



Form ADV Part 2A – Appendix 1

**HSBC SPECTRUM II PROGRAM BROCHURE**  
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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 Spectrum II Program (“Spectrum II”) 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 HSI 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 HSI is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

HSI is a federally registered investment adviser with the SEC. Registration with the SEC or with any state securities authority, the use of the term “registered investment adviser”, and descriptions 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**

**Initial Brochure**

This is the initial version of the brochure for the Program (Fully Discretionary Account) which is expected to launch on or about January 2018. Future material changes will be updated in this section. This brochure will be referred to as the Spectrum II Program (“Brochure”).

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

HSBC Securities (USA) Inc. (“HSI” or “We”) has been in business as an investment adviser registered with the SEC since 2005. HSI is also a broker-dealer, which was originally formed in December 1969 under a predecessor name. HSI 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 offers a limited range of proprietary investment advisory solutions available to meet certain clients’ particular circumstances. Aside from Spectrum II, HSI offers other proprietary managed account or wrap fee programs, known as the HSBC Spectrum and Managed Portfolio Account Programs (“MPA”), which include the services of a dedicated Premier Advisor. The Spectrum and MPA programs make available the services of an Investment Adviser Representative (“IAR”) who is available to discuss updates in the client’s 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.

Clients participating in these programs receive asset allocation, discretionary investment management, execution, and custodian services for the assets in their accounts. HSBC Global Asset Management (USA) Inc. (“AMUS”) is an advisory affiliate of HSI and performs administrative service for these programs.

The information provided in this Brochure only applies to Spectrum II. This Brochure is meant to help you understand the nature of the advisory services offered in Spectrum II, whether those services are right for you, and the potential conflicts of interest associated with your participation in Spectrum II. You should review it carefully prior to your decision to invest.

#### **Spectrum II**

Spectrum II is a fully discretionary globally diversified asset allocation program using exchange traded funds (“ETFs”) and mutual funds. This Program is only intended for U.S. citizens and U.S. residents. HSI is the sponsor of this Program.

The IAR will assist clients in completing information requests designed to elicit personal, financial and investment information concerning the client’s financial circumstances, risk preference and tolerance, liquidity requirements and investment objectives to help determine if a managed account recommendation is in the client’s interest.

Based upon an analysis of the client’s investment goals, risk preferences and financial needs provided, HSI generates a recommended allocation for investment that includes various asset classes. Spectrum II has asset allocation models that are aligned to clients’ risk tolerance levels. For each portion of the client’s assets allocated to a particular asset class, HSI will select the exchange traded funds and mutual funds (each referred to as “funds”) that have investment objectives and policies corresponding to the asset class. The IAR or client will not have any discretion to select the funds.

The client will be provided with a proposal containing a list of the selected funds. The funds will not be purchased unless and until the client signs the proposal.

As Spectrum II is a discretionary program, the client cannot modify or customize the selected model. The client may, however, impose reasonable restrictions on its account, for example, prohibiting the purchase of a particular fund or limiting rebalancing for a short period of time. Once the account is established, HSI as the investment adviser will have investment discretion, in accordance with the selected asset allocation model.

Some of the funds in a model may be managed or advised by an affiliate of HSI, in which case the affiliate will

receive compensation from the funds. Currently, the only affiliated fund is a money market fund. AMUS is the adviser to that fund and receives compensation for investment advisory and other services.

### **Updates to the Client Profile**

Clients are responsible for reaching out to his/her IAR to communicate 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.

### **Advisory Services**

HSI provides sales and account review services as well as the expertise and resources to support the operational, information technology, trading, administration, and custody of client assets in Spectrum II (and other advisory programs). In addition, HSI provides other related services, information and processes to support Spectrum II (and other advisory programs).

### **HSI Services to Spectrum II**

As is the case with other advisory programs, HSI is responsible for client contact, investment advisory services, communications, suitability, account opening services (including Know Your Client and Anti-Money Laundering reviews) and relationship management. HSI is also responsible for trading, trade servicing, account maintenance, client service, custody of the Program client assets and overall operational support. For additional information on custody, please see Item 9. Please also refer to the Spectrum Account Program Agreement and Spectrum II “Fully Discretionary Account Addendum” for additional terms and conditions related to the Program.

HSI provides certain ongoing client services that include the following:

1. Periodic account review and consultation with clients through IARs.
2. Handling subsequent transactions (additional investments and redemptions).
3. Responding to client inquiries about their accounts and issues pertaining to their accounts.
4. Annual reviews with Spectrum II clients to determine whether there have been any changes in the client’s financial situation or investment objectives, whether the client wishes to impose any reasonable restrictions on the account, or whether the client wishes to modify any existing restrictions.

Pursuant to an intercompany agreement, AMUS provides HSI, among other services, (i) advice as to proposed asset allocations, (ii) advice about funds available through the Program and (iii) various types of operational support. HSI compensates AMUS for these services. Pursuant to an intercompany agreement, Global Fund Approvals & Research (“GFAR”), provides HSI, among other services, approved funds for use in Spectrum II. HSI compensates GFAR for these research services.

