



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

**August 2017**

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

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

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

Please note that the use of the term “registered investment adviser” and description of HSI and/or 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
---	----------------------------	--	---	----------------------

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

There were are material changes made to the HSBC Securities (USA) Inc. (“HSI”) Form ADV Part 2A (commonly referred to as the “Brochure”) since the last annual update of the Brochure dated June 2017. Please find below a summary of such material changes.

## **Item 9: Disciplinary Information**

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

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

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

### **Specifically Regarding Retirement Accounts**

After June 9, 2017, new Department of Labor rules apply to retirement accounts when advice is given for compensation. HSBC Securities has simplified its offering for Retirement Accounts to focus on:

- Recommendations of advisor-supported managed accounts;

Our Investment Adviser Representatives aim to serve the interests of our clients and build long lasting, mutually valuable client relationships. To be more consistent with that aim, our Investment Adviser Representatives 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.

Our Investment Adviser Representatives’ personal performance against established key performance indicators and balanced scorecard objectives is considered 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 Investment Adviser Representatives' 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 HSBC Securities 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 HSBC Securities, and therefore your Investment Adviser Representative has further incentives to recommend that a client invest assets with HSBC Securities. Feel free to ask your Investment Adviser Representative about our compensation for any particular service or product that you purchase.

HSBC Securities (USA) Inc. reserves the right, at their discretion and without prior notice to change the methods by which they compensate their sales professionals.

**Item 3: Table of Contents:**

<b>Section:</b>	<b>Page(s):</b>
Item 1: Cover Page	1
Item 2: Material Changes to Part 2A of Form ADV Firm Brochure	2
Item 3: Table of Contents	4
Item 4: Advisory Business	5
Item 5: Fees and Compensation	9
Item 6: Performance-Based Fees and Side-By-Side Management	11
Item 7: Types of Clients and Account Requirements	12
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	13
Item 9: Disciplinary Information	22
Item 10: Other Financial Industry Activities and Affiliations	25
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	28
Item 12: Brokerage Practices	29
Item 13: Review of Accounts or Financial Plans	30
Item 14: Client Referrals and Other Compensation	31
Item 15: Custody	33
Item 16: Investment Discretion	34
Item 17: Voting Client Securities	35
Item 18: Financial Information	36

**Item 4: Advisory Business**

The Firm currently provides investment advisory services to clients through the recommendation of mutual fund asset allocation service known as the HSBC Spectrum Account Program (the “Spectrum Program”) and third party investment manager model wrap fee programs known as the Managed Portfolio Account Program (“MPA Program”), based upon recommended asset allocation(s). The Firm has entered into an agreement with AMUS to perform certain services, for compensation, for the Spectrum Program.

The Spectrum Program is a mutual fund and exchange-traded fund (ETF) asset allocation program, while the MPA Program offers separately managed accounts and unified managed accounts. HSI is the sponsor of these programs. Clients participating in the programs receive asset allocation, discretionary investment management, execution, and custodian services for the assets in their accounts.

AMUS is an Advisory Affiliate and performs administrative services for the Spectrum and MPA programs. The MPA Program is a multi-product, fee-based separately managed account program. Services provided through MPA may be provided through a Separately Managed Account (“SMA”) or Unified Managed Account (“UMA”). The MPA Program, is described in greater detail in the Appendix 1 for HSI, which is available upon request.

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

It should be noted that the information provided in this Form ADV Part 2A only applies to the Spectrum Program. Additional information for the MPA Program is contained in the Appendix 1 for HSI (“the Brochure”). The Firm also provides investment advisory services outside of the services noted above including to proprietary private equity funds. The Firm will provide a specific Form ADV Part 2A to those clients.

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

**Advisory Services**

The Firm 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 the Spectrum Program. In addition, we provide other related services, information and processes to support the Spectrum Program.

### *Spectrum Program*

The Spectrum Program is a mutual fund and ETF asset allocation program, which is only intended for U.S. citizens and U.S. residents.

The Investment Adviser Representative (“IAR”) will assist clients in completing information requests designed to elicit personal, financial and investment information concerning the client’s financial circumstances, risk preference and tolerance, liquidity requirements and investment objectives to help determine if a managed account recommendation is in the client’s interest. For clients interested in a managed account solution, responses to the risk profile questions are scored to generate a recommended investment allocation.

At account opening (and at any time while a client’s account is open), the client will be able to select from a variety of funds, in consultation with the IAR, that have investment objectives and policies corresponding to such client’s investment allocation. The client may impose reasonable restrictions on its account by specifying funds that may not be purchased for its account or limiting rebalancing for a short period of time.

