable to all products. Clients are urged to ask questions regarding risk factors applicable to a particular strategy or investment product, read all product-specific risk disclosures and determine whether a particular investment strategy or type of security is suitable for their account in light of their circumstances, investment objectives and financial situation.

- *Allocation Risk:* The risk that the Adviser's target asset and sector allocations and changes in target asset and sector allocations cause the portfolio to underperform other similar funds or cause you to lose money, and that the portfolio may not achieve its target asset and sector allocations.

- *Asset-Backed Security Risk:* Asset-backed securities are debt instruments that are secured by interests in pools of financial assets, such as credit card or automobile receivables. The value of these securities will be influenced by the factors affecting the assets underlying such securities, changes in interest rates, changes in default rates of borrowers and private insurers or deteriorating economic conditions. During periods of declining asset values, asset-backed securities may be difficult to value or become more volatile and/or illiquid. Asset-backed securities may not have the benefit of a security interest in collateral comparable to that of mortgage assets, resulting in additional credit risk.

- *Banking Risk:* Investments in securities issued by U.S. and foreign banks can be sensitive to changes in government regulation and interest rates and to economic downturns in the United States and abroad, and susceptible to risks associated with the financial services sector.



- *Capitalization Risk:* Stocks of large capitalization companies may be volatile in the event of earnings disappointments or other financial developments. Medium and smaller capitalization companies may involve greater risks due to limited product lines, market and financial or managerial resources, as well as have more volatile stock prices and the potential for greater declines in stock prices in response to selling pressure. Small capitalization companies generally have more risk than medium capitalization companies.
- *Convertible Bond Risk.* Convertible bonds are subject to the risks of equity securities when the underlying stock price is high relative to the conversion price (because more of the security's value resides in the conversion feature) and debt instruments when the underlying stock price is low relative to the conversion price (because the conversion feature is less valuable). A convertible bond is not as sensitive to interest rate changes as a similar non-convertible debt instrument, and generally has less potential for gain or loss than the underlying equity security.
- *Counterparty Risk:* The risk that the other party to an investment contract, such as a derivative (e.g., ISDA Master Agreement) or a repurchase or reverse repurchase agreement, will not fulfill its contractual obligations or will not be capable of fulfilling its contractual obligations due to circumstances such as bankruptcy or an event of default. Such risks include the other party's inability to return or default on its obligations to return collateral or other assets as well as failure to post or inability to post margin as required applicable credit support agreement.
- *Commodity Related Investments Risk:* The risks of investing in commodities, including investments in companies in commodity-related industries may subject a portfolio to greater volatility than investments in traditional securities. The potential for losses may result from changes in overall market movements or demand for the commodity, domestic and foreign political and economic events, adverse weather, discoveries of additional reserves of the commodity, embargoes and changes in interest rates or expectations regarding changes in interest rates.
- *Currency Risk:* Fluctuations in exchange rates between the U.S. dollar and foreign currencies, or between various foreign currencies, may negatively affect a portfolio's investment performance.
- *Custody Risk:* The Funds invest in securities markets that are less developed than those in the U.S., which may expose a portfolio to risks in the process of clearing and settling trades and the holding of securities by foreign banks, agents and depositories. The laws of certain countries may place limitations on the ability to recover assets if a foreign bank, agent or depository enters bankruptcy. In addition, low trading volumes and volatile prices in less developed markets may make trades more difficult to complete and settle, and governments or trade groups may compel local agents to hold securities with designated foreign banks, agents and depositories that may be subject to little or no regulatory oversight or independent evaluation. Local agents are held only to the standards of care of their local markets.
- *Cyber Security Issues:* With the increased use of technology such as the Internet to conduct business, HSI, as with all businesses that store, process, transmit or transact information via networked technology, is susceptible to a breach of confidentiality, loss of data integrity or disruption in availability of its networked systems. Cyber incidents can result from deliberate internal or external attacks or unintentional events. Cyber-attacks can include, but are not limited to, gaining unauthorized access to computer systems (e.g., through "hacking" or malicious software (aka Malware) denial-of-service

attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber security failures or breaches by an adviser, sub-adviser(s) and other service providers (including, but not limited to, accountants, custodians, transfer agents and administrators), and the issuers of securities in which HSI invests on behalf of its clients, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with an adviser's ability to calculate its net asset value, impediments to trading, the inability of shareholders to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future.

While HSBC plc. (a corporate parent company of HSI) has preventative, detective and mitigation technologies in place as well as mature business continuity and resiliency plans in the event of cyber-attacks, it is not possible to identify and create mitigation measures for every type of event that might result in a service disruption.

• *Debt Instruments Risk:* The risks of investing in debt instruments include:

- **High-Yield Securities (“Junk Bond”) Risk:** Investments in high-yield securities (commonly referred to as “junk bonds”) are often considered speculative investments and have significantly higher credit risk than investment-grade securities and tend to be less marketable (i.e., less liquid) than higher rated securities. The prices of high-yield securities, which may be more volatile and less liquid than higher rated securities of similar maturity, may be more vulnerable to adverse market, economic or political conditions.
- **Interest Rate Risk:** Fluctuations in interest rates may affect the yield and value of investments in income producing or debt instruments. Generally, if interest rates rise, the value of such investments may fall. Investors should note that interest rates are at, or near, historic lows, but will ultimately increase, with unpredictable effects on the markets and investments.
- **Credit Risk:** A portfolio could lose money if an issuer or guarantor of a debt instrument fails to make timely payments of interest or principal or enters bankruptcy. This risk is greater for lower-quality bonds than for bonds that are investment grade.
- **Inventory Risk:** The market-making capacity in some debt markets has declined as a result of reduced broker-dealer inventories relative to portfolio assets, reduced broker-dealer proprietary trading activity and increased regulatory capital requirements for financial institutions such as banks. Because market makers provide stability to a market through their intermediary services, a significant reduction in dealer market-making capacity has the potential to decrease liquidity and increase volatility in the debt markets.
- **Prepayment Risk:** During periods of falling interest rates, borrowers may pay off their debt sooner than expected, forcing an underlying portfolio to reinvest the principal

proceeds at lower interest rates, resulting in less income.

