



Form ADV Part 2A – Appendix 1

## HSBC WEALTH TRACK PROGRAM BROCHURE

### HSBC Securities (USA) Inc.

452 Fifth Avenue, New York, NY 10018  
Tel: 212-525-5000

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

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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 HSBC Wealth Track Program (“Wealth Track”) or (“The Program”) that should be considered before investing. If you have any questions about the contents of this brochure, please direct your written inquiry to the address listed above, or call the Wealth Services Desk at (888) 809-3802. 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:

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

**Brochure**

There are no material changes in this version of the brochure for the Wealth Track Program, which upon launch, will be available exclusively online at the [www.us.hsbc.com/wealthtrack](http://www.us.hsbc.com/wealthtrack) website. Future material changes will be updated in this section. This brochure will be referred to as the Wealth Track Brochure (“Brochure”).

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

HSBC Securities (USA) Inc. (“HSI”, “HSBC Securities” or “the Firm” or “We”) has been in business as an investment adviser registered with the U.S. Securities and 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 also offers a limited range of proprietary investment advisory solutions available to meet certain client’s particular circumstances. Aside from Wealth Track, HSI offers other proprietary managed account or wrap fee programs, known as the HSBC Spectrum and Managed Portfolio Account Programs “MPA”, its investment advisory offerings, which include the services of a dedicated Premier Advisor. These two programs differ from Wealth Track in that they make available the services of an Investment Advisor Representative who are available to discuss updates in the clients’ financial situation and handle account updates and changes. The disclosures for these offerings are covered in a separate Form ADV Part 2A and Appendix 1. These documents can be found under the following website <https://www.us.hsbc.com/1/2/home/invest-retire/investments/asset-allocation-solutions>. HSI does not offer any non-proprietary or third party advisory products.

This Wealth Track Brochure is meant to help you understand the nature of the advisory services offered by the Wealth Track Program, whether the advisory service offered by HSI is right for you, and the potential conflicts of interest associated with your participation in the Wealth Track Program. You should review it carefully.

HSI manages the Wealth Track web based program as a retail service, whereby individuals receive online advisory services. A wrap fee program is a common alternative to a typical advisory fee structure that provides clients with advisory and brokerage services for one all-inclusive bundled fee with no additional account activity charges. As such, HSI charges clients (defined below) a single bundled fee that covers the investment advisory services it provides, as well as the brokerage and custodial services provided by its affiliated broker-dealer, HSI. Please see Item 9 for additional information on brokerage considerations.

Individuals, collectively referred to in this brochure as “clients”, can open retirement or non-retirement accounts under this program. The Wealth Track Program is distinct as it is offered only online, available through the HSBC Securities website [www.us.hsbc.com/wealthtrack](http://www.us.hsbc.com/wealthtrack). This online investment advisory service is different in structure, availability and fees charged than the Firm’s other investment advisory programs, MPA and Spectrum.

To participate in the Program, a client must agree to accept electronic delivery of all contracts, disclosure documents, prospectuses, account statements, confirmations, performance reporting and other materials, which may be downloaded. Customer support is available by telephone through the Wealth Services Desk at 888-809-3802 and online FAQs at [www.us.hsbc.com/wealthtrack](http://www.us.hsbc.com/wealthtrack). Accounts can be opened with the following registration types: Individual and Joint accounts. Traditional IRAs and Roth IRAs are also available. This Program is not available for other accounts subject to ERISA. The program is intended for U.S. citizens and residents and is not intended for Non Resident Aliens or for clients living abroad. Clients must ensure proper

due diligence is conducted to determine if they are legal U.S. citizen or residents. Additionally if a client moves to a foreign country of residence, the account will closed upon written notice from the firm.

Information on the Program is available under the following website [www.us.hsbc.com/wealthtrack](http://www.us.hsbc.com/wealthtrack) but not at HSBC retail locations.

## Services

HSI offers the Wealth Track Program to its clients, and aside from sponsorship, is responsible for client contact and communications, investment advice, suitability, account opening services (not limited to Know Your Client and Anti-Money Laundering reviews) and relationship management. The Firm is also responsible for trading, trade servicing, account maintenance, client service, custody of the Wealth Track Program client assets and overall operational support for the Firm's investment advisory products. For additional information on custody, please see Item 9.

HSI also provides certain ongoing client services that include the following:

1. Periodic portfolio review
2. Handling subsequent transactions (additional investments and redemptions).
3. Responding to client inquiries about their accounts and issues pertaining to their accounts.
4. Client may call the Wealth Services Desk for service related inquiries.