HSI, through the Managed Account Oversight Committee (“Committee”), oversees the services outlined in the agreements with AMUS, and GFAR. 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 Committee oversees the managed account services and operational support provided by AMUS and its affiliates and GFAR, evaluates regulatory disclosure about the managed account platforms, considers any other significant vendor and third party-related business issues and evaluates applicable regulatory compliance, fiduciary duty and financial crime risk-related investor requirements. **Please see Item 9 for additional information on HSI’s relationship with AMUS.**

Spectrum II offers globally diversified model portfolios. Many factors can influence the performance of a model portfolio, and HSBC cannot guarantee whether a globally diversified portfolio will perform better over time. HSI believes that, in the long run, the best way to maximize risk-adjusted return is through

globally diversified portfolios and investors should determine if this approach fits their risk tolerance, investment objective, and time horizon.

### ***Mutual Funds and ETFs***

The mutual funds and ETFs (referred to as “funds”) made available through Spectrum II include both third party funds and proprietary funds (as described above) advised by AMUS and its affiliates. Third party funds are those that have been approved for use by GFAR, as delegated via an intercompany agreement and are aligned with the asset classes offered within the Spectrum II models.

GFAR evaluates funds included in Spectrum II on a periodic basis and if any are identified as not meeting investment or other criteria, they may be deemed as “not approved”, resulting in such funds being removed from the Program. In this case, notice will be sent to all clients stating that the fund is being removed from the Program and indicating a newly selected fund will be purchased as the replacement fund.

### **Model Revisions and Rebalancing**

HSI will have full discretionary investment authority consistent with the client’s profile over the assets invested in the Program, including discretion to allocate assets to securities other than shares of funds, if it is determined that it is in the best interests of the client to do so.

The asset allocation model selected in connection with the client’s initial Profile is periodically reviewed during meetings between the client and their IAR. A different model may be selected based upon an updated assessment of the client’s goals, financial circumstances, preferences, and instructions, as well as market and economic circumstances. The client will have to complete a risk tolerance questionnaire and sign a proposal with the new model portfolio.

HSI is authorized to make changes to the funds held in client accounts and/or to reallocate assets at any time (including an allocation into a new asset class), without consulting clients, for any reason it deems appropriate, including, without limitation, to respond to general market or macroeconomic circumstances, or to rebalance the investments periodically to restore the original allocation percentages or target weights. Modifications to investment allocations may be made to reflect changes such as the introduction of new asset classes or new model options, as well as the removal of asset classes or models.

Periodic rebalancing of accounts to the asset allocation model, as well as the allocation of subsequent investments and partial withdrawals, is subject to minimum trade size requirements and minimum asset class thresholds. Any such reallocation may trigger tax consequences as well as redemption fees for certain fund holdings. In order to facilitate these periodic changes or reallocations, HSI may institute a mandatory blackout period, during which trading in the account may be limited.

### **Investment Management**

HSI is the sponsor, investment adviser and broker/dealer in Spectrum II, 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 Investment Advisory Agreement (the “Agreement”) and to buy, sell, exchange or otherwise trade securities or other investments held or deposited in the account. HSI uses the services of third parties, including affiliates, for administrative and operational support in performing its obligations under the Spectrum Account Program Agreement and Spectrum II Fully Discretionary Account Addendum(s).

The investments will normally include shares of funds managed or advised by an affiliate of HSI. Investments may also include other funds advised by third party managers and investments that HSI determines are appropriate and, in the aggregate, consistent with a client’s investment goals, risk preferences and financial needs. All or a portion of an account may temporarily be held in cash.

Clients may fund the account with cash equivalents or shares of funds acceptable to HSI or a combination thereof. Except to the extent considered in connection with HSI's selection of a model asset allocation for the account, and unless HSI Adviser determines otherwise, taxes will not be taken into account in making investment decisions.

Based upon an analysis of the client's investment goals, risk preferences and financial needs provided, HSI generates a recommended allocation for investment that includes various asset classes. The Program has asset allocation models that are aligned to clients' risk tolerance levels. For each portion of the client's assets allocated to a particular asset class, HSI will select the fund that has investment objectives and policies corresponding to such asset class. The IAR or client will not have any discretion to select the fund.

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 under a plan adopted pursuant to Rule 12b-1 under the Investment Company Act of 1940, and HSI and its affiliates are expressly authorized to accept those fees, where permitted by law.

HSI is authorized to make changes to the funds held in client accounts and/or to reallocate assets at any time (including an allocation into a new asset class), without consulting clients, for any reason it deems appropriate, including, without limitation, to respond to general market or macroeconomic circumstances, or to rebalance the investments periodically to restore the original allocation percentages or target weights.

Modifications to investment allocations may be made to reflect changes such as the introduction of new asset classes or new model options, as well as the removal of asset classes or models. 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.

From time to time, certain of the funds in the Program may adopt policies and procedures that, although designed to prevent market timing, may delay (or even prevent) a purchase of such funds for client accounts. HSI may be delayed in purchasing shares for an account if the account sold shares of the same fund as a result of, for example, rebalancing an 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**

HSI manages accounts on a discretionary basis, whereby we will be responsible for selecting securities to be bought and sold, timing of the trades and selection of the broker-dealer to execute such trades, subject to its duty to seek best execution as described above under "Brokerage Practices". HSI requires that the grant of authority to act with discretion is granted in writing by the appropriate party (ies) prior to accepting such discretion.

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

In making investment decisions for a client's account, HSI will rely on the information in the Client Profile. Client should inform HSI via their IAR 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. HSI 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.