- **Extension Risk:** The risk that during periods of rising interest rates, borrowers pay off their debt later than expected, preventing a portfolio from reinvesting principal proceeds at higher interest rates, increasing the sensitivity to changes in interest rates and resulting in less income than potentially available.

- **Depository Receipts Risk:** Investments in depository receipts, such as ADRs and GDRs, may entail the special risks of international investing, including currency exchange fluctuations, government regulations, and the potential for political and economic instability.

- **Derivatives Risk:** Use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments and could increase the volatility of a portfolio's asset value and cause losses. Risks associated with derivatives include the risk that the derivative is not well correlated with the security, index or currency to which it relates; the risk that derivatives may result in losses or missed opportunities; the risk that the portfolio will be unable to sell the derivative because of an illiquid secondary market; the risk that a counterparty is unwilling or unable to meet its obligation; and the risk that the derivative transaction could expose the portfolio to the effects of leverage, which could increase the portfolio's exposure to the market and magnify potential losses, particularly when derivatives are used to enhance return rather than offset risk. There is no guarantee that derivatives, to the extent employed, will have the intended effect, and their use could cause lower returns or even losses to the portfolio. The use of derivatives by the portfolio to hedge risk may reduce the opportunity for gain by offsetting the positive effect of favorable price movements.

- **Diversification Risk:** Focusing investments in a small number of issuers, industries, foreign currencies or particular countries or regions increases risk. Funds that invest in a relatively small number of issuers are more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.

- **Emerging Markets Risk:** Investments in emerging market countries are subject to all of the risks of foreign investing generally, and have additional heightened risks due to a lack of established legal, political, business and social frameworks to support securities markets, including: greater market volatility and illiquidity, lower trading volume, delays in trading or settling portfolio securities transactions; currency and capital controls or other government restrictions or intervention, such as expropriation and nationalization; greater sensitivity to interest rate changes; pervasiveness of corruption and crime; currency exchange rate volatility; and higher levels of inflation, deflation or currency devaluation. The prices of securities in emerging markets can fluctuate more significantly than the prices of securities in more developed countries. The less developed the country, the greater effect such risks may have on an investment.

- **Equity Securities Risk:** The prices of equity securities fluctuate from time to time based on changes in a company's financial condition or overall market and economic conditions. As a result, the value of equity securities may fluctuate drastically from day to day. The risks of investing in equity securities also include:

- **Style Risk:** The risk that use of a growth or value investing style may fall out of favor in the marketplace for various periods of time. Growth stock prices reflect projections of future earnings or revenues and may decline dramatically if the company fails to meet those projections. A value stock may not increase in price as anticipated if other investors fail to recognize the company's value.
- **Capitalization Risk:** Stocks of large capitalization companies may be volatile in the event of earnings disappointments or other financial developments. Medium and smaller capitalization companies may involve greater risks due to limited product lines and market and financial or managerial resources. Stocks of these companies may also be more volatile, less liquid and subject to the potential for greater declines in stock prices in response to selling pressure. Stocks of smaller capitalization companies generally have more risk than medium capitalization companies.
- **Issuer Risk:** An issuer's earnings prospects and overall financial position may deteriorate, causing a decline in a portfolio's asset value.

- *Exchange Traded Fund Risk:* The risks of owning shares in an ETF, including the risks of the underlying investments held by the ETF, Index Risk in the case of index ETFs, and the risks that an investment in an ETF may become illiquid in the event that trading is halted for the ETF or that the share price of the ETF may be more volatile than the prices of the investments the ETF holds.

- *Exchange Traded Note Risk:* The risks of holding ETNs, including credit risk relating to the issuer of the ETN, the risks of the underlying reference index or asset, and the risks that an investment in an ETN may become illiquid in the event that trading is halted for the ETN or that the price at which the ETN trades may not reflect the returns of the reference index or asset. ETNs also have expenses, like underlying funds.

- *Foreign Securities Risk:* Investments in foreign securities are generally considered riskier than investments in U.S. securities, and are subject to additional risks, including international trade, political, economic and regulatory risks; fluctuating currency exchange rates; less liquid, developed or efficient trading markets; the imposition of exchange controls, confiscations and other government restrictions; and different corporate disclosure and governance standards.