Pursuant to an intercompany agreement, HSBC Global Asset Management (USA) Inc. provides HSBC Securities, among other services, (i) advice as to proposed asset allocations, (ii) advice in respect of funds made available through the Program and (iii) various types of operational support. In consideration of such services, HSBC Global Asset Management (USA) Inc., receives a portion of the fees payable under this agreement.

HSI, through the Managed Account Oversight Committee ("Committee"), oversees the services outlined in the agreement with HSI's affiliate, HSBC Global Asset Management ("USA") Inc. "AMUS". The Committee is chaired by HSI and consists of members who are employees 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. **Please see Item 9 for additional information on HSI's relationship with HSBC Global Asset Management (USA) Inc.**

HSI monitors portfolios on a continuous and ongoing basis. Such reviews are generally conducted through the Firm's technology solution, under the supervision of the firm's Wealth Product Team.

HSI will contact clients electronically via email on an annual or more frequent basis to remind them to update any information they would like to change. Clients can update their financial information via the Wealth Track portal at [www.us.hsbc.com/wealthtrack](http://www.us.hsbc.com/wealthtrack). Clients can also request or modify a reasonable restriction on their account by contacting the HSBC Securities Wealth Services Desk at 888-809-3802 between the hours of 8 AM and 6 PM Eastern Standard Time.

**Investor Profile**

Clients will complete an online questionnaire and HSBC New Account Form that is 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. Based upon an analysis of the client's investment goals, risk preferences and financial needs, provided, HSBC Securities shall generate a recommended allocation for investment that includes various asset classes.

The recommended target asset allocation will be invested in open-end or closed-end investment company mutual fund or an ETF (each "fund") that has investment objectives and policies corresponding to such asset classes. Some of the funds will be managed or advised by an affiliate of HSBC Securities, in which case, such affiliate will receive, compensation from such funds. The only money market fund option available in the Wealth Track Program (other than potentially tax-free money market funds) will be a money market fund for which HSBC Global Asset Management (USA) Inc. is the Adviser and receives compensation related to investment advisory and other services.

**Updates to the Client Profile**

Clients are responsible for promptly completing an updated electronic profile 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.

Modifications to the investment allocation within an Account may be made to reflect changes, communicated by the client, which would include but are not limited to investment goals or financial circumstances (in which case, a prompt review of the Account will be undertaken). The modifications can be made by changing portfolios. Client can choose a new portfolio, however client will have to acknowledge that the update to portfolio will impact their risk tolerance profile.

HSBC Securities is authorized to reallocate assets at any time (including an allocation into a new asset class), without consulting the client for any reason it deems appropriate, including, without limitation, to respond to general market or macro-economic circumstances, or to rebalance the investments periodically to restore the original allocation percentages. HSBC Securities has the discretion to make changes to the funds held in the account at any time for any reason.

**Investment Management**

For the HSBC Wealth Track Program, HSBC Securities is the sponsor, investment adviser and broker/dealer, and is authorized in its discretion to manage the assets in accordance with selected asset allocations and investment strategies in an account to be opened in the name indicated in the client Agreement (the "Account") and to buy, sell, exchange or otherwise trade securities or other investments held or deposited in the Account. HSBC Securities may utilize the services of third parties including

affiliates for administrative and operational support in performing its obligations under this Agreement. The investments will normally include shares of funds managed by third parties. Currently, the only money market fund option available is a proprietary money market fund for which HSI's affiliate, HSBC Global Asset Management (USA) Inc., receives compensation for investment advisory and other services.

Based upon an analysis of a client's investment goals, risk preferences and financial needs, HSBC Securities shall generate (or cause to be generated) a recommended allocation of a client's assets for investment that includes various asset classes. Within each asset class, the investment options available in the Program include open-end or closed-end investment companies (or mutual funds), money market funds or exchange traded funds ("ETF") (each a "fund"), that has investment objectives and policies corresponding to such asset class.

Assets will not be invested in funds that impose front-end, contingent, or installment sales charges. For these purposes, the term "sales charges" does not include (a) underwriters' compensation for offerings of closed-end funds, or (b) fees payable by a fund or its distributor, including shareholding servicing fees and fees payable pursuant to Rule 12b-1 under the Investment Company Act of 1940, and HSBC Securities and its affiliates are expressly authorized to accept those fees, where permitted by law.