**Client Restrictions**

Client may provide written restriction instructions to (a) not to invest in particular securities or types of securities, or in the securities of particular funds or types of funds and (b) not to rebalance the account periodically to restore the original percentage allocations (subject to reasonable limitations on applicable time periods). Clients should understand that when they impose reasonable limits on HSI's discretion, the account's performance may not be the same had the limits not been imposed. In making investment decisions for the account, HSI will rely on the information contained in the Client Profile. Clients are required to inform HSI in writing of any material change in personal or financial circumstances or objectives that might affect the manner in which assets should be invested. HSI shall not be responsible for not considering any personal or financial circumstances of which HSI has not received written information, either at the initiation of the account or at any time subsequent thereto. Clients should understand that HSI cannot restrict specific securities that are held within a fund.

All restrictions requested by a client are subject to review and approval prior to implementation. If a restriction cannot be applied, the IAR will contact the client and provide alternatives. Other than approved restriction requests, this program does not allow for clients to make fund changes within the model.

**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 HSI deems appropriate.

Spectrum II 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.

**Trading Authorization**

HSI 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 HSI 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.

HSI and its affiliates perform, among other things, research, brokerage and investment advisory services for clients other than those participating in the Service. HSI 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 client's account.

**Best Execution and Brokerage Services**

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

HSI will act as introducing broker in the Program, generally using the executing and clearing facilities of its third party clearing broker, Pershing LLC ("Pershing") for all securities transactions executed within an account. HSI 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. HSI 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 HSI 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 Fee, 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 HSI 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 Brochure.

### **Termination**

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

If 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, if a client's account is not fully funded within one hundred and twenty (120) days from the day the Agreement is signed, the account may be closed without notice. Any termination will not, however, affect liabilities or obligations of the parties incurred, or arising from transactions initiated before the effectiveness of such termination.

The Client Agreement will not terminate upon the client's death, disability or incompetency. In such event, an executor, guardian, attorney-in-fact or other authorized representative may terminate this Agreement by giving written notice to HSI, which notice shall be effective upon receipt.

### **Fees**

Fees for Spectrum II are generally charged and collected in accordance with the Investment Advisory Agreement. Such fees are generally negotiable and fee discounts are provided to some clients.

Spectrum II fees are paid in arrears. The fees payable for any calendar quarter will be based on the average daily account asset value during the prior calendar quarter and the annual fee rate(s) set forth in the following schedule, subject to a minimum fee. Minimum fees for accounts are based on minimum account size.

Spectrum II clients pay a contractual fee (See Standard Fee Schedule) for the services provided through the Program, which include brokerage, investment advice and custody.

The contractual fee charged to a client's account will be credited in an amount equal to the amount of the client's share of any Rule 12b-1 fees charged by the funds in which the account is invested. Such credit will be in the form of a reimbursement of such amounts to the client's account. Such credit may be discontinued at any time, without prior notice.

In addition to the Spectrum II contractual fees, the underlying funds may charge fees that are assessed through their overall expense ratio. The expense ratio is the annual fee that all funds charge their shareholders that include 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund, which are outlined in the prospectuses of the fund.

Spectrum II clients, as part of their contractual fee, also pay for administrative services provided to HSI and the custodian.

**The Standard Fee Schedule** for accounts opened is as follows:

<u>Average Assets</u>	<u>Annual Rate</u>	<u>*Minimum Fee at Account Level</u>
First \$250,000	1.50%, plus	\$375.00
Next \$250,000	1.00%, plus	Not Applicable
Assets in excess of \$500,000	0.50%	Not Applicable

\*The minimum fee is based on a rate of 1.5% of the minimum account size. At the current minimum account size of \$25,000 the fee would be \$375.00. The minimum fee may be reduced or waived at HSI's discretion.

HSI reserves the right to reduce or waive the minimum fee at any time. Fees for Spectrum II are also described in the Spectrum II Account Agreement.

On a quarterly basis, fees are debited from client accounts. A portion of these fees are ultimately paid to HSI, AMUS and the other third party service provider.

### **General Fee Information**

The contractual fee does not cover miscellaneous fees and expenses that may be charged to the client's account by our Custodian, Pershing LLC such as wire fees, outgoing transfer fees, bank charges and IRA/retirement account fees.

Clients should consider the total fees and expenses, including the contractual Spectrum II fee that Client will pay to participate in the Program. Such fees and expenses will reduce the overall value of, or the return on investment through the Program.

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

HSI or its affiliates will receive advisory, administrative, shareholder servicing, distribution and/or other fees in connection with client investments in an affiliated money market fund to the extent (i) such fees are payable and (ii) the payment of such fees is permitted by applicable law.

When a tax-qualified account invests in an affiliated money market fund, HSI 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 HSI (and its affiliates) receive for the applicable billing period. HSI 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 HSI or its designee and client authorizes the custodian to direct the sale of securities or other assets, as HSI chooses 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. HSI will share a portion of the Program Fee with, or otherwise compensate, its affiliates (including, without limitation, AMUS and HSBC Bank USA, N.A. ("HSBC Bank") 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 by 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 HSI or its affiliates may receive as

investment manager, administrator or other services provider to a fund are not included in the Program Fee.

To the extent a prospective Client intends to fund a Spectrum II 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 taxes, 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 Spectrum II in such a manner.