- *Frontier Market Countries Risk:* Frontier market countries generally have smaller economies and even less developed capital markets or legal, regulatory and political systems than traditional emerging markets. As a result, the risks of investing in emerging market countries are magnified in frontier market countries. Frontier market economies are less correlated to global economic fluctuations than developed economies and have low trading volumes and the potential for extreme price volatility and illiquidity. The government of a frontier market country may exercise substantial influence over many aspects of the private sector, including by restricting foreign investment, which could have a significant effect on economic conditions in the country and the prices and yields of securities in a Fund's portfolio. Economies in frontier market countries generally are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls,

managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries with which they trade. Brokerage commissions, custodial services and other costs relating to investment in frontier market countries generally are more expensive than those relating to investment in more developed markets. The risk also exists that an emergency situation may arise in one or more frontier market countries as a result of which trading of securities may cease or may be substantially curtailed and prices for investments in such markets may not be readily available.

- *Government Securities Risk:* There are different types of U.S. government securities with different levels of credit risk. U.S. government securities issued or guaranteed by the U.S. Treasury and/or supported by the full faith and credit of the United States have the lowest credit risk. A U.S. government sponsored entity, although chartered or sponsored by an Act of Congress, may issue securities that are neither insured nor guaranteed by the U.S. Treasury and are riskier than those that are.

- *Index Fund Risk:* The risk that the underlying funds' performance will not correspond to its benchmark index for any period of time and may underperform the overall stock market.

- *Issuer Risk:* The risk that the issuer's earnings prospects and overall financial position will deteriorate, causing a decline in the value of the portfolio.

- *Leverage Risk:* Leverage created by borrowing or investments, such as derivatives, can diminish the portfolio's performance and increase the volatility of the portfolio's asset value.

- *Liquidity Risk/Illiquid Securities Risk:* The risk that the portfolio could lose money if it is unable to dispose of an investment at a time that is most beneficial or be unable to meet redemption demand.

- *Market Risk:* Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. In the short term, equity prices can fluctuate dramatically in response to these developments. Different parts of the market and different types of equity securities can react differently to these developments. For example, large-cap stocks can react differently from small-cap or mid-cap stocks, and "growth" stocks can react differently from "value" stocks.

- *Model Risk:* A model is defined as a quantitative method, system, or approach that applies statistical, economic, financial or mathematical theories, techniques, and assumptions to process input data into quantitative estimates. Quantitative methodologies or systems whose inputs are (partially or wholly) qualitative or based on expert judgment may be classified as a model providing that the outputs produced by the model are quantitative in nature. HSI, in conjunction with AMUS, may utilize models to assist in the investment decision making process, to analyze the investment risks borne by a fund or client account, to measure the liquidity in a fund or client account, to conduct stress tests and for other reasons. Model risk is defined as the risk of funds or HSI and/or affiliates experiencing an actual or potential financial loss, or the breach of a regulation or client restriction, owing to the misspecification or misapplication of a model in relation to its intended use, or the improper implementation or incorrect execution of a model.

- *Mortgage- and Asset-Backed Securities Risk:* Mortgage- and asset-backed securities are debt instruments that are secured by interests in pools of mortgage loans or other financial assets. Mortgage- and asset-backed securities are subject to prepayment, extension, market, and credit risks (market and credit risk are described elsewhere in this section). Prepayment risk reflects the risk that borrowers may prepay their mortgages faster than expected, thereby affecting the investment's average life and perhaps its yield. Conversely, an extension risk is present during periods of rising interest rates, when a reduction in the rate of prepayments may significantly lengthen the effective durations of such securities.
- *Participatory Note Risk:* Even though a participatory note is intended to reflect the performance of the underlying securities on a one-to-one basis so that investors will not normally gain or lose more in absolute terms than they would have made or lost had they invested in the underlying securities directly, the performance results of participatory notes will not replicate exactly the performance of the issuers or markets that the notes seek to replicate due to transaction costs and other expenses. Investments in participatory notes involve risks normally associated with a direct investment in the underlying securities. In addition, participatory notes are subject to counterparty risk. Participatory notes constitute general unsecured, unsubordinated contractual obligations of the banks or broker-dealers that issue them, and an investment in these instruments is relying on the creditworthiness of such banks or broker-dealers and has no rights under the participatory notes against the issuers of the securities underlying such participatory notes. There can be no assurance that the trading price or value of participatory notes will equal the value of the underlying value of the securities they seek to replicate.
- *Political Risk:* The risk that an investment's return could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers, or military control. Political risk is also known as "geopolitical risk", and becomes more of a factor as the time horizon of an investment gets longer.
- *Real Estate Risk:* Real estate related investments will expose a portfolio to risks similar to those associated with direct ownership of real estate, including losses from casualty or condemnation, and changes in local and general economic conditions, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses.
- *Redemption Risk:* A fund or client portfolio may experience a redemption(s) resulting in large outflows of cash from time to time. This activity could have adverse effects on performance if the advisor were required to sell securities at times when it otherwise would not do so. This activity could also accelerate the realization of capital gains/losses and increase transaction costs.
- *Regulatory Risk:* US regulators and legislators have recently amended a wide range of rules and pending and ongoing regulatory reforms (e.g., the Dodd Frank Act) continue to have a material impact on the advisory business. These regulations and reforms may significantly change the operating environment and the ultimate effect cannot be adequately predicted. Any further changes by the SEC or additional legislative developments may affect a portfolio's operations, investment strategies, performance and yield.
- *Regulatory Risk in Other Countries:* Disclosure and regulatory standards in emerging market countries are in many respects less stringent than U.S. standards. Therefore, disclosure of certain material information may not be made, and less information may be available. Additionally, regulators in many



countries continue to review the regulation of such portfolios. Any further changes by a regulatory authority or additional legislative developments may affect a portfolio's operations, investment strategies, performance and yield.