HSBC Securities may modify the recommended asset allocation as deemed necessary or appropriate, based upon an assessment of a client's individual goals, preferences and instructions, as well as general market and macro-economic conditions. Such modifications may include the introduction of new asset classes of funds, including but not be limited to alternative investments, private equity and commodities. HSBC Securities may modify the investment allocation within a client account to reflect changes in client's investment goals or financial circumstances that are communicated (in which case, a prompt review of the Account will be undertaken).

HSBC Securities is authorized to reallocate assets at any time (including an allocation into a new asset class), without consulting with the client for any reason it deems appropriate, including, without limitation, to respond to general market or macro-economic circumstances, or to rebalance the investments periodically to restore the original allocation percentages.

From time to time, certain of the funds in which the program invests may adopt policies and procedures that, although designed to prevent market timing, may delay (or even prevent) a purchase of such funds for your Account. HSBC Securities may be delayed in purchasing shares for an Account if a client sold shares of the same fund from the Account as a result of, for example, rebalancing the Account within a prescribed period of time before the proposed fund purchase date. Information about market timing policies and procedures, if applicable, can be found in each fund's prospectus.

### **Discretionary Authority**

HSBC Securities shall have the discretion to change investments at any time for any reason, including allocating a portion of a client Account to funds advised by HSBC Securities or its affiliates. In the event that HSBC Securities allocates a portion of the assets in an account to another fund, client will be provided with a copy of the prospectus for such fund. From time to time, HSBC Securities may remove a fund as an investment choice within the Program, at its discretion. Clients should understand that rebalancing may trigger tax consequences as well as redemption fees charged by certain funds. Accordingly, clients should confer with

their tax advisor.

All or a portion of the Account may temporarily be held in cash. HSBC Securities will only accept or fund the Account with cash or shares of funds (or a combination thereof) acceptable to HSBC Securities.

Clients can instruct HSBC Securities in writing (a) not to invest in particular securities or types of securities, or in the securities of particular funds or types of funds for which such request will be evaluated for reasonableness. Client must understand that if HSBC Securities' investment decision making is limited in the manner described in the preceding sentence, the performance of his/her Account may not be the same as if limitations were not imposed.

All restrictions requested by a client are subject to review and approval prior to implementation. If a restriction cannot be applied, client will be contacted and provided alternatives.

In making investment decisions for a client's account, HSBC Securities will rely on the information in the online Client Profile. Client should inform HSBC Securities via the Program website of any material change in his or her personal or financial circumstances or objectives that might affect the manner in which assets should be invested. HSBC Securities shall not be responsible for not considering any client's personal or financial circumstances of which it has not received written information, either at the initiation of the Account or at any time subsequent thereto.

### **Special Considerations**

The types of funds in which a Client's account assets may be invested include money market funds, fixed income or bond funds, large cap equity funds, mid cap equity funds, small cap equity funds, international equity funds, emerging market funds, real estate funds, alternative investment funds, private equity funds, commodity funds and funds investing in any other asset class that HSBC Securities deems appropriate.

Client must understand the Wealth Track Program is not meant to be a complete investment program, and only mutual funds, money market funds and ETFs will be available in the Program. The Program does not use other investment products with similar or different characteristics as mutual funds and ETFs, and those other investment products may perform better or worse than those used. HSBC Securities will base its suitability decisions on the limited amount of information provided through the online Client Questionnaire, and HSBC might make other decisions for the account if the client otherwise had a face-to-face relationship with an HSBC Securities Advisor through another type of account program. It is reiterated that the Wealth Track Program does not provide clients with access to a HSBC Securities Advisor.

### **Trading Authorization**

HSBC Securities has complete discretion in the investment and reinvestment of Account assets, in accordance with the selected investment strategy. Client through the investment advisory agreement, authorizes HSBC Securities to cause the purchase and sale of securities and other assets for the Account and to act for the client in all matters necessary or incidental to those purchases or sales. This authorization is a continuing one and shall remain in full force and effect until terminated by the client in writing received by HSBC Securities, or on 30 (thirty) days written notice by HSBC Securities to the Client. Any assignee or successor of HSBC Securities can use this authorization and it shall be binding on the client's heirs, executors and assignees.



HSBC Securities and its affiliates perform, among other things, research, brokerage and investment advisory services for clients other than those participating in the Service. HSBC Securities and its affiliates may give advice and take action in the performance of their duties to other clients, which may differ from advice given, or the timing and nature of action taken, for the Account.

### **Best Execution and Brokerage Services**

Through Pershing LLC (“Pershing”), HSBC Securities effects all execution services in connection with the purchase or sale of securities and other investments for the Wealth Track Program accounts. HSBC Securities may aggregate transactions in securities in or for the Wealth Track Program accounts, other than shares of open-end investment companies, for execution with transactions of its other clients and HSBC Securities will allocate trades among all clients in a manner that HSBC Securities believes to be fair and equitable.