### **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 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.

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

Spectrum II is offered to retail clients including individuals, high net worth individuals; trusts, estates or charitable organizations, retirement accounts; and corporations, limited liability companies and/or other business entities.

HSI requires a minimum account opening balance of \$25,000 for the Program. HSI reserves the right to decrease the minimum account size if deemed necessary. HSI may establish other or lower minimum account sizes for other types of accounts and programs.

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

HSI has entered into an agreement with AMUS and GFAR to certain administrative services for Spectrum II. The methods of analysis and investment strategies used by AMUS and GFAR in managing assets through Spectrum II are outlined below.

### **Methods of Analysis for Spectrum II**

AMUS oversees the asset allocation models used in Spectrum II and provides administrative resources to support the program. In providing this service, AMUS collaborates with HSBC Global Asset Management to develop the asset 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 model 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 HSI, at its discretion, may change the asset allocation models periodically based upon the advice provided by AMUS.

GFAR has approved the funds used within the Program, which are aligned with the asset classes offered within the asset allocation models. Once selected, all included funds will be reevaluated on a periodic basis and if any are identified as showing signs of not meeting the research quality threshold, they may be removed from the Program.

### **Risks**

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

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

Set forth below are certain material risk factors that are often associated with the investment strategies and types of investments used in the Program, as well as certain risks of investing in a program that uses asset allocation models. 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. Information about securities risks is qualified by reference to a fund’s prospectus or offering document. Clients are urged to ask questions regarding risk factors applicable to a particular strategy or investment product, read all product-specific risk disclosures and determine whether a particular

investment strategy or type of security is suitable for their account in light of their circumstances, investment objectives and financial situation.

### **Program Risks**

•*Allocation Risk:* The risk that HSI's target asset and sector allocations and changes in target asset and sector allocations cause the asset allocation models to underperform other similar models or cause the client to lose money, and that the models may not achieve their target asset and sector allocations.

•*Cyber Security Issues:* With the increased use of technology such as the Internet to conduct business, HSI, as with all businesses that store, process, transmit or transact information via networked technology, is susceptible to a breach of confidentiality, loss of data integrity or disruption in availability of its networked systems. Cyber incidents can result from deliberate internal or external attacks or unintentional events. Cyber-attacks can include, but are not limited to, gaining unauthorized access to computer systems (e.g., through "hacking" or malicious software (aka Malware) denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber security failures or breaches by an adviser, sub-adviser(s) and other service providers (including, but not limited to, accountants, custodians, transfer agents and administrators), and the issuers of securities in which HSI invests on behalf of its clients, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with an adviser's ability to calculate its net asset value, impediments to trading, the inability of shareholders to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future.

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

•*Fund Selection Risk:* The risk that HIS may select 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.

•*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, uses 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.

•*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 the Program's operations or investment strategies.

## Securities Risks

- *Asset-Backed Security Risk:* Asset-backed securities are debt instruments that are secured by interests in pools of financial assets, such as credit card or automobile receivables. The value of these securities will be influenced by the factors affecting the assets underlying such securities, changes in interest rates, changes in default rates of borrowers and private insurers or deteriorating economic conditions. During periods of declining asset values, asset-backed securities may be difficult to value or become more volatile and/or illiquid. Asset-backed securities may not have the benefit of a security interest in collateral comparable to that of mortgage assets, resulting in additional credit risk.
- *Banking Risk:* Investments in securities issued by U.S. and foreign banks can be sensitive to changes in government regulation and interest rates and to economic downturns in the United States and abroad, and susceptible to risks associated with the financial services sector.
- *Capitalization Risk:* Stocks of large capitalization companies may be volatile in the event of earnings disappointments or other financial developments. Medium and smaller capitalization companies may involve greater risks due to limited product lines, market and financial or managerial resources, as well as have more volatile stock prices and the potential for greater declines in stock prices in response to selling pressure. Small capitalization companies generally have more risk than medium capitalization companies.
- *Convertible Bond Risk:* Convertible bonds are subject to the risks of equity securities when the underlying stock price is high relative to the conversion price (because more of the security's value resides in the conversion feature) and debt instruments when the underlying stock price is low relative to the conversion price (because the conversion feature is less valuable). A convertible bond is not as sensitive to interest rate changes as a similar non-convertible debt instrument, and generally has less potential for gain or loss than the underlying equity security.
- *Counterparty Risk:* The risk that the other party to an investment contract, such as a derivative (e.g., ISDA Master Agreement) or a repurchase or reverse repurchase agreement, will not fulfill its contractual obligations or will not be capable of fulfilling its contractual obligations due to circumstances such as bankruptcy or an event of default. Such risks include the other party's inability to return or default on its obligations to return collateral or other assets as well as failure to post or inability to post margin as required applicable credit support agreement.
- *Commodity Related Investments Risk:* The risks of investing in commodities, including investments in companies in commodity-related industries may subject an account to greater volatility than investments in traditional securities. The potential for losses may result from changes in overall market movements or demand for the commodity, domestic and foreign political and economic events, adverse weather, discoveries of additional reserves of the commodity, embargoes and changes in interest rates or expectations regarding changes in interest rates.
- *Currency Risk:* Fluctuations in exchange rates between the U.S. dollar and foreign currencies, or between various foreign currencies, may negatively affect a fund's investment performance.
- *Custody Risk:* Some funds invest in securities markets that are less developed than those in the U.S., which may expose a fund to risks in the process of clearing and settling trades and the holding of securities by foreign banks, agents and depositories. The laws of certain countries may place limitations on the ability to recover assets if a foreign bank, agent or depository enters bankruptcy. In addition, low trading volumes and volatile prices in less developed markets may make trades more difficult to complete and settle, and governments or trade groups may compel local agents to hold securities with designated foreign banks, agents and depositories that may be subject to little or no regulatory oversight or independent evaluation.