The client will be provided with a proposal and statement of investment selection containing a list of the selected mutual funds and/or exchange traded funds (“ETFs”); investments will not be purchased unless and until the client signs such proposal and statement of investment selection.

Assets in the Spectrum Program can be invested in ETFs and shares of open-end and closed-end investment companies (mutual funds). As of April 2017, the only AMUS proprietary mutual funds in the Spectrum Program are now money market funds as other AMUS proprietary mutual funds have been removed from the Spectrum Program. The balance of the ETF and mutual funds in the Spectrum Program are third party unaffiliated funds.

After the account is established, HSI as the investment advisor will have investment discretion, in accordance with the selected investment strategy.

The Firm is responsible for account opening, investment advice, trading, trade servicing, account maintenance, client service, custody of Spectrum client assets and overall operational support for the Firm’s investment advisory products. For additional information on custody, please see Item 15. Please also refer to the Spectrum Account Agreement for additional terms and conditions related to the Spectrum Program.

Pursuant to an intercompany agreement, AMUS provides to HSI’s managed account programs services, (i) regarding proposed asset allocations, (ii) due diligence as to funds made available within the program, and (iii) various operational and administrative services.

Written requests for Form ADV Part 2A or Appendix 1 documents should be sent to:

HSBC Securities (USA) Inc.  
Attn: Wealth Management Compliance  
330 Madison Avenue, 5<sup>th</sup> Floor  
New York, NY 10018

## HSI Services to Spectrum Program

### Services

HSI offers the Spectrum Program to its clients and is responsible for client contact, investment advisory services, communications, suitability, account opening services (but not limited to Know Your Client and Anti-Money Laundering reviews) and relationship management.

HSI provides certain ongoing client services that include the following:

1. Periodic portfolio review and consultation with clients through our 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 the Spectrum Program clients to determine whether there have been any changes in the client's financial situation or investment objectives, whether the client wishes to impose any reasonable restrictions on the account, or whether the client wishes to modify any existing restrictions.

### *Spectrum Program – Option*

As of August 2016, the Spectrum Program offers a global option and a domestic option for each model portfolio in the Program. Many factors can influence the performance of a model portfolio, and HSBC cannot guarantee whether a global option model portfolio or a domestic option model portfolio will perform better over time. While HSBC believes that, in the long run, the best way to maximize risk-adjusted return is through a global option model portfolio, investors should choose the option - global or domestic - that best fits their risk tolerance, investment objective, and time horizon.

### *Spectrum Program - Funds*

The funds made available through the Spectrum Program include both third party funds and proprietary funds advised by AMUS and its affiliates. Third party funds used within the Spectrum Program are those that have been approved for use by HSBC's Global Fund Approvals and Research team (referred to as "GFAR"), as delegated via an intercompany agreement and are aligned with the asset classes offered within the Spectrum Program's models. All HSBC Funds aligned with Spectrum Program asset classes are eligible for inclusion in the Spectrum Program.

Funds and ETFs included in the Spectrum Program are re-evaluated by GFAR 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 Spectrum Program. In this case, notice will be sent to all clients stating that the fund is being removed from the Spectrum Program and indicating a default fund will be purchased as the replacement fund if no alternative is selected by the client by the deadline indicated. Clients are instructed to discuss their options with their IAR upon receipt of the notice.

### *Spectrum Program – Model Revisions and Rebalancing*

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.

Assets can be reallocated at any time, without consulting the client, in order to respond to changes in market or economic views, or to re-balance the accounts back to target weights. Modifications to investment allocations may include the introduction of new asset classes or new model options as well as the removal of asset classes or model options.

HSI will have discretionary investment authority consistent with the clients profile and statement of investment selection, over the assets invested in the Spectrum Program, including discretion to allocate assets to securities other than shares of open-end and closed-end investment companies if it is determined that it is in the best interests of the client to do so.

Periodic rebalancing of accounts to the target portfolio, as well as the allocation of subsequent investments and partial withdrawals, is subject to minimum trade size requirements and minimum asset class thresholds.

#### ***Spectrum - Legacy Models***

There is a set of legacy mutual fund wrap models, known as Spectrum I (as of December 31, 2015). These models were closed to new investors on October 30, 2013. Accounts with the Legacy Models are periodically rebalanced to their selected target asset allocation. The overall asset allocation is reviewed on an annual basis. New clients are not permitted, and any clients wishing to change models, or whose current model may no longer be considered suitable, must transition to the current Spectrum models. Additional information is available upon request.