Client authorizes HSBC Securities, member of NYSE/FINRA/SIPC, a registered Futures Commission Merchant, a wholly-owned subsidiary of HSBC Markets (USA) Inc. and an indirectly wholly-owned subsidiary of HSBC Holdings plc, or another broker/ dealer, which may also be an affiliate of HSBC Securities, at its discretion, to effect all transactions in securities for the Account.

HSBC Securities will act as introducing broker in the Program, generally using the executing and clearing facilities of its third party clearing broker, Pershing LLC (“Pershing”) in respect of all securities transactions executed within an Account. HSBC Securities or one of its affiliates or Pershing may act as agent for both the buyer and seller in securities and other investment transactions when appropriate and permitted by law. HSBC Securities will not execute a trade when it believes such execution would be inconsistent with the principles of best execution or would violate applicable State or Federal law or regulations, or regulations of any self-regulatory body of which HSBC Securities or one of its affiliates is a member, as the case may be.

Brokerage commissions and related transaction fees (other than brokerage commissions and fees paid by a fund in which the Account is invested) are included in the Program Fees; although it is expected that no commissions will be charged on purchases for an Account of open-end funds managed or advised by an affiliate of HSBC Securities or third parties. Unless otherwise agreed, clients should understand that all purchases of securities will be processed the day after monies are deposited into the Account, subject to their obligation to meet the account minimums described in this agreement.

### **Termination**

The Client Agreement may be terminated at will upon written notice by either HSBC Securities or the client and termination under normal conditions will become effective upon receipt of that notice by HSBC Securities, and thirty days after receipt of that notice by the client from HSBC Securities.

Furthermore the extent that the client is also a customer of HSBC Bank, HSBC Bank has the discretion to remove the account from management based on certain circumstances, at any time in accordance with bank policy and regulation.

In addition, in the event a client’s account is not fully funded within 120 (One hundred and twenty) days from the day the Agreement is signed, the client Account may be closed without notice. Any termination will not, however, affect liabilities or obligations of the parties incurred, or arising from transactions initiated under this Agreement prior to the effectiveness of such termination.

The Client Agreement will not terminate upon the client's death, disability or incompetency. In such event, client's executor, guardian, attorney-in-fact or other authorized representative may terminate this Agreement by giving written notice to HSBC Securities, which notice shall be effective upon receipt. HSBC Securities reserves the right to refuse to accept or renew this Agreement in its sole discretion and for any reason or no reason.

**Fees**

Unless otherwise agreed in writing by HSBC Securities and the client, the client will pay compensation hereunder for investment advisory, custody, brokerage and other services on a quarterly basis in arrears at the rate(s) indicated below (the "Program Fee"). The Program Fee may be payable in advance (as opposed to arrears). The Program Fee will follow the standard fee schedule described and summarized below. The Program Fee is subject to the exclusions described under "Exclusions from Program Fee/Additional Expenses."

The dollar amount of the Program Fee is based on Account asset value, which means the sum of the market value of all securities, including money market fund balances and other credit balances in the Account. The Program Fee payable for any calendar quarter will be based upon the average daily Account asset value during the prior calendar quarter and the annual fee rate(s).

The minimum Account fee is based on a rate of 0.50% c (fifty basis points) charged quarterly in arrears. There is no other minimum fee amount.

HSBC Securities or its affiliates will receive advisory, administrative, shareholder servicing, distribution and/or other fees in connection with investments in an Affiliated Money Market Fund from such Affiliated Money Market Funds, to the extent (i) such fees are payable and (ii) the payment of such fees is permitted by applicable law.

In connection with these investments in an Affiliated Money Market Fund by a Tax-Qualified Account, HSBC Securities will offset any additional fees and compensation it (and its affiliates) receives in connection with such investments by crediting against the Program Fee an amount that is equal to such additional fees and compensation HSBC Securities (and its affiliates) receive for the applicable billing period. HSBC Securities will determine the amount and manner in which any fee offset is calculated and applied to a Tax-Qualified Account. Any offset applied against the Program Fee will be shown on the Account statement for the applicable billing period. Clients should consult with their tax advisor regarding the tax consequences of any such credits.