Local agents are held only to the standards of care of their local markets.

- *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 fund could lose money if an issuer or guarantor of a debt instrument fails to make timely payments of interest or principal or enters bankruptcy. This risk is greater for lower-quality bonds than for bonds that are investment grade.
  - > *Inventory Risk:* The market-making capacity in some debt markets has declined as a result of reduced broker-dealer inventories relative to fund assets, reduced broker-dealer proprietary trading activity and increased regulatory capital requirements for financial institutions such as banks. Because market makers provide stability to a market through their intermediary services, a significant reduction in dealer market-making capacity has the potential to decrease liquidity and increase volatility in the debt markets.
  - > *Prepayment Risk:* During periods of falling interest rates, borrowers may pay off their debt sooner than expected, forcing a fund to reinvest the principal proceeds at lower interest rates, resulting in less income.
  - > *Extension Risk:* The risk that during periods of rising interest rates, borrowers pay off their debt later than expected, preventing a fund from reinvesting principal proceeds at higher interest rates, increasing the sensitivity to changes in interest rates and resulting in less income than potentially available.
- *Depository Receipts Risk:* Investments in depository receipts, such as ADRs and GDRs, may entail the special risks of international investing, including currency exchange fluctuations, government regulations, and the potential for political and economic instability.
- *Derivatives Risk:* Use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments and could increase the volatility of a fund’s net asset value and cause losses. Risks associated with derivatives include the risk that the derivative is not well correlated with the security, index or currency to which it relates; the risk that derivatives may result in losses or missed opportunities; the risk that the fund will be unable to sell the derivative because of an illiquid secondary market; the risk that a counterparty is unwilling or unable to meet its obligation; and the risk that the derivative transaction could expose the fund to the effects of leverage, which could increase the fund’s exposure to the market and magnify potential losses, particularly when derivatives are used to enhance return rather than offset risk. There is no guarantee that derivatives, to

the extent employed, will have the intended effect, and their use could cause lower returns or even losses. The use of derivatives to hedge risk may reduce the opportunity for gain by offsetting the positive effect of favorable price movements.

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

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

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

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

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

• *Financial Services Risk:* Investments in the financial services group of industries may be particularly affected by economic cycles, interest rate changes, and business developments and regulatory changes applicable to the financial services group of industries. For example, declining economic and business conditions can disproportionately impact companies in the financial services group of industries due to

increased defaults on payments by borrowers. Interest rate increases can also adversely affect financial services companies by increasing their cost of capital. In addition, financial services companies are heavily regulated and, as a result, political and regulatory changes can affect the operations and financial results of such companies, potentially imposing additional costs and possibly restricting the businesses in which such companies may engage.

•*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 fund.

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

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

•*Market Risk:* Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. In the short term, equity prices can fluctuate dramatically in response to these developments. Different parts of the market and

different types of equity securities can react differently to these developments. For example, large-cap stocks can react differently from small-cap or mid-cap stocks, and “growth” stocks can react differently from “value” stocks.

• *Mortgage- and Asset-Backed Securities Risk:* Mortgage- and asset-backed securities are debt instruments that are secured by interests in pools of mortgage loans or other financial assets. Mortgage- and asset-backed securities are subject to prepayment, extension, market, and credit risks (market and credit risk are described elsewhere in this section). Prepayment risk reflects the risk that borrowers may prepay their mortgages faster than expected, thereby affecting the investment’s average life and perhaps its yield. Conversely, an extension risk is present during periods of rising interest rates, when a reduction in the rate of prepayments may significantly lengthen the effective durations of such securities.

• *Participatory Note Risk:* Even though a participatory note is intended to reflect the performance of the underlying securities on a one-to-one basis so that investors will not normally gain or lose more in absolute terms than they would have made or lost had they invested in the underlying securities directly, the performance results of participatory notes will not replicate exactly the performance of the issuers or markets that the notes seek to replicate due to transaction costs and other expenses. Investments in participatory notes involve risks normally associated with a direct investment in the underlying securities. In addition, participatory notes are subject to counterparty risk. Participatory notes constitute general unsecured, unsubordinated contractual obligations of the banks or broker-dealers that issue them, and an investment in these instruments is relying on the creditworthiness of such banks or broker-dealers and has no rights under the participatory notes against the issuers of the securities underlying such participatory notes. There can be no assurance that the trading price or value of participatory notes will equal the value of the underlying value of the securities they seek to replicate.

• *Political Risk:* The risk that an investment’s return could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers, or military control. Political risk is also known as “geopolitical risk”, and becomes more of a factor as the time horizon of an investment gets longer.

• *Real Estate Risk:* Real estate related investments will expose a fund to risks similar to those associated with direct ownership of real estate, including losses from casualty or condemnation, and changes in local and general economic conditions, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses.