#### **Assets under Management**

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

As of December 31, 2016 the assets under management in the program is as follows:

The Spectrum Program has approximately \$1.98 billion in non-discretionary assets under management, although HSI serves as the sponsor and the advisor of the program's management.



## Item 5: Fees and Compensation

Fees for the MPA and the Spectrum Programs are generally charged and collected in accordance with the Investment Advisory Agreement provided to clients. Additional fee information for MPA is also contained in the Appendix 1 for HSI (“the Brochure”) and respective Program Agreements. Such fees are generally negotiable and fee discounts are provided to some clients.

### Spectrum Program

Spectrum Program 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 clients pay a contractual fee (See **Standard Fee Schedule** below) for the services provided through the Spectrum 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 Spectrum 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 or ETFs charge their shareholders that include 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund.

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

### HSBC Spectrum Accounts (Spectrum I and HSBC Spectrum)

The Standard Fee Schedule for accounts opened on or after January 2, 2007 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 the Spectrum Program are also described in the HSBC Spectrum 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 Program 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 Spectrum 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.

### **Account Funding**

To the extent a prospective Client intends to fund a Spectrum account with assets from the redemption of mutual funds, the surrender of an insurance product, early withdrawal from a certificate of deposit, or the sale of any other financial instruments, Client should consider the cost any sales charges or commissions previously paid or to be paid upon such redemption or sale of or any penalties that Client will incur in order to surrender or withdraw from, such an instrument. It may be costly or inappropriate for Client to fund Spectrum in such a manner.

### **Commissionable Securities Sales Relating to HSI as a Broker-Dealer**

As a registered investment adviser, we provide investment advisory and brokerage advice outside of the Spectrum Program. As a registered broker-dealer with the Financial Industry Regulatory Authority ("FINRA"), HSI sells securities for a commission outside of the Programs is permitted to receive 12b-1 (distribution) and/or shareholder servicing fees from the sale of mutual funds. 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 are not compensated based on commissions or fees for the Programs or otherwise. They are not on a commission-based compensation plan, but are compensated based upon an annual salary, plus the opportunity for bonuses. Please see Item 14 "**Client Referrals and Other Compensation**" section for additional information.

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

The Firm does not charge performance fees to our clients for the either of the Programs. In addition, HSI on an on-going basis, reviews the resources made available to provide advisory services to clients participating in its managed account programs to ensure the appropriate resources are dedicated to the management of all client accounts.

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

The Spectrum Program is offered to individuals including high net worth individuals; trusts, estates or charitable organizations; pension and profit sharing plans; and corporations, limited liability companies and/or other business entities.

HSI requires a minimum account opening balance of \$25,000 for the Spectrum Program. The Firm 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 8: Methods of Analysis, Investment Strategies and Risk of Loss**

HSI has entered into an agreement with Global Fund Approvals and Research (GFAR) and AMUS to certain administrative services for the Spectrum Program. The methods of analysis and investment strategies used by GFAR and AMUS in managing assets through the Spectrum Program are outlined below.

**Methods of Analysis for the HSBC Spectrum and World Selection Spectrum (WSS) Programs**

Mutual funds used within the Spectrum and WSS Programs have been approved for use by GFAR, and are aligned with the asset classes offered within the asset allocation models. These approved funds are selected from funds offered by a set of globally approved unaffiliated fund companies. ETFs may also be used within the Spectrum Program provided that they meet the approval criteria and standards. Once selected, all included mutual funds and ETFs will be reevaluated on a quarterly basis and if any are identified as showing signs of not meeting the research quality threshold, they may be removed from the Program.

There is also a set of legacy mutual fund asset allocation models opened under the name World Selection Spectrum that closed to new investors on October 30, 2013. These accounts are now referred to as Spectrum I. Accounts with the legacy asset allocation models are periodically rebalanced to their selected asset allocation, but new clients are not permitted. Any clients wishing to change models, or whose current model is no longer considered suitable, must transition to the Spectrum Program. Mutual funds and ETF's used within Spectrum I are approved by GFAR and are continually monitored.

**Selection and Monitoring**

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

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

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

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

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

• ***Capitalization Risk:*** Stocks of large capitalization companies may be volatile in the event of earnings disappointments or other financial developments. Medium and smaller capitalization companies may involve greater risks due to limited product lines, market and financial or managerial resources, as well as have more volatile stock prices and the potential for greater declines in stock prices in response to selling pressure. Small capitalization companies generally have more risk than medium capitalization companies.

• ***Convertible Bond Risk.*** Convertible bonds are subject to the risks of equity securities when the underlying stock price is high relative to the conversion price (because more of the security's value resides in the conversion feature) and debt instruments when the underlying stock price is low relative to the conversion price (because the conversion feature is less valuable). A convertible bond is not as sensitive to interest rate changes as a similar non-convertible debt instrument, and generally has less potential for gain or loss than the underlying equity security.