All fees will be charged to the Account, and clients authorize the custodian of the Account to debit the Account in payment of such fees upon receipt of an invoice from HSBC Securities or its designee and client authorizes the custodian to direct the sale of securities or other assets, as chosen by HSBC Securities in its discretion, if the Account does not have sufficient cash to cover the fees. The Program Fee will be deducted from the Account within approximately the first fifteen (15) business days following each calendar quarter end. HSBC Securities will share a portion of the Program Fee with, or otherwise compensate, its affiliates (including, without limitation, HSBC Global Asset Management and HSBC Bank USA, N.A.) or other third parties that provide custodial, distribution, shareholder, investment advisory, and other services.

The Program Fee does not include any fees or expenses paid in respect of funds in which a client may be invested, including, without limitation, advisory, administrative, redemption (if any), shareholder servicing, expenses broker/dealer services. Thus, without limiting the foregoing, fees that HSBC Securities or its affiliates may receive as investment manager, administrator or other services provider to a fund are not included in the Program Fee.

Clients can transfer existing investments to fund their Wealth Track Program account. Any securities that are transferred into the Wealth Track Program account will be liquidated. To the extent a prospective Client intends to fund an account with assets from the redemption of mutual funds, the surrender of an insurance product, early withdrawal from a certificate of deposit, or the sale of any other financial instruments, Client should consider the cost any sales charges or commissions previously paid or to be paid upon such redemption or sale of or any penalties that Client will incur in order to surrender or withdraw from, such an instrument. It may be costly or inappropriate for Client to fund the Program account in such a manner.

**Other Charges**

In addition to the Program Fee, clients may incur certain other charges imposed by third party financial institutions. These additional costs may include: reporting charges (typically where the financial institution is required to send paper statements) to clients, charges related to transfers of assets that are incurred from another financial institution within or outside of HSBC, charges imposed directly by a fund, transfer taxes, wire transfer and electronic fund fees.

**Comparison Cost of Service**

Services provided through the Program may cost clients more or less than purchasing these services separately. Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable online investment advisory programs. A wrap fee account may not be in the best interest of a client with minimal or no trading activity as compared to a non-wrap fee account or brokerage account where the client would otherwise pay trading costs as incurred but a lower fee in a non-wrap account or no advisory fee in a brokerage account. An online account has fewer services and lower fees than traditional advisory managed accounts.

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

HSI has established a minimum account size of \$10,000 for the Wealth Track Program and may waive this minimum account size at its discretion and will be subject to investment advisory standards. The Wealth Track Program is designed to assist clients, with the fulfillment of their investment objectives. The Wealth Track Program can accommodate IRA retirement accounts' initial investment of \$5,000. This Program is not available for other accounts subject to the Employee Retirement Income Securities Act of 1974, as amended ("ERISA").

**Item 6: Methods of Analysis, Investment Selection and Risk of Loss**

HSI has entered into an agreement with its affiliate, HSBC Global Asset Management (USA) Inc. (“AMUS”) to provide HSI with certain administrative services for the Wealth Track Program. The Wealth Track Program provides globally diversified investment portfolios that are personalized to a client's goal, time horizon, risk capacity, current financial assets, and earnings power. HSI does not engage in general short term market-timing, of asset classes, or sectors or individual securities. The Wealth Track Program’s primary approach is to deliver total returns by implementing strategic asset allocations, making small tactical adjustment and rebalancing periodically. A number of factors are considered when determining whether to recommend a change in the target asset allocation, including macroeconomic analyses, market trends, valuation of asset classes and outlook for asset classes. This means that HSI may change the target asset allocation periodically based upon the advice provided by AMUS.

Diversified investment vehicles, such as mutual funds and ETFs are used for fulfillment in each asset class. Third party investment vehicles used within the Wealth Track Program are those that have been approved for use by HSBC’s Global Fund Approvals and Research team (referred to as “GFAR”), as delegated via an intercompany agreement and are aligned with the asset classes offered within the Wealth Track Program’s models. Once selected, all included investment vehicles are monitored and if any are identified as showing signs of not meeting the research quality threshold, they may be removed from the Program.