• *Redemption Risk:* A fund 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 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 funds. Any further changes by a regulatory authority or additional legislative developments may affect a fund’s operations, investment strategies, performance and yield.

• *Repurchase Agreement Risk:* The use of repurchase agreements, which are agreements where a party buys a security from another party (“seller”) and the seller agrees to repurchase the security at an agreed-upon date and price (which reflects a market rate of interest), involves certain risks. For example, if the seller of

the agreements defaults on its obligation to repurchase the underlying securities at a time when the value of these securities has declined, a fund may incur a loss upon disposition of the securities. There is also the risk that the seller of the agreement may become insolvent and subject to liquidation.

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

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

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

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

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

- *Variable Rate Securities Risk:* Variable (and floating) rate instruments have interest rates that are periodically adjusted either at set intervals or that float at a margin above a generally recognized rate. Variable (and floating) rate instruments are subject to the same risks as fixed income investments, particularly interest rate risk and credit risk. Due to a lack of secondary market activity for certain variable and floating rate instruments, these securities may be more difficult to sell if an issuer defaults on its financial obligation or when a fund is not entitled to exercise its demand rights.

- *"When-Issued" Securities:* The price and yield of securities purchased on a "when-issued" basis is fixed on the date of the commitment but payment and delivery are scheduled for a future date. Consequently, these securities present a risk of loss if the other party to a "when-issued" transaction fails to deliver or pay for the security. In addition, purchasing securities on a "when-issued" basis can involve a risk that the yields available in the market on the settlement date may actually be higher (or lower) than those obtained in the transaction itself and, as a result, the "when-issued" security may have a lesser (or greater) value at the time of settlement than a fund's payment obligation for that security.

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

HSI will share a client's Investment Proposal with AMUS (which administers the asset allocation models for the Program) for the management of a client's account. HSI relies upon the accuracy of the information entered by the client when creating an Investment Proposal. The Investment Proposal may not be suitable if the client has provided incorrect information or the information is out-of-date. Clients may contact his/her IAR to inform HSI of changes to his/her financial profile information or with questions about the Program.

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

Clients may contact his/her IAR with any questions or concerns about his/her account. Clients will not have direct access to a fund's portfolio managers in matters related to this Program. It is the client's responsibility to notify HSI of any material changes that would have an impact on the management of their account.



## 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 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 HSI should supervise its compliance with record retention requirements under the rule.

On June 30, 2017, without admitting or denying the findings, HSI agreed to a censure and fine of \$1,500,000. HSI 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’ HSI 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 HSI’s bank affiliate allegedly were charged commissions for fixed income securities trades executed by HSI 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 HSI 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 HSI 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, HSI submitted a letter of Acceptance, Waiver and Consent to FINRA in which, without admitting or denying guilt, HSI 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 HSI.

A Regulatory Action was initiated by the New York Stock Exchange Division of Enforcement for a Principal Sanction of Civil and Administrative Penalties and Fine of Censure and Undertaking. The New York Stock Exchange Division of Enforcement initiated this on or about July 27, 2007 against HSI. The docket and case number was NYSE Hearing Board Decision 07-150. The principal product type claimed was Callable Range Accrual Certificates of Deposit. The New York Stock Exchange Division of Enforcement alleged that HSI violated: (1) NYSE Rule 476(a)(6) for engaging in conduct inconsistent with just and equitable principles of trade by: (a) recommending and selling LIBOR CDs to clients for whom such products were unsuitable; (b) failing to accurately advise clients about the risks associated with the LIBOR CDs; and/or (c) making material misrepresentations regarding certain material features of the LIBOR CDs and/or the manner in which the products were likely to perform; (2) NYSE Rule 401(a) by failing to adhere to principles of good business practice by recommending and selling the LIBOR CD

products to clients for whom they were not suitable; and (3) NYSE Rule 342(a) and (b) by: (a) failing to establish and maintain appropriate procedures to reasonably supervise whether the sale of callable LIBOR CDs were suitable for its clients, and (b) failing to adequately supervise its personnel in order to reasonably detect and prevent misrepresentations regarding material features of LIBOR CDs, and/or the manner in which they were likely to perform. On October 8, 2007, HSI agreed to a censure and fine in the amount of \$500,000 and an undertaking requiring HSI 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**

The principal business of HSI aside from investment management 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 SEC, FINRA, and other regulatory bodies.

HSI 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 and some of our management persons are associated persons of that entity.

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

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

AMUS, a wholly-owned subsidiary of HSBC Bank, provides administrative support services to HSI for Spectrum II and other programs including advice as to proposed asset allocations, due diligence, funds and portfolio managers and various operational services. HSI pays AMUS a fee based on average assets invested in the Spectrum products; when certain asset levels are reached, AMUS's fees are charged at increasing lower rates reflecting the tiering of client fees.

AMUS, whose money market mutual fund is offered in the Program, receives fund advisory fees and other compensation, in addition to a portion of the Program Fee. Program Fees for tax-qualified accounts, such as retirement accounts, are reduced by the amount of the advisory fee for money market funds advised by AMUS. To the extent AMUS recommends to HSI the inclusion of AMUS advised money market funds as an option into which a client's account could be invested, the receipt of such additional compensation creates a conflict of interest for AMUS.