- *Repurchase Agreement Risk:* The use of repurchase agreements, which are agreements where a party buys a security from another party ("seller") and the seller agrees to repurchase the security at an agreed-upon date and price (which reflects a market rate of interest), involves certain risks. For example, if the seller of the agreements defaults on its obligation to repurchase the underlying securities at a time when the value of these securities has declined, a portfolio may incur a loss upon disposition of the securities. There is also the risk that the seller of the agreement may become insolvent and subject to liquidation.

- *Short Sale Risk:* The risk of entering into short sales, including the potential loss of more money than the actual cost of the investment, and the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the portfolio.

- *Sovereign Debt Risk:* Sovereign debt instruments, which are instruments issued by foreign governmental entities, are subject to the risk that the governmental entity may be unable or unwilling to repay the principal or interest on its sovereign debt due to, among other reasons, cash flow problems, insufficient foreign currency reserves, political considerations, the relative size of the governmental entity's debt or its failure to implement economic reforms required by the International Monetary Fund or other multilateral agencies. A governmental entity that defaults may ask for additional loans or for more time to pay its debt. There is no legal process for collecting sovereign debts that a government does not pay nor are there bankruptcy proceedings through which all or part of the sovereign debt that a governmental entity has not repaid may be collected.

- *Stable NAV Risk:* The following applies to money market funds that maintain a stable price of \$1.00 per share. The fund may not be able to maintain a Net Asset Value ("NAV") per share of \$1.00 (a "Stable NAV") at all times. The failure of other money market funds to maintain a Stable NAV (or the perceived threat of such a failure) could adversely affect the fund's NAV. Shareholders of a money market fund should not rely on or expect the Adviser, the fund's adviser or an affiliate to help a fund maintain a Stable NAV. Pending money market fund reform changes may also impact Stable NAV policies of funds.

- *Stand-by Commitments:* Stand-by commitments are subject to certain risks, which include the ability of the issuer to pay when the commitment is exercised, the fact that the commitment is not marketable, and the fact that the maturity of the underlying obligation generally differs from that of the commitment.

- *Swap Risk:* The use of swap agreements, agreements to exchange the return generated by one instrument for the return generated by another instrument (or index), and similar instruments involves risks that are different from those associated with ordinary portfolio securities transactions. For example, the portfolio bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. If a counterparty defaults on its payment obligations to the portfolio, this default will cause the value of the portfolio to decrease. Swap agreements also may be considered to be illiquid.



- *Underlying Fund Selection Risk:* The risk that a portfolio may invest in underlying funds that underperform other similar funds or the markets more generally, due to poor investment decisions by the investment adviser(s) for the underlying funds or otherwise underlying funds also have their own expenses, which the portfolio bears in addition to its own expenses.
- *Variable Rate Securities Risk:* Variable (and floating) rate instruments have interest rates that are periodically adjusted either at set intervals or that float at a margin above a generally recognized rate. Variable (and floating) rate instruments are subject to the same risks as fixed income investments, particularly interest rate risk and credit risk. Due to a lack of secondary market activity for certain variable and floating rate instruments, these securities may be more difficult to sell if an issuer defaults on its financial obligation or when a portfolio is not entitled to exercise its demand rights.
- *“When-Issued” Securities:* The price and yield of securities purchased on a “when-issued” basis is fixed on the date of the commitment but payment and delivery are scheduled for a future date. Consequently, these securities present a risk of loss if the other party to a “when-issued” transaction fails to deliver or pay for the security. In addition, purchasing securities on a “when- issued” basis can involve a risk that the yields available in the market on the settlement date may actually be higher (or lower) than those obtained in the transaction itself and, as a result, the “when-issued” security may have a lesser (or greater) value at the time of settlement than a portfolio’s payment obligation with respect to that security.

**Item 7: Client Information Provided to Portfolio Managers**

HSI will share client's Statement of Investment Selection with AMUS and affiliates for the SMA and UMA program.

**Item 8: Client Contact with Portfolio Managers**

Upon reasonable request, HSI through its relationship with AMUS, will make available the appropriate AMUS personnel or ensure a representative of the portfolio manager is made available to the client on an ongoing basis for consultation concerning the management of the client's account in the MPA program.

## Item 9: Additional Information

### A. 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).

In February 2016, HSBC Finance Corporation, HSBC Bank USA, HSBC Mortgage Services Inc. and HSBC North America Holdings entered into an agreement with the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, the Consumer Financial Protection Bureau, other federal agencies ("federal parties") and the state Attorneys General of 49 states and the District of Columbia ("state parties") to resolve civil claims related to past residential mortgage loan origination and servicing practices. The settlement is similar to prior national mortgage settlements reached with other U.S. mortgage servicers and includes the following terms: \$100 million to be allocated among participating federal and state parties, and \$370 million in consumer relief. In addition, the settlement agreement sets forth national mortgage servicing standards to which HSBC U.S. affiliates will adhere. All except \$32 million of the settlement is allocable to HSBC Finance Corporation. This matter was settled within the amount reserved.

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. (“HSI”). 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.

## **B. BROKER-DEALER REGISTRATION STATUS**

Another 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. Our Firm acts as an introducing broker for the MPA Program (and other clients and programs), using the clearing and execution facilities of our third party clearing agent, Pershing, for all securities transactions executed within a client's account, subject in all cases to best execution obligations and applicable law.