In providing this service, AMUS collaborates with HSBC Global Asset Management to develop the allocation models, considering both its long-term and its short-term tactical views. Over the long-term, Strategic Asset Allocations (“SAA”) take into account long-term expectations for asset class performance subject to local constraints (e.g., appropriate asset classes and risk tolerance bands). SAAs are reviewed periodically and take into account expected long-term asset class returns, volatilities and correlations in determining recommended allocations. As such, SAAs reflect our long-term expectations for capital markets balancing expected returns with a reasonable level of volatility for the models in the Program. In the short-term, capital markets will often deviate from our expectations and present the opportunity to adjust our recommended allocations. In periodically reviewing the models, AMUS will make refinements to the asset allocation models using Tactical Asset Allocation (“TAA”) which adjusts allocations considering short-term trends and relative valuations in capital markets. As such, TAA seeks to take advantage of relative valuation opportunities that arise in the short-term and are expected to enhance portfolio performance over the long-term. In making recommendations, AMUS will source the information and tools used in its analysis from both global and local teams balancing our long-term strategic expectations with short-term tactical opportunities. This means that HSBC Securities, at its discretion, may change the asset allocation models periodically based upon the advice provided by AMUS.

Diversified investment vehicles, including mutual funds and ETFs, are used for fulfillment in each asset class. Third party investment vehicles used within the Wealth Track Program are those that have been approved for use by HSBC’s Global Fund Approvals and Research team (referred to as “GFAR”), as delegated via an intercompany agreement and are aligned with the asset classes offered within the Wealth Track Program’s models. Once selected, all included investment vehicles are monitored and if any are identified as showing signs of not meeting the research quality threshold, they may be removed from the Program.

The only AMUS proprietary investment vehicle in the Wealth Track Program is a money market fund.

## Management through Similar Managed “Model” Accounts

HSI manages accounts through the use of similarly managed “model” portfolios, whereby the Firm allocates clients’ a target asset allocation that is suitable based on the client’s risk profile. Through the automated program clients may change the horizon of their goal, which will likely result in a different portfolio asset allocation and holdings. In general, choosing a shorter horizon will result in a more conservative portfolio, and choosing a longer horizon will result in a more aggressive portfolio. HSI allows only limited adjustment because it believes its automated program creates an investment plan that is best suited for the client, based on their goals.

To participate in the Program, clients must agree to have their accounts automatically rebalanced quarterly at HSI’s discretion to the model strategy. While the Firm seeks to ensure that clients’ assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client’s individual tax ramifications. As a consequence of rebalancing, clients may incur potentially adverse tax consequences and should consult with a tax adviser.

## Risk of Loss:

Investments in securities and other markets involves risks which could include a loss of principal. Set forth below are certain material risk factors that are often associated with the investment strategies and types of investments relevant to 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 consider 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.

The 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.

There are potential risks involved in the ownership and management of securities, including shares of funds, and HSBC Securities will not be responsible for losses in the value of the Account.

- **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.

- **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.

• **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 Holdings 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.
- **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.
- **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.

- **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.
- **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.
  - *Exchange Traded Fund Risk:* An investment in ETFs involves risk, including the loss of principal. ETF shareholders are necessarily subject to the risks stemming from the



individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss. Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent net asset value ("NAV"), which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

- *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.
- *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.
- *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.
- *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.
- *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.
- *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.

**Item 7: Client Information Provided to Wealth Track**

As this is a software based advice online investment no investment advice is provided directly from portfolio managers to Clients. HSI provides advisory services for the Wealth Track Program exclusively through an interactive website. HSI will share client's Investment Proposal and or Statement of Investment Selection with AMUS (who administers asset allocation for the Program) for the management of a client's account within the Wealth Track program. To do so, HSI collects information about the client's financial circumstances, goals, time horizon and objectives through its automated interactive platform to offer an appropriate investment plan for his/her needs. Since no investment advice is provided directly from portfolio managers, clients will be reminded that they should update their information on HSI's automated platform if their financial condition changes so that they may review alternative investment advice via the platform. HSI relies upon the accuracy of the information entered by the client when proposing an investment plan. The recommended plan may not be suitable if the client has provided incorrect information or the information is out-of-date. Information regarding a client's portfolio holdings, performance, and tracking to goal will be available to clients through HSI's interactive website. Clients may contact HSI by phone or email during its business hours with questions about the service. However, to comply with its regulatory obligations, HSI's Wealth Services Desk will not elaborate or expand upon the investment advice provided by its website.

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

Clients may contact the Wealth Services Desk at 888-809-3802 by phone during our support telephone hours of 8 AM to 6 PM Eastern Standard Time. Clients will not have direct access to portfolio management in matters related to this program.

Clients can update their financial information via the Wealth Track portal at [www.us.hsbc.com/wealthtrack](http://www.us.hsbc.com/wealthtrack). Clients can also request or modify a reasonable restriction on their account by contacting the HSBC Securities Wealth Services Desk.

## Item 9: Additional Information

### A. DISCIPLINARY INFORMATION

In the past, HSI has 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).