As well, HSI 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. HSI clients may pay these fees as well as their Program fee as permissible by law. Similar to the process described above, program fees for retirement accounts are reduced by the amount of advisory fees for the money market funds advised by AMUS.

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

HSBC Bank is a national bank organized and existing under the laws of the United States and a member of the Federal Reserve. HSBC Bank NA 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 NA and report into the bank's Fiduciary Committee.

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

HSBC's Investment Banking Group may offer sponsorship or syndication of limited partnerships. However this is not offered through HSI's investment advisory business or clients. Our 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 for client investments in an IPO if HSBC is a member of the underwriting syndicate from which a security is purchased.

HSI, member NYSE, FINRA, SIPC is a sub-distributor of the HSBC Funds. AMUS uses the services of HSI to facilitate the distribution of HSBC Funds. Affiliates of AMUS receive fees for providing various services to the funds. Certain employees of AMUS are registered representatives of HSI and may hold FINRA and state securities registration. HSI supervises such persons.

IARs of the firm are also securities licensed Registered Representatives of HSI, a FINRA registered broker/dealer. While IARs endeavor to put the interests of HSI's clients first as part of their fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest.

IARs of HSI are employees of HSBC Bank. Certain IARs also serve as bank officers for of HSBC Bank, engaging in the sale of bank related products and services. This position is in conjunction with their current role as an IAR and Registered Representative with HSI. Specific roles are noted in each IAR's ADV Part 2B Brochure.

IARs of the firm are also licensed Insurance Agents with HSI and HSBC Insurance Agency (USA) Inc. Clients are under no obligation to purchase or sell securities and insurance products through HSI or HSBC Insurance Agency (USA) Inc.; however if they choose to do so, the IAR will earn compensation may be earned as described in Item 5 under Fees and Compensation.

### **Conflicts of Interest**

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.

The principal business of HSI is that of a full service broker-dealer. Clients who have Program accounts may also be brokerage customers. Therefore, clients may have similar securities in their commission based brokerage accounts as they do in their Program account.

HSI is also a registered broker-dealer and will execute trades for clients in the Program through Pershing. 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, HSI provides investment advisory and brokerage advice outside of the Program. As a registered broker-dealer with 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.

Clients should be aware that HSI's practice, as a Broker/Dealer, of accepting such fees could be viewed as a conflict of interest. IARs and managers do not receive commissions on the products they sell. They are paid a salary with the opportunity to receive additional incentives through fully discretionary bonuses.

An HSBC money market fund is the only option available as a money market sweep option. HSI selects the funds in which an account will be invested. HSI as the distributor will receive compensation from the funds. This creates a conflict of interest for HSI, which HSI seeks to mitigate through disclosure in this Brochure.

Funds in which assets will be invested will generally include funds managed or advised by an affiliate of HSI (the AMUS-advised money market fund), and funds for which AMUS provides (for a separate fee) administrative and other services ("HSBC Serviced Funds").

Because HSI selects the funds in which the account will be invested, the receipt of additional compensation by HSI and its affiliates creates a conflict of interest for HSI, which HSI seeks to mitigate through disclosure in this Brochure. The Program Fee 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. Fund operating expenses are not included in the Program Fee. The payment of advisory fees and other compensation to affiliates of HSI Securities in connection with participation in Spectrum II could create a conflict of interest for HSI in recommending that the client's account invest in the AMUS-advised money market fund or HSBC Serviced Funds.

Within Spectrum II, client assets are not 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 under a plan adopted pursuant to Rule 12b-1 under the Investment Company Act of 1940, and HSI and its affiliates are expressly authorized to accept those fees where permitted by law.

Clients participating in the Program will have an IAR servicing the account. Further information about other product offerings involving the services of an IAR and how 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.

**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 Spectrum II. Pershing is located at One Pershing Plaza, Jersey City, New Jersey 07399. HSI 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.

HSI 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.

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). Clients receive custodial statements directly from Pershing. Client will have an option to choose paper or electronically generated statements. Clients are urged to compare their custodial statements with reports from HSI.

### **Confirmation Suppression Option:**

Clients can elect suppression of separate trade confirmations for an account by completing a confirmation suppression request. Information from the confirmation will be reported at least quarterly to the client, in lieu of separate trade confirmations.

### **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. HSI requires all personnel to report their personal securities accounts to the Compliance Department and requires pre-approval of personal trades in accordance with HSI's policies and procedures. HSI 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 HSI's Code of Ethics will be furnished upon request.

HSI 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 accounts, and from time to time may recommend such securities for purchase or sale in clients' accounts 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**

A client's IAR conducts annual account reviews to determine if the client's profile remains current and accurate and that the performance of the account is consistent with the recommended asset allocation model. The assigned IAR is responsible for annually reviewing each assigned client account, including the account's financial proposal and investment manager selections. The client's account activity must be reviewed to determine if the asset allocation assigned to the account in the initial financial proposal continues to be suitable, that any client mandates and restrictions continue to be met, and if the client's financial situation and investment objectives must be updated or re-confirmed. This review is done with the client if possible, and based on the documented investment objectives and strategy of the account.

An IAR may review client accounts more frequently than described above. Among the factors that may trigger an off-cycle review is a change in the client's investment profile, a change in major market or economic events, the client's life events, requests by the client, etc.

AMUS is an affiliate of HSI that provides the subject matter expertise and resources to support the Program and oversees 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.