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

## **C. MATERIAL RELATIONSHIPS OR ARRANGEMENTS WITH RELATED PERSON**

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

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 is a service provider to the Managed Portfolio Account programs and other HSI programs as specified in Form ADV Part 1 and 2A. In addition, AMUS acts as the investment adviser and/or administrator to certain proprietary registered investment companies, some of which may be included as investments in the MPA Program. HSI may offer to our brokerage customers, shares of proprietary 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.

HSBC's Investment Banking Group sponsors or syndicates limited partnerships. However these are not offered through the Firm's investment advisory business or to our clients. HSI's investment banking division provides investment banking services to the HSBC Groups major corporate clients, to the extent permitted under applicable law, HSI may receive indirect compensation from and with respect to client investments in an IPO if HSBC is a member of the underwriting syndicate from which a security is purchased.

The funds made available through the MPA Program include both third party funds and funds advised by AMUS, its affiliates and unaffiliated subadvisors. Clients may elect to have their idle cash balances swept into money market funds including funds that are managed by AMUS, and for which they receive advisory fees. Clients may pay these fees as well as their Program fee as permissible by law. AMUS' role is referenced in the investment advisory agreement for the MPA Program.

For the MPA Program, AMUS has fee-sharing arrangements in place with HSI. Fees paid by HSI to

AMUS for services rendered are based on assets invested in the MPA products and the size of the applicable MPA. The fees work on a tiering basis whereby once individual accounts exceed set limits the additional monies are charged at increasing lower rates reflecting the tiering of fees charged to clients.

For the MPA Program, HSI at its discretion delegate all or a portion of its responsibilities as an Overlay Manager to an affiliate in exchange for compensation. In addition, HSI may at its discretion engage an unaffiliated Overlay Manager upon 30 days written notice to the Client. Any affiliated or unaffiliated Third Party who acts as Overlay Manager (a "Third Party Overlay Manager") shall be entitled to receive benefits to which HSI, as Overlay Manager, is entitled.

### **Conflicts of Interest**

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

The principal business of our Firm is that of a full service broker-dealer. Clients who have MPA program accounts may also be clients of the broker-dealer. Therefore, clients may have similar securities in their commission based brokerage accounts as they would have in the MPA account as which HSI serves as the sponsor.

HSI is also a registered broker-dealer and may execute trades for clients in the MPA Program through Pershing. HSI recommends to its clients shares in 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.

As a registered investment adviser, we provide investment advisory and brokerage advice outside of the Spectrum and MPA Program. As a registered broker-dealer with the Financial Industry Regulatory Authority ("FINRA"), HSI sells securities for a commission outside of the Programs and may receive 12b-1 (distribution) and/or shareholder servicing fees from the sale of mutual funds in the Programs. Clients should be aware that HSI's practice of accepting such fees could be viewed as a conflict of interest. IARs are not compensated based on commissions or fees for the Spectrum and MPA, program or otherwise; they are not on a commission-based compensation plan, but are compensated based upon an annual salary plus the opportunity for discretionary bonuses.

In addition, IARs of HSI may be located in branches of HSBC Bank USA N.A. ("HBUS"), and clients of HBUS 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 USA N.A is a national bank organized and existing under the laws of the United States and a member of the Federal Reserve. HSBC Bank USA N.A., 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 USA N.A. 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.

HSI, member NYSE, FINRA, SIPC is a sub-distributor of the HSBC Funds. AMUS uses the services of HSBC Securities (USA) Inc. to facilitate the distribution of HSBC Funds. Affiliates of AMUS receive fees for providing various services to the funds.

Certain employees of AMUS and HSBC Bank USA, N.A. are registered representatives of HSI and may hold FINRA and state securities registration. HSI maintains supervision of such persons.

**Gifts, Gratuities, Entertainment and Non-Monetary Compensation:** From time to time, HSI or its employees may, as is generally consistent with customary industry practice and in accordance with HSI's policies and procedures, receive nonmonetary compensation (other than cash or cash equivalents), such as promotional items (e.g., coffee mugs, calendars or gift baskets), meals and access to certain industry related conferences, from individuals or institutions with whom they transact business or with whom they may engage in business dealings on behalf of clients. In addition, gifts, meals and entertainment provided by HSI to third parties may generate a conflict of interest to the extent they create an incentive for the recipient or beneficiary to use, recommend, offer or include products or services of HSI. The giving and receipt of gifts and other benefits are subject to limitations under internal HSI policies and procedures.

**Product Provider Payments and Conferences:** From time to time, HSBC (and its affiliates) does receive marketing and training support payments, conference subsidies, and other types of financial compensation and incentives from mutual fund companies and other product providers, broker-dealers and other vendors to support the sale of their products and services to our clients, including our ERISA plan clients. For a list of those vendors please consult your HSBC Securities Registered Representative or Customer Service at 800-662-3343. Note that the level of vendor support or other payments is not dependent on or related to the level of assets invested in or with the products or services of the particular vendor, but the receipt of these payments presents HSI with a conflict of interest in recommending these parties' services and products to clients. HSI deals with that conflict through disclosure in this brochure.

For MPA, securities execution and related brokerage services will generally be provided by HSI using the clearing and execution facilities of the Custodian Pershing, LLC as detailed above.

General securities accounts for our brokerage customers are maintained and custodied by Pershing, LLC.