• *Counterparty Risk:* The risk that the other party to an investment contract, such as a derivative (e.g., ISDA Master Agreement) or a repurchase or reverse repurchase agreement, will not fulfill its contractual obligations or will not be capable of fulfilling its contractual obligations due to circumstances such as bankruptcy or an event of default. Such risks include the other party's inability to return or default on its obligations to return collateral or other assets as well as failure to post or inability to post margin as required applicable credit support agreement.

• *Commodity Related Investments Risk:* The risks of investing in commodities, including investments in companies in commodity-related industries may subject a portfolio to greater volatility than investments in traditional securities. The potential for losses may result from changes in overall market movements or demand for the commodity, domestic and foreign political and economic events, adverse weather, discoveries of additional reserves of the commodity, embargoes and changes in interest rates or expectations regarding changes in interest rates.

• *Currency Risk:* Fluctuations in exchange rates between the U.S. dollar and foreign currencies, or between various foreign currencies, may negatively affect a portfolio's investment performance.

• *Custody Risk:* The Funds invest in securities markets that are less developed than those in the U.S., which may expose a portfolio to risks in the process of clearing and settling trades and the holding of securities by foreign banks, agents and depositories. The laws of certain countries may place limitations on the ability to recover assets if a foreign bank, agent or depository enters bankruptcy. In addition, low trading volumes and volatile prices in less developed markets may make trades more difficult to complete and settle, and governments or trade groups may compel local agents to hold securities with designated foreign banks, agents and depositories that may be subject to little or no regulatory oversight or independent evaluation. Local agents are held only to the standards of care of their local markets.

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

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

- *Debt Instruments Risk:* The risks of investing in debt instruments include:
  - > *High-Yield Securities (“Junk Bond”) Risk:* Investments in high-yield securities (commonly referred to as “junk bonds”) are often considered speculative investments and have significantly higher credit risk than investment-grade securities and tend to be less marketable (i.e., less liquid) than higher rated securities. The prices of high-yield securities, which may be more volatile and less liquid than higher rated securities of similar maturity, may be more vulnerable to adverse market, economic or political conditions.
  - > *Interest Rate Risk:* Fluctuations in interest rates may affect the yield and value of investments in income producing or debt instruments. Generally, if interest rates rise, the value of such investments may fall. Investors should note that interest rates are at, or near, historic lows, but will ultimately increase, with unpredictable effects on the markets and investments.
  - > *Credit Risk:* A portfolio could lose money if an issuer or guarantor of a debt instrument fails to make timely payments of interest or principal or enters bankruptcy. This risk is greater for lower-quality bonds than for bonds that are investment grade.
  - > *Inventory Risk:* The market-making capacity in some debt markets has declined as a result of reduced broker-dealer inventories relative to portfolio assets, reduced broker-dealer proprietary trading activity and increased regulatory capital requirements for financial institutions such as banks. Because market makers provide stability to a market through their intermediary services, a significant reduction in dealer market-making capacity has the potential to decrease liquidity and increase volatility in the debt markets.
  - > *Prepayment Risk:* During periods of falling interest rates, borrowers may pay off their debt sooner than expected, forcing an underlying portfolio to reinvest the principal proceeds at lower interest rates, resulting in less income.
  - > *Extension Risk:* The risk that during periods of rising interest rates, borrowers pay off their debt later than expected, preventing a portfolio from reinvesting principal proceeds at higher interest rates, increasing the sensitivity to changes in interest rates and resulting in less income than potentially available.
- *Depository Receipts Risk:* Investments in depository receipts, such as ADRs and GDRs, may entail the special risks of international investing, including currency exchange fluctuations, government regulations, and the potential for political and economic instability.
- *Derivatives Risk:* Use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments and could increase the volatility of a portfolio’s asset value and cause losses. Risks associated with derivatives include the risk that the derivative is not well correlated with the security, index or currency to which it relates; the risk that derivatives may result in losses or missed opportunities; the risk that the portfolio will be unable to sell the derivative because of an illiquid secondary market; the risk that a counterparty is



unwilling or unable to meet its obligation; and the risk that the derivative transaction could expose the portfolio to the effects of leverage, which could increase the portfolio's exposure to the market and magnify potential losses, particularly when derivatives are used to enhance return rather than offset risk. There is no guarantee that derivatives, to the extent employed, will have the intended effect, and their use could cause lower returns or even losses to the portfolio. The use of derivatives by the portfolio to hedge risk may reduce the opportunity for gain by offsetting the positive effect of favorable price movements.