On June 30, 2017 HSBC Securities USA Inc. ("HSI") agreed to a settlement with FINRA regarding allegations that it failed to maintain electronic brokerage records in non-erasable and non-rewritable format known as the "Write Once, Read Many: (WORM) format, that is intended to prevent the alteration or destruction of broker-dealer records stored electronically. HSI failed to retain in WORM format brokerage order memoranda records relating to approximately 12.36 million transactions in preferred exchange-traded funds, equities, and fixed income products. Other affected records included a limited number of HSI's general ledger, certain internal audit records, risk management control records, unusual activity reports and certain policy manuals. The findings also stated that HSI failed to notify FINRA at least 90 days prior to retaining a vendor to provide electronic storage. HSI is also alleged to have failed to implement an audit system regarding the inputting of records in electronic storage media. HSI is alleged to have failed to obtain an attestation from their third-party vendor. Additionally, HSI failed to establish maintain and enforce written supervisory procedures reasonably designed to achieve compliance with applicable Securities Exchange Commission Rule for record retention requirements. HSI's written supervisory procedures failed to specify how the Firm should supervise its compliance with record retention requirements under the rule.

On June 30, 2017, without admitting or denying the findings, the Firm agreed to a censure and fine of \$1,500,000. The Firm also consented to a written plan of how it will undertake a comprehensive review of the adequacy of its policies and procedures.

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.

In a regulatory action initiated on or about July 27, 2007 against HSBC Securities (USA) Inc. (“HSI”), the New York Stock Exchange Division of Enforcement instituted a Principal Sanction of Civil and Administrative Penalties and Fine of Censure and Undertaking. 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 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 (FCM), 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 Wealth Track Program 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 registered investment companies and other institutions, specifically the money market funds, some of which may be included as investments in the Program.

HSI may offer to our non-advisory (brokerage) customers, shares of investment companies to which AMUS serves as investment adviser. HSI has policies and procedures that are reasonably designed to mitigate conflicts of interests and comply with the regulatory requirements in selling securities including mutual funds.

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 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 affiliates, 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 Program.

Fees paid by HSI to AMUS for services rendered are based on assets invested in the Program.

### **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 Program accounts may also be clients of the broker-dealer. Therefore, clients may have similar securities in their commission based brokerage accounts as they do in the Program account for which HSI serves as the sponsor.

HSI is also a registered broker-dealer and may execute trades for clients in the Program through Pershing. HSI recommends to its clients shares in investment companies including money market funds some of which AMUS (an affiliate) 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 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. **All sales charge information is disclosed in the mutual fund prospectus that is provided to the client.** Clients should be aware that HSI's practice of accepting such fees could be viewed as a conflict of interest.

HSBC Money Market Funds (which are proprietary) are the only option available as a money market sweep option. HSBC Securities selects the funds in which an Account will be invested. HSBC Securities' as the distributor will receive compensation from the funds. This creates a conflict of interest for HSBC Securities.

Funds in which assets will be invested will generally include funds managed or advised by an affiliate of HSBC Securities ("HSBC Funds"), and funds for which HSBC Global Asset Management (USA) Inc. provides (for a separate fee) administrative and other services ("HSBC Serviced Funds").

To the extent that HSBC Securities selects the funds in which the Account will be invested, the receipt of such additional compensation by HSBC Securities and its affiliates could create a conflict of interest for HSBC Securities. The fee for the Service and any such additional compensation may be higher than the fees charged by other advisers for similar advisory services.

All funds incur separate annual operating expenses, including advisory fees. Clients will bear their pro rata share of each fund's fees and expenses, which are in addition to the Program fee. The advisory fees will be paid to affiliates of HSBC Securities to the extent any such entity is the investment adviser of the fund in

which client's Account is invested. Fund operating expenses are not included in the Program Fees. The payment of advisory fees and other compensation to affiliates of HSBC Securities in connection with the investment in the Wealth Track Program in a fund could create a conflict of interest for HSBC Securities in recommending that the client's account invest in HSBC Funds or HSBC Serviced Funds.

Within the Wealth Track program, no investment shall be made in funds that impose front-end, contingent, or installment sales charges. For these purposes, the term "sales charges" does not include (a) underwriters' compensation for offerings of closed-end funds, or (b) fees payable by a fund or its distributor, including shareholding servicing fees and fees payable under a plan adopted pursuant to Rule 12b-1 under the Investment Company Act of 1940, and HSBC Securities and its affiliates are expressly authorized to accept those fees where permitted by law.