For MPA, each portfolio manager has the discretion to select broker-dealers to execute trades for MPA and is responsible for executing MPA trades in a manner consistent with its obligation to obtain best execution, and clients are encouraged to review each portfolio manager's Firm Brochure regarding its brokerage practices.

## **D. CODE OF ETHICS AND PERSONAL TRADING**

HSI has adopted a Code of Ethics and Staff Dealing Policies and Procedures that governs employee personal securities transactions ("Code of Ethics"), designates access persons, protects material nonpublic 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 of Ethics 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.

Employees of HSI, or its advisory affiliates, may hold the same or similar securities in their personal accounts, as clients may hold in their own portfolios, and from time to time may recommend such securities for purchase or sale in clients' portfolios in the normal course of business. HSI has established informational barriers and has adopted various policies and safeguards in order to address conflicts of interest that may arise from such activities.

## **E. REVIEW OF ACCOUNTS**

The Custodian (or a designee) may provide each client with monthly, but in any event no less frequently than quarterly, account statements detailing the activity within the client's account. The statements will be based both on activity provided by the Custodian.

HSI through its agreement with AMUS will monitor the relevant data on performance of each Portfolio Manager, Model Manager or Fund. The asset allocation models and third party investment managers will be reviewed by AMUS on a periodic basis. The review will focus on several factors, including the following:

- i. confirm that the models are being managed in accordance with their investment objectives and mandates; and
- ii. confirm that the performance information of the investment managers is in line with expectation based on stated investment objective.

Annual account reviews may be conducted (in person, if possible) by a client's IAR in order to determine if the client's profile remains current and accurate and that the performance of the account is consistent with the recommended asset allocation model. An account review may also follow a change in client's investment profile, a change in the securities market or a change in other economic

conditions.

The monthly or quarterly statements provided by the Custodian (or a designee) detailing current holdings and account activity are in addition to the quarterly performance reports provided for the client's account.

AMUS oversees the asset allocation models used in MPA. AMUS is the service provider and provides the subject matter expertise and resources to support for the MPA program. HSBC Securities is the sponsor of MPA Program. AMUS collaborates with various HSBC Global Asset Management teams to develop Strategic Asset Allocations ("SAA") subject to local constraints (e.g., asset classes and risk tolerance bands) and Tactical Asset Allocation ("TAA") views based on both global and local inputs. AMUS considers a number of factors when determining whether to recommend to HSI a change in the target asset allocation, including macroeconomic analyses, market trends, valuation of asset classes and outlook for asset classes, . This means that HSBC Securities, at its discretion, may change the target asset allocation periodically based upon the advice provided by AMUS.

AMUS chooses underlying vehicles (mutual funds, separate accounts, ETFs and ETNs) for inclusion within the MPA program, using a process involving quantitative and qualitative factors to determine how well the underlying vehicle represents its asset class. The underlying vehicles may include U.S. and foreign equity securities (including emerging market securities), investment grade, lower quality corporate and governmental fixed income securities. The underlying vehicles also may invest in financial instruments such as swaps and other derivatives to gain exposure to a particular group of securities, an index or an asset class (such as commodities), or to hedge a position.

## **F. CLIENT REFERRALS AND OTHER COMPENSATION**

HSI does not pay referral fees (non-commission based) or use independent solicitors for the referral of their clients to our Firm.

## **G. FINANCIAL INFORMATION**

HSI does not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore we have not included a balance sheet for our most recent fiscal year. There are no financial commitments 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.

## **H. ADDITIONAL INFORMATION**

### **Assets under Management**

Effective October 2015, HSBC Global Asset Management (USA) Inc., ("AMUS") transferred responsibility for the management of the HSBC Managed Portfolio Account Program ("MPA Program") to HSI.

As of December 31, 2015 the assets under management in the program are as follows:

The MPA Separately Managed Account Program has approximately 167 million dollars in non-discretionary assets under management, although HSI has discretion over the program management.

The MPA UMA Account Program has approximately 99 million dollars in discretionary assets under management.

**HSBC Securities (USA) Inc.  
Form ADV Part 2B  
Brochure Supplement**

452 Fifth Avenue  
New York, NY 10018  
Telephone: (800) 662-3343

Website [WWW.US.HSBC.COM](http://WWW.US.HSBC.COM)

**March 2016**

This Brochure Supplement provides information about the following persons that supplements the HSBC Securities (USA) Inc. Form ADV Part 2A and Appendix 1 Brochure. 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 the supervised person(s) listed with an asterisk (\*) below is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or may be found on the Financial Industry Regulatory Authority (FINRA) website [www.finra.org/brokercheck](http://www.finra.org/brokercheck)

Daniel Anniello\*  
Thomas Kleps\*  
Jeffrey Kraebel\*

Michael Leadam\*  
Kevin Mullaney\*  
Thierry Roland\*

This Brochure Supplement provides information about the following supervised persons:

- (i) Any supervised person who formulates investment advice for a client and has direct client contact; and
- (ii) Any supervised person who has discretionary authority over a client's assets, even if the supervised person has no direct client contact. See SEC rule 204-3(b)(2) and similar state rules.

Note: No supplement is required for a supervised person who has no direct client contact and has discretionary authority over a client's assets only as part of a team. In addition, if discretionary advice is provided by a team comprised of more than five supervised persons, brochure supplements need only be provided for the five supervised persons with the most significant responsibility for the day-to-day discretionary advice provided to the client.