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

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

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

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

• *Exchange Traded Fund Risk:* The risks of owning shares in an ETF, including the risks of the underlying investments held by the ETF, Index Risk in the case of index ETFs, and the risks that an investment in an

ETF may become illiquid in the event that trading is halted for the ETF or that the share price of the ETF may be more volatile than the prices of the investments the ETF holds.

• *Financial Services Risk:* The adviser's 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 portfolio.

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

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

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

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

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

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

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

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

• **Redemption Risk:** A fund or client portfolio may experience a redemption(s) resulting in large outflows of cash from time to time. This activity could have adverse effects on performance if the advisor were required to sell securities at times when it otherwise would not do so. This activity could also accelerate the realization of capital gains/losses and increase transaction costs.

• **Regulatory Risk:** US regulators and legislators have recently amended a wide range of rules and pending and ongoing regulatory reforms (e.g., the Dodd Frank Act) continue to have a material impact on the advisory business. These regulations and reforms may significantly change the operating environment and the ultimate effect cannot be adequately predicted. Any further changes by the SEC or additional legislative developments may affect a portfolio's operations, investment strategies, performance and yield.

• **Regulatory Risk in Other Countries:** Disclosure and regulatory standards in emerging market countries are in many respects less stringent than U.S. standards. Therefore, disclosure of certain material information may not be made, and less information may be available. Additionally, regulators in many countries continue to review the regulation of such portfolios. Any further changes by a regulatory authority or additional legislative developments may affect a portfolio's operations, investment strategies, performance and yield.

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

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

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

are there bankruptcy proceedings through which all or part of the sovereign debt that a governmental entity has not repaid may be collected.

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

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

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

• *Underlying Fund Selection Risk:* The risk that a portfolio may invest in underlying funds that underperform other similar funds or the markets more generally, due to poor investment decisions by the investment adviser(s) for the underlying funds or otherwise underlying funds also have their own expenses, which the portfolio bears in addition to its own expenses.

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

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



**Item 9: Disciplinary Information**

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

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

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

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

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

FINRA alleged that during the period from May 31, 2006 through February 28, 2008, except as otherwise noted, HSI violated certain NASD, FINRA, and MSRB rules by (1) making negligent misrepresentations and omissions of material facts to clients concerning the safety and liquidity of Auction Rate Securities

("ARS"); (2) using advertising and marketing materials that were not fair and balanced and did not provide a sound basis for evaluating the facts about purchasing ARS; (3) selling restricted, and therefore unsuitable, ARS to certain non-qualified clients; (4) failing to retain certain emails from May 2004 to April 2009, and failing to retain certain internal instant messages from February 2007 to September 2008; and (5) failing to maintain adequate supervisory procedures concerning its sales and marketing activities regarding ARS and its retention of certain emails and instant messages. The matter was finalized by Acceptance, Waiver and Consent ("AWC") on April 22, 2010. HSI was censured, paid a fine of \$1.5 million, and made repurchase offers to certain eligible investors. In determining the sanctions in this matter, FINRA took into account HSI's voluntary repurchase of ARS from its clients in 2008. As of July 2008, HSI repurchased more than ninety percent of its then current clients' ARS holdings and in October 2008 offered to repurchase all of the remaining ARS held in those clients' HSBC Securities accounts.

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

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

On May 20, 2010, the Firm submitted a letter of Acceptance, Waiver and Consent to FINRA in which, without admitting or denying guilt, the Firm consented to findings that it: (1) failed to establish and maintain a supervisory system and written procedures regarding the sale of collateralized mortgage obligations ("CMOs") to clients that were reasonably designed to achieve compliance with applicable securities laws and regulations and with FINRA rules; (2) failed to establish and maintain a system of written procedures reasonably designed to supervise whether the sales of CMOs were suitable for its clients and the attendant risks of the products were fully explained whenever a registered representative recommended a CMO investment; (3) failed to offer certain educational materials to certain clients before the sale of a CMO and (4) recommended and sold inverse floater CMOs to clients for whom such products were unsuitable. HSI consented to a sanction of a censure and a \$375,000 fine. FINRA acknowledged that, independent of the imposed sanction, affected clients received full restitution from the Firm.

