

**ITEM 1. COVER PAGE FOR
PART 2A OF FORM ADV:
FIRM BROCHURE
DATED March 31, 2011**

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OFFICER**

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This brochure provides information about the qualifications and business practices of HSBC Securities (USA) Inc (“HSI “HSBC” the “Firm” or “We”). If you have any questions about the contents of this brochure, please direct your written inquiry to the address and Firm Contact listed above, or call (212) 525-2879. The information in this brochure has not been approved or verified by the United States Securities and Exchange (“SEC”) Commission or by any State Securities Authority.

Additional information about HSI is also available on the SEC’s website at www.adviserinfo.sec.gov .

Please note that the use of the term “registered investment adviser” and description of HSI and/or our associates as “registered” does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our Firm’s associates who advise you for more information on the qualifications of our Firm and its employees.

ITEM 2. MATERIAL CHANGES TO OUR PART 2A OF FORM ADV:
FIRM BROCHURE

This Brochure dated March 31, 2011 is a new document prepared according to the SEC's new disclosure requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

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

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ITEM 4. ADVISORY BUSINESS

A. Description of our advisory firm, including how long we have been in business and our Principal owner(s).

The Firm currently provides investment advisory services for individual investors through the recommendation of mutual fund and third party investment manager model wrap fee programs, based upon recommended asset allocation(s). The Firm provides services in respect of the programs and in connection with such services receives compensation. The Firm has entered into an agreement with HSBC Global Asset Management (USA) Inc. (“AMUS”, “Service Provider”) whereby it has agreed to perform certain services in respect of the HSBC World Selection Spectrum Account/Program and HSBC World Selection Offshore Spectrum Account/Program (Collectively referred to as “Spectrum”) and the Managed Portfolio Account (“MPA”) Program, which are wrap fee programs. Clients participating in the Programs receive asset allocation, discretionary investment management, execution, and custodian services with respect to assets contributed to their accounts. Clients investing in the MPA may select individual asset classes in which to invest instead of an asset allocation model. Clients participating in such programs enter into an Investment Advisory Agreement with AMUS.

HSI has been in business as an investment adviser since 2005. The Firm is a Delaware corporation headquartered in New York City, and a wholly-owned direct subsidiary of HSBC Markets USA Inc. (“HMUS”). HMUS is a wholly-owned indirect subsidiary of HSBC North America Holdings Inc., which is a wholly owned indirect subsidiary of HSBC Holdings Plc., the ultimate holding company in the HSBC group of companies.

B. Description of the types of advisory services we offer.

The Firm provides sales and account review services as well as the subject matter expertise and resources to support the operational, information technology, trading, administration, and custody of client assets in the MPA and Spectrum accounts. In addition, we provide other related services, information and processes deemed to be required by our affiliated registered investment adviser firm, AMUS, to support the MPA and Spectrum products. It is understood that we may delegate certain duties enumerated herein to third parties. AMUS is the sponsor of these programs. We only refer clients to AMUS and therefore a conflict of interest exists in that we receive compensation.

We offer a Mutual Fund Asset Allocation Program, as well as a Separately Managed Account and a Unified Managed Account Program. These programs are offered for a fee through HSI’s network of Financial Advisors.

World Selection Spectrum/Account Program

Through the Firm's Financial Advisors, HSI offers the World Selection Spectrum Account/Program. This program is a mutual fund asset allocation service open to U.S. citizens and U.S. residents.

In addition, the Firm also offers the Offshore World Selection Spectrum Account/Program which is a mutual fund asset allocation service open to qualified Non-Residents Aliens who reside in certain foreign jurisdictions, as approved by the Firm and in accordance with the local laws of those jurisdictions. The mutual funds made available through the Offshore World Selection Spectrum Account/Program are not registered in the US.

The World Selection Spectrum/Account Program and Offshore World Selection Spectrum Account/Program are described in greater detail in Form ADV Part 2A for AMUS, which is available upon request.

Managed Portfolio Account Program

HSI offers a wrap fee program called the Managed Portfolio Account Program ("MPA"). This 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").

MPA is designed to assist clients, including individuals, pension plans, profit sharing plans, and institutions, with the clarification of their investment preferences. It will also facilitate the acquisition of professional asset management and other services provided by AMUS, third party portfolio managers, mutual funds, and/or exchange traded funds (ETF's), for a convenient single "wrap" fee.

The UMA Program may provide, at the customer's election, tax optimization services, at no additional cost, to U.S. persons, for U.S. taxes only.

The MPA Program is described in greater detail in Form ADV Part 2A, Appendix 1 for AMUS, which is available upon request.

The following services are provided by HSI:

Sales

In general, HSI is responsible for the appropriate distribution of the MPA and Spectrum Products to its clients, and to ensure it acts in compliance with all applicable rules and regulations as may be promulgated by relevant federal, state and self-regulatory agencies. The Firm is responsible

for client contact, communications, and relationship management. HSI's affiliate, AMUS, may also send client communications, including periodic account reports and information.

Ongoing Client Servicing

HSI provides certain ongoing client services which includes the following:

1. Periodic portfolio review and consultation with clients through our Financial Advisors.
2. Subsequent transactions (additional investments and redemptions) and related funds flow.
3. Primary contact point for investors regarding questions on their accounts and issues pertaining to their accounts.
4. At least annually, the Firm's Financial Advisors are required to contact their MPA and Spectrum 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.

Operational Support

HSI provides operational support for the MPA and Spectrum Products. The Firm is responsible for account opening, trading, trade servicing, account maintenance, customer service, custody of MPA and Spectrum client assets and overall operational support for the Firm's investment advisory products including acting as intermediary between Firms third party vendors and AMUS.

C. (i) Individual Tailoring of Advice to Clients:

HSI offers general investment advice to clients utilizing the Spectrum and MPA Programs.

For the Spectrum Programs, investors are typically interviewed by the Financial Advisor that