Diversified funds are used for fulfillment in each asset class. Third party funds are those that GFAR has approved for use. Once selected, all funds are monitored and if any are identified as showing signs of not meeting the research quality threshold, they may be removed from the Program.

#### **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 HSI.

Our IARs aim to serve the interests of our clients and build long lasting, mutually valuable client relationships. To be more consistent with that aim, our IARs and managers do not receive commissions on the products they sell. They are paid a salary with the opportunity to receive additional incentives through fully discretionary bonuses.

HSI considers an IAR's personal performance against established key performance indicators and balanced scorecard objectives in determining whether and how much to award each individual on a discretionary basis. Individual variable pay decisions will consider the effective management of risk, compliance, quality and values, as well as other factors, including the funding of the discretionary plan. Our IARs' personal performance is impacted by factors including their activities in meeting with clients and fulfilling clients' financial needs, the accumulation of assets, and the generation of income to HSI resulting from client investments.

Participation in recognition programs is based upon personal performance, which is impacted by the factors



noted above including the accumulation of assets and income for HSI, and therefore an IAR has further incentives to recommend that a client invest assets with HSI. Clients should ask their IAR about our compensation for any particular service or product that he/she purchases. HSI reserves the right, at its discretion and without prior notice, to change the methods by which they compensate their sales professionals.

#### **Specifically Regarding Retirement Accounts**

After June 9, 2017, new Department of Labor rules apply to retirement accounts when advice is given for compensation. HSI has simplified its offering for retirement accounts which includes a focus on recommendations of advisor-supported managed accounts.

### **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 2017 assets under management will be available during our Annual Filing on March 31, 2018. There are currently no assets under management under Spectrum II.

As of December 31, 2016 the assets under management in the other advisory programs are as follows:

The Spectrum I Program has approximately \$1.98 billion in non-discretionary assets under management. HSI serves as the sponsor and the advisor of that Program.



## HSI Form ADV Part 2B Brochure Supplement

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**January 2018**

This Brochure Supplement provides information about the following persons that supplements the HSI 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 FINRA website [www.finra.org/brokercheck](http://www.finra.org/brokercheck)

Daniel Anniello*	Michael Leadam*
Michael Boardman*	Kevin Mullaney*
Jeffrey Kraebel*	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 served as Senior Vice President of Global Wealth Development for HSI from September 2013 to December 2017. Since January 1, 2018, Mr. Anniello is serving as National Sales Director.

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 HSI.

**Item 5: Additional Compensation**

Mr. Anniello does not receive additional compensation for advisory services outside of HSI.

**Item 6: Supervision**

Michael M. Boardman, Director and Officer, (Executive Vice President and Head of Wealth Management), HSI, is responsible for and has supervisory oversight of Mr. Anniello. Mr. Boardman can be contacted at 212-525--5000.

Additionally, HSI 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. HSI's Compliance Department has created various internal controls to track each policy and confirm the procedures are followed. HSI 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 HSI on January 30, 2017.

Prior to joining HSI 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 1980 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 HSI.

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

Mr. Boardman does not receive additional compensation for advisory services outside of HSI.

### **Item 6: Supervision**

Thierry Roland, President and CEO of HSI, is responsible for and has supervisory oversight of Mr. Boardman. Mr. Roland can be contacted at 212-525-5000.

Additionally, HSI 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. HSI's Compliance Department has created various internal controls to track each policy and confirm the procedures are followed. HSI 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 HSI since 2012. He has served as Chief Administration Officer for HSI from July 2009 to November 2012. He also served as a Sales Director for HSI from December 2007 to May 2009. Mr. Kraebel served as a Regional Sales Manager for HSI 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 HSI.

**Item 5: Additional Compensation**

Mr. Kraebel does not receive additional compensation for advisory services outside of HSI.

**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 HSI and is responsible for and has supervisory oversight of Mr. Kraebel. Mr. Ireland can be contacted at 212-525-5000.

Additionally, HSI 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. HSI's Compliance Department has created various internal controls to track each policy and confirm the procedures are followed. HSI 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 HSI 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 HSI.

**Item 5: Additional Compensation**

Mr. Leadam does not receive additional compensation for advisory services outside of HSI.

**Item 6: Supervision**

Michael M. Boardman, Director and Officer, (Executive Vice President and Head of Wealth Management), HSI, is responsible for and has supervisory oversight of Mr. Leadam. Mr. Boardman can be contacted at 212-525--5000.

Additionally, HSI 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. HSI's Compliance Department has created various internal controls to track each policy and confirm the procedures are followed. HSI 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 HSI. Mr. Mullaney joined HSI 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 HSI.

**Item 5: Additional Compensation**

Mr. Mullaney does not receive additional compensation for advisory services outside of HSI.

**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, HSI 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. HSI's Compliance Department has created various internal controls to track each policy and confirm the procedures are followed. HSI 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 HSI. Mr. Roland was appointed Chairman of the Board, CEO, and President of HSBC Capital (USA) Inc. 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 HSI 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 HSI.

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

Mr. Roland does not receive additional compensation for advisory services outside of HSI.

### **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 HSI in his capacity as an officer of HSI.

Additionally, HSI 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. HSI's Compliance Department has created various internal controls to track each policy and confirm the procedures are followed. HSI has also adopted a code of ethics and related supervisory controls that governs all covered persons.