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

Stock Exchange Division of Enforcement alleged that HSI violated: (1) NYSE Rule 476(a)(6) for engaging in conduct inconsistent with just and equitable principles of trade by: (a) recommending and selling LIBOR CDs to clients for whom such products were unsuitable; (b) failing to accurately advise clients about the risks associated with the LIBOR CDs; and/or (c) making material misrepresentations regarding certain material features of the LIBOR CDs and/or the manner in which the products were likely to perform; (2) NYSE Rule 401(a) by failing to adhere to principles of good business practice by recommending and selling the LIBOR CD products to clients for whom they were not suitable; and (3) NYSE Rule 342(a) and (b) by: (a) failing to establish and maintain appropriate procedures to reasonably supervise whether the sale of callable LIBOR CDs were suitable for its clients, and (b) failing to adequately supervise its personnel in order to reasonably detect and prevent misrepresentations regarding material features of LIBOR CDs, and/or the manner in which they were likely to perform. On October 8, 2007, HSI agreed to a censure and fine in the amount of \$500,000 and an undertaking requiring the Firm to review the purchases of the outstanding LIBOR CDs (that existed as of June 1, 2007) and offer a remediation plan, reviewed and approved by NYSE Enforcement, in accordance with the terms of the stipulation and consent to penalty.



## Item 10: Other Financial Industry Activities and Affiliations

### Conflicts

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 our Firm aside from investment management is that of a full service broker-dealer and investment adviser. We engage in a full range of primary and secondary securities activity in the U.S. and international markets, including acting as a primary dealer in corporate bonds, U.S. and international equities, and as a broker in futures and options. We are registered with the Securities and Exchange Commission, the Financial Industry Regulatory Authority, and various other regulatory bodies. Our Firm acts as an introducing broker for the Spectrum Program (and other clients and programs), using the clearing and execution facilities of our third party clearing agent, Pershing® LLC (“Pershing”), for all securities transactions executed within a client’s account, subject in all cases to best execution obligations and applicable law. HSI is registered as a futures commission merchant, and some of our management persons are associated persons of that entity.

Since March 26, 2012, HSI operates under an Assignment and Assumption Agreement (the “Agreement”) with HSBC Private Equity Advisors LLC. Pursuant to the Agreement, HSBC Private Equity Advisors LLC, transferred and assigned to HSI all of its rights and obligations with respect to certain pooled investment vehicles, separately managed accounts and direct investments (the “Private Equity Funds & Direct Investments” or “Private Equity”). This transaction was completed to transfer certain fund advisory contracts to HSBC Securities (USA) Inc. in order to benefit from its status as a registered adviser under the U.S. Investment Advisors Act.

As of December 31, 2016, the Private Equity Business held approximately \$614 million of discretionary assets under management across five principal strategies. The first and second types of investments focus on direct equity and mezzanine investments, respectively, primarily in lower middle market companies in the U.S. The third type focuses on Latin American investments in direct equity transactions. The fourth type involves fund of funds investments in U.S. and Latin American based private equity funds, and the last type involves mezzanine and equity investments in U.S. real estate. HSI as the Registered Investment Advisor of the Private Equity business oversees an unaffiliated subadvisor, Graycliff Partners.

### Material Relationships with Related Persons

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

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

AMUS, a wholly-owned subsidiary of HSBC Bank USA, N.A (“HSBC Bank”), continues to provide administrative support services to HSI in respect to the Managed Account Programs including advice as to proposed asset allocations, due diligence, advice as to funds and portfolio managers and various operational services.

For the Spectrum Program, HSI compensates AMUS for administrative services. Fees paid by HSI to AMUS for services rendered are based on average assets invested in the Spectrum products and the size of exceed set limits

the additional monies are charged at increasing lower rates reflecting the tiering of fees charged to clients.

In addition, AMUS acts as the investment adviser and/or administrator to certain registered investment companies (mutual funds) and other institutions, specifically the money market funds, which are included as investments in the Spectrum programs. The funds made available through the Spectrum Program include both third party funds and money market funds advised by AMUS.

HSI may offer to our non-advisory (brokerage) clients, shares of investment companies for which AMUS serves as investment adviser.

AMUS, whose money market mutual funds receive compensation (such as mutual fund advisory fees, and other compensation), in addition to the fee for the Spectrum Program described below. However in accordance with regulation, Spectrum Program fees for retirement accounts are reduced by the amount of the advisory fee for money market funds advised by AMUS. To the extent AMUS recommends 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 could create a conflict of interest for AMUS. AMUS' role is referenced in the investment advisory agreement for the Spectrum Program.

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

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

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

HSBC's Investment Banking Group may offer sponsorship or syndication of limited partnerships. However this is not offered through the Firm's investment advisory business or clients. 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 with respect to 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 HSBC Securities (USA) Inc., an affiliated broker-dealer, 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 maintains supervision of such persons.