**Daniel Anniello**

**Item 2: Education, Background and Business Experience**

Daniel Anniello serves as Senior Vice President of Global Wealth Development for HSBC Securities (USA) Inc. since 2013.

Daniel Anniello served as Head of Retail Distribution for HSBC Global Asset Management (USA) Inc. from July 2010 to August 2013.

Mr. Anniello holds a Bachelor's Degree in General Business from Pace University.

Mr. Anniello was born in 1971.

**Item 3: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. There is no information about Mr. Anniello that is applicable to this item.

**Item 4: Other Business Activities**

Mr. Anniello is not engaged in any investment-related business or occupation other than his duties at HSBC Securities (USA) Inc.

**Item 5: Additional Compensation**

Mr. Anniello does not receive additional compensation for advisory services outside of HSBC Securities (USA) Inc.

**Item 6: Supervision**

Andrew Ireland, Managing Director and Head of Wealth Management, HSBC Securities (USA) Inc., is responsible for and has supervisory oversight of Mr. Anniello. Mr. Ireland can be contacted at 212-525-5000.

Additionally, HSBC Securities (USA) Inc. has implemented written policies and procedures to monitor the advisory activities of the firm and its supervised persons. All associated persons are required to adhere to these policies and procedures to help ensure adherence to applicable federal and state securities laws. HSBC Securities (USA) Inc.'s Compliance Department has created various internal controls to track each policy and confirm the procedures are followed. HSBC Securities (USA) Inc. has also adopted a code of ethics and related supervisory controls that governs all covered persons.

**Thomas Kleps**

**Item 2: Education, Background and Business Experience**

Thomas Kleps currently serves as the National Sales Director for HSBC Securities (USA) Inc. since December 2009. Mr. Kleps was hired as the Update New York Sales Director in December 2006.

Thomas Kleps served as a Registered Representative for Chase Investment Services Corp. from August 1996 to December 2006.

Mr. Kleps holds a Bachelor of Science Degree from the Rochester Institute of Technology and an Associates of Arts and Science from Alfred State College.

Mr. Kleps was born in 1962.

**Item 3: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. There is no information about Mr. Kleps that is applicable to this item.

**Item 4: Other Business Activities**

Mr. Kleps is not engaged in any investment-related business or occupation other than his duties at HSBC Securities (USA) Inc.

**Item 5: Additional Compensation**

Mr. Kleps does not receive additional compensation for advisory services outside of HSBC Securities (USA) Inc.

**Item 6: Supervision**

Andrew Ireland, Managing Director and Head of Wealth Management, HSBC Securities (USA) Inc., is responsible for and has supervisory oversight of Mr. Kleps. Mr. Ireland can be contacted at 212-525-5000.

Additionally, HSBC Securities (USA) Inc. has implemented written policies and procedures to monitor the advisory activities of the firm and its supervised persons. All associated persons are required to adhere to these policies and procedures to help ensure adherence to applicable federal and state securities laws. HSBC Securities (USA) Inc.'s Compliance Department has created various internal controls to track each policy and confirm the procedures are followed. HSBC Securities (USA) Inc. has also adopted a code of ethics and related supervisory controls that governs all covered persons.



**Jeffrey Kraebel**

**Item 2: Education, Background and Business Experience**

Jeffrey Kraebel is a Senior Vice President and Head of Products and Services for HSBC Securities (USA) Inc. since 2012.

He has served as Chief Administration Officer for HSBC Securities (USA) Inc. from July 2009 to November 2012. He also served as a Sales Director for HSBC Securities (USA) Inc. from December 2007 to May 2009. Mr. Kraebel served as a Regional Sales Manager for HSBC Securities (USA) Inc. from February 2005 to December 2007.

Mr. Kraebel previously held various management roles including Divisional Manager for The Dreyfus Corporation from 1989 to 2005.

Mr. Kraebel holds a Bachelor of Science in Business Administration from Monmouth College.

Mr. Kraebel was born in 1965

**Item 3: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. There is no information about Mr. Kraebel that is applicable to this item.

**Item 4: Other Business Activities**

Mr. Kraebel is not engaged in any investment-related business or occupation other than his duties at HSBC Securities (USA) Inc.

**Item 5: Additional Compensation**

Mr. Kraebel does not receive additional compensation for advisory services outside of HSBC Securities (USA) Inc.

**Item 6: Supervision**

Andrew Ireland, Managing Director and Head of Wealth Management, HSBC Securities (USA) Inc., is responsible for and has supervisory oversight of Mr. Kraebel. Mr. Ireland can be contacted at 212-525-5000.

Additionally, HSBC Securities (USA) Inc. has implemented written policies and procedures to monitor the advisory activities of the firm and its supervised persons. All associated persons are required to adhere to these policies and procedures to help ensure adherence to applicable federal and state securities laws. HSBC Securities (USA) Inc.'s Compliance Department has created various internal controls to track each policy and confirm the procedures are followed. HSBC Securities (USA) Inc. has also adopted a code of ethics and related supervisory controls that governs all covered persons.

**J. Michael Leadam**

**Item 2: Education, Background and Business Experience**

J. Michael Leadam serves as Senior Vice President of National Middle Office for HSBC Securities (USA) Inc. since April 2008.

Mr. Leadam previously served as Vice President, Director of Operations for Chase Investment Services Corp. from September 1996 to April 2008. Mr. Leadam also served as Vice President, Director of Operations for Chemical Investment Services Corp. from September 1993 to September 1996.