Clients participating in this program will not have an Investment Adviser Representative servicing the account. Further information about other product offerings involving the services of Investment Adviser Representative and the way they are compensated is available in the HSI Form ADV Part 2A which is available on request.

Clients are informed both 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 HSBC North America Holding Company Committee.

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. Certain employees are dully registered as IARs of the firm are also securities licensed Registered Representatives of HSBC Securities (USA) Inc., a FINRA registered broker/dealer.

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 certain 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.

**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 the Wealth Services Desk at 888-809-3802. 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.

### **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 Wealth Track Program. Pershing is located at One Pershing Plaza, Jersey City, New Jersey 07399. HSBC Securities will furnish clients account statements showing all investments held for the Account and a record of each transaction effected for the Account. Monthly statements will be generated for any month in which transactions occur. Should activity not occur in any given month throughout the quarter, a quarterly statement will be furnished. Managed account clients receive custodial statements directly from Pershing.

HSBC Securities will provide daily comparative performance information that will be available on the website.

HSBC Securities will credit and reinvest the Account with dividends and interest paid on securities held in the Account and with principal paid on sold, called or matured securities, and other investments.

In respect of the Wealth Track Program, 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 (under the Investment Advisers Act of 1940) 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. Client will have an option to choose paper or electronically generated statements.

## **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) makes available for 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.

The Program's investment tools are intended for clients to utilize to review their account and better understand their holdings and performance.

Annually, a negative consent email will be sent to the client. Client is responsible for going on to the Wealth Track client portal to review his or her financial profile as needed.

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 is an affiliate of HSI that provides the subject matter expertise and resources to support the Program and oversees specifically, the asset allocation models used in the Program. AMUS considers a number of factors when determining whether to recommend a change in the asset allocation models to HSI, including macroeconomic analyses, market trends, valuation of asset classes and fundamental outlook for asset classes.

#### **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**

The assets under management in the program are as follows:

The Wealth Track Program has approximately \$0 dollars in discretionary assets under management, although HSI has discretion over the program management.

As of December 31, 2017 the assets under management in the other advisory programs are as follows:

The MPA Separately Managed Account Program has approximately \$323 million dollars in non-discretionary assets under management, although HSI has discretion over the program management.

The MPA UMA Account Program has approximately \$204 million dollars in non-discretionary assets under management.

As of December 31, 2017 the Spectrum Program has approximately \$ 2.76 billion in non-discretionary assets under management, although HSI serves as the sponsor and the advisor of the program's management.

As of March 16, 2018 there was approximately \$375,088 in assets under management under the Spectrum II program.



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

452 Fifth Avenue  
New York, NY 10018  
Telephone: (888) 809-3802

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

**March 2018**

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 Wealth Services Desk at (888) 809-3802. 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\*  
Michael Boardman\*  
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. Mr. Anniello is also currently serving in an interim capacity as National Sales Director since January 1, 2017.

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**

Michael M. Boardman, Director and Officer, (Executive Vice President and Head of Wealth Management), HSBC Securities (USA) Inc., is responsible for and has supervisory oversight of Mr. Anniello. Mr. Boardman 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.



**Michael Boardman**

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

Michael M. Boardman was appointed as Director and Officer, (Executive Vice President and Head of Wealth Management) for HSBC Securities (USA) Inc. on January 30, 2017.

Prior to joining HSBC Securities (USA) Inc. Mr. Boardman was a Senior Advisor at The Boston Consulting Group from July 2016 to November 2016. Mr. Boardman was a CEO of Chase Wealth Management at J.P. Morgan Chase from November 2013 to September 2015.

Mr. Boardman was also President of the Private Client Reserve of U.S. Bank from April 2008 to November 2013. Mr. Boardman holds a Bachelor of Arts Degree from the Middlebury College in 1986 and received a Masters in Business Administration from Columbia University in 1993.

Mr. Boardman was born in 1963.

**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. Boardman that is applicable to this item.

**Item 4: Other Business Activities**

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

**Item 5: Additional Compensation**

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

**Item 6: Supervision**

Thierry Roland, President and CEO of HSBC Securities (USA) Inc., is responsible for and has supervisory oversight of Mr. Boardman. Mr. Roland 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, is Executive Vice President, Head of Customer Value Management, HSBC Bank (USA) N.A. Mr. Ireland is registered as a supervisor with HSBC Securities (USA) Inc., and 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**

Michael M. Boardman, Director and Officer, (Executive Vice President and Head of Wealth Management), HSBC Securities (USA) Inc., is responsible for and has supervisory oversight of Mr. Leadam. Mr. Boardman 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.