Investment Adviser Representatives of the firm are also securities licensed Registered Representatives of HSBC Securities (USA) Inc., a FINRA registered broker/dealer. While Investment Adviser Representatives endeavor to put the interests of HSBC Securities (USA) Inc.'s clients first as part of their fiduciary duty, client should be made aware that the receipt of additional compensation itself creates a conflict of interest.

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

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

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

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

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

**Item 12: Brokerage Practices**

For the Spectrum Program, the Firm generally does not select other broker-dealers to execute trades in the Programs, as the Program fees clients pay cover only those trades executed by HSI. HSI does not participate in soft dollar business arrangements and receives no products, research, or services that would consider a factor in recommending a particular broker dealer.

Currently HSBC Securities (USA) Inc. ("HSBC Securities"), is a member NYSE/FINRA/SIPC, registered Futures Commission Merchant ("FCM"), a wholly-owned subsidiary of HSBC Markets (USA) Inc. and an indirect wholly-owned subsidiary of HSBC Holdings plc., acts as introducing broker in respect of the Spectrum Program, using the clearing and execution facilities of its third party clearing broker, Pershing LLC, in respect of all securities transactions executed within a client's account, subject in all cases to best execution obligations and applicable law. HSBC Securities or another financial intermediary will serve as custodian for accounts. HSBC Securities has entered into an agreement with Pershing LLC to perform as the custodian under the Spectrum Program. The Spectrum Program offers a bundled asset based fee arrangement to clients of which AMUS retains a portion of the fees for its administrative services.

The Firm does not use client brokerage to compensate or otherwise reward brokers for client referrals. The Firm does not engage in direct brokerage transactions.

Spectrum program managers, as well as AMUS and third party money managers, may purchase or sell the same security for a number of clients, who are in different programs at the same time. Because of market fluctuations, the prices obtained on such transactions within a single day may vary substantially. In such a case, to more fairly allocate those market fluctuations among clients, transactions in the same security for a number of clients may be "batched". In these circumstances, the confirmations and statements for each client's transaction may show that the transaction was effected at a price equal to the average execution price for all transactions in that security on that day. Since there are no separate transaction costs (no commissions) for trades executed by HSI in the Programs there is no transaction cost benefit.

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

**Principal, Agency and Cross Transactions**

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

### Item 13: Review of Accounts or Financial Plans

For Spectrum Programs, annual account reviews are conducted by a client's IAR in order to determine if the client's profile remains current and accurate and that the performance of the account is consistent with the recommended asset allocation model. 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.

We do not provide written reports to clients, unless requested. HSI representatives provide updates to clients at least annually. Our clearing agent, Pershing provides, at a minimum quarterly report to our clients.

The quarterly reports for the Spectrum Program are generated by Pershing® LLC. and are provided to clients.

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

### **Specifically Regarding Retirement Accounts**

After June 9, 2017, new Department of Labor rules apply to retirement accounts when advice is given for compensation. HSBC Securities has simplified its offering for Retirement Accounts to focus on:

- Recommendations of advisor-supported managed accounts;

Our Investment Adviser Representatives aim to serve the interests of our clients and build long lasting, mutually valuable client relationships. To be more consistent with that aim, our Investment Adviser Representatives 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.

Our Investment Adviser Representatives' personal performance against established key performance indicators and balanced scorecard objectives is considered 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 Investment Adviser Representatives' 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 HSBC Securities 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 HSBC Securities, and therefore your Investment Adviser Representative has further incentives to recommend that a client invest assets with HSBC Securities. Feel free to ask your Investment Adviser Representative about our compensation for any particular service or product that you purchase.

HSBC Securities (USA) Inc. reserves the right, at their discretion and without prior notice to change the methods by which they compensate their sales professionals.

We do not pay referral fees (non-commission based) to independent solicitors for the referral of their clients to our Firm.

HSI does not require nor do we solicit prepayment of more than \$1,200 in fees per client, six (6) 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.

### **Gifts, Gratuities, Entertainment and Non-Monetary Compensation**

From time to time, HSBC or its employees may, as is generally consistent with customary industry practice and in accordance with HSBC'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. Such gifts, meals and entertainment provided by HSI 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) may receive marketing and training support payments, conference subsidies, and other types of financial compensation and incentives from mutual fund companies and other product providers, broker-dealers and other vendors to support the sale of their products and services to our clients, including our ERISA plan clients. For a list of those vendors please consult your HSBC Securities Registered Representative or Customer Service at 800-662-3343. Note that the level of vendor support or other payments is not dependent on or related to the level of assets invested by your plan or any other of our clients in or with the products or services of the particular vendor.