Mr. Leadam holds an Associate of Science Degree in Data Processing from Moorpark College, a Bachelor of Science Degree in Accounting from the University of LaVerne and a Masters in Business Administration from Pepperdine University.

Mr. Leadam was born in 1952.

**Item 3: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. There is no information about Mr. Leadam that is applicable to this item.

**Item 4: Other Business Activities**

Mr. Leadam is not engaged in any investment-related business or occupation other than his duties at HSBC Securities (USA) Inc.

**Item 5: Additional Compensation**

Mr. Leadam does not receive additional compensation for advisory services outside of HSBC Securities (USA) Inc.

**Item 6: Supervision**

Andrew Ireland, Managing Director and Head of Wealth Management, HSBC Securities (USA) Inc., is responsible for and has supervisory oversight of Mr. Leadam. Mr. Ireland can be contacted at 212-525-5000.

Additionally, HSBC Securities (USA) Inc. has implemented written policies and procedures to monitor the advisory activities of the firm and its supervised persons. All associated persons are required to adhere to these policies and procedures to help ensure adherence to applicable federal and state securities laws. HSBC Securities (USA) Inc.'s Compliance Department has created various internal controls to track each policy and confirm the procedures are followed. HSBC Securities (USA) Inc. has also adopted a code of ethics and related supervisory controls that governs all covered persons.

**Kevin Mullaney**

**Item 2: Education, Background and Business Experience**

Kevin Mullaney serves as Senior Manager Business Development for HSBC Securities (USA) Inc. Mr. Mullaney joined HSBC Securities (USA) Inc. in 2005.

Mr. Mullaney previously worked as a Registered Representative for Quick & Reilly, Inc. between September 1995 and October 2004.

Mr. Mullaney holds a Bachelor of Science Degree in Finance from Providence College.

Mr. Mullaney was born in 1969.

**Item 3: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. There is no information about Mr. Mullaney that is applicable to this item.

**Item 4: Other Business Activities**

Mr. Mullaney is not engaged in any investment-related business or occupation other than his duties at HSBC Securities (USA) Inc.

**Item 5: Additional Compensation**

Mr. Mullaney does not receive additional compensation for advisory services outside of HSBC Securities (USA) Inc.

**Item 6: Supervision**

Jeffrey Kraebel, Senior Vice President and Head of Wealth Products, is responsible for and has supervisory oversight of Mr. Mullaney. Mr. Kraebel can be contacted at 212-525-5000.

Additionally, HSBC Securities (USA) Inc. has implemented written policies and procedures to monitor the advisory activities of the firm and its supervised persons. All associated persons are required to adhere to these policies and procedures to help ensure adherence to applicable federal and state securities laws. HSBC Securities (USA) Inc.'s Compliance Department has created various internal controls to track each policy and confirm the procedures are followed. HSBC Securities (USA) Inc. has also adopted a code of ethics and related supervisory controls that governs all covered persons.

## **Thierry Roland**

### **Item 2: Education, Background and Business Experience**

Thierry Roland, born in 1965, holds an MSc degree in Engineering from Ecole Centrale, Paris France and a Masters in Business Administration in Finance from Paris-Dauphine University.

As of September 1, 2015, Mr. Roland was Chairman of the Board, CEO, and President of HSBC Securities (USA) Inc. ("HSI"). In respect to HSBC Capital (USA) Inc. ("HCUS"), Mr. Roland was appointed Chairman of the Board, CEO, and President in April 2015. Mr. Roland also serves in the role of Group General Manager and Chief Executive Officer of Global Banking & Markets, Americas, a principal business line of HSBC Holdings plc. Mr. Roland is based in New York City.

Previous to his current role, Mr. Roland was Group Treasurer of HSBC Holdings plc. from January 2010 to April 2015. He has worked for HSBC and Crédit Commercial de France (which HSBC acquired in 2000) since 1988. He has held positions in Tokyo, Paris and London, undertaking various roles in Global Markets and Treasury.

In 2006, Mr. Roland was appointed Treasurer of HSBC Bank USA, N.A., New York and Head of Balance Sheet Management for the Americas. He served as Chief Executive Officer for HSBC Securities in 2007 and 2008 before relocating to London to become Global Head of Balance Sheet Management.

### **Item 3: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. There is no information about Thierry Roland that is applicable to this item.

### **Item 4: Other Business Activities**

Mr. Roland is not engaged in any investment-related business or occupation other than his duties at HSBC Securities (USA) Inc.

### **Item 5: Additional Compensation**

Mr. Roland does not receive additional compensation for advisory services outside of HSBC Securities (USA) Inc.

### **Item 6: Supervision**

Patrick J. Burke, Chairman of the Board, President and CEO of HSBC USA Inc. is responsible for and has supervisory oversight of Mr. Roland. Mr. Burke can be contacted at 212-525-5000. Mr. Roland also reports to the Board of HSBC Securities (USA) Inc. in his capacity as an officer of HSBC Securities (USA) Inc.

Additionally, HSBC Securities (USA) Inc. has implemented written policies and procedures to monitor

the advisory activities of the firm and its supervised persons. All associated persons are required to adhere to these policies and procedures to help ensure adherence to applicable federal and state securities laws. HSBC Securities (USA) Inc.'s Compliance Department has created various internal controls to track each policy and confirm the procedures are followed. HSBC Securities (USA) Inc. has also adopted a code of ethics and related supervisory controls that governs all covered persons.