**Item 15: Custody**

HSI, or another financial intermediary, will serve as custodian for accounts. Currently, HSI has entered into an agreement with Pershing® LLC (“Pershing” or “The Custodian”) to act as the custodian for the Spectrum Program. Pershing is located at One Pershing Plaza, Jersey City, New Jersey 07399. The Custodian will generally furnish monthly, but no less frequently than quarterly, account statements summarizing account activity during the period.

**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.

In respect of the Spectrum and MPA Programs, HSI from time to time comes into possession of client assets. As such, on an annual basis, HSI must ensure that the requirements of the Custody Rule are met (i.e., the performance of a surprise examination by an independent public accountant) as well as obtaining the internal control report, issued by an independent public accountant, from Pershing). Managed account clients also receive on regular basis custodial statements directly from Pershing.

**Item 16: Investment Discretion**

As contemplated in the descriptions of the Spectrum Account included in this Part 2A (including any Appendix thereto). HSI receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

**Item 17: Voting Client Securities**

Spectrum Program clients retain the right to vote proxies solicited by or with respect to the funds or any other securities held in the account.

**Item 18: Financial Information**

HSI does not require nor do we solicit prepayment of more than \$1,200 in fees per client, six (6) 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.



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

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

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

**March 2016**

This Brochure Supplement provides information about the following persons that supplements the HSBC Securities (USA) Inc. Form ADV Part 2A and Appendix 1 Brochure. If you have any questions about the contents of this brochure, please direct your written inquiry to the address listed above, or call (800) 662-3343. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about the supervised person(s) listed with an asterisk (\*) below is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or may be found on the Financial Industry Regulatory Authority (FINRA) website [www.finra.org/brokercheck](http://www.finra.org/brokercheck)

Daniel Anniello*	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 serves as Senior Vice President of Global Wealth Development for HSBC Securities (USA) Inc. since 2013. Mr. Anniello is also currently serving in an interim capacity as National Sales Director since January 1, 2017.

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

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

Mr. Anniello was born in 1971.

**Item 3: Disciplinary Information**

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

**Item 4: Other Business Activities**

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

**Item 5: Additional Compensation**

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

**Item 6: Supervision**

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

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

**Michael Boardman**

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

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

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

Mr. Boardman was also President of the Private Client Reserve of U.S. Bank from April 2008 to November 2013. Mr. Boardman holds a Bachelor of Arts Degree from the Middlebury College in 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 HSBC Securities (USA) Inc.

**Item 5: Additional Compensation**

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

**Item 6: Supervision**

Thierry Roland, President and CEO of HSBC Securities (USA) Inc., is responsible for and has supervisory oversight of Mr. Boardman. Mr. Roland can be contacted at 212-525-5000.

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

**Jeffrey Kraebel**

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

Jeffrey Kraebel is a Senior Vice President and Head of Products and Services for HSBC Securities (USA) Inc. since 2012. He has served as Chief Administration Officer for HSBC Securities (USA) Inc. from July 2009 to November 2012. He also served as a Sales Director for HSBC Securities (USA) Inc. from December 2007 to May 2009. Mr. Kraebel served as a Regional Sales Manager for HSBC Securities (USA) Inc. from February 2005 to December 2007.

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

Mr. Kraebel holds a Bachelor of Science in Business Administration from Monmouth College. Mr. Kraebel was born in 1965

**Item 3: Disciplinary Information**

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

**Item 4: Other Business Activities**

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

**Item 5: Additional Compensation**

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

**Item 6: Supervision**

Andrew Ireland, is Executive Vice President, Head of Customer Value Management, HSBC Bank (USA) N.A. Mr. Ireland is registered as a supervisor with HSBC Securities (USA) Inc., and is responsible for and has supervisory oversight of Mr. Kraebel. Mr. Ireland can be contacted at 212-525-5000.

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



**J. Michael Leadam**

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

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

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

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

Mr. Leadam was born in 1952.

**Item 3: Disciplinary Information**

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

**Item 4: Other Business Activities**

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

**Item 5: Additional Compensation**

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

**Item 6: Supervision**

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

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

**Kevin Mullaney**

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

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

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

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

Mr. Mullaney was born in 1969.

**Item 3: Disciplinary Information**

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

**Item 4: Other Business Activities**

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

**Item 5: Additional Compensation**

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

**Item 6: Supervision**

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

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

**Thierry Roland**

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

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

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

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

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

**Item 3: Disciplinary Information**

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

**Item 4: Other Business Activities**

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

**Item 5: Additional Compensation**

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

**Item 6: Supervision**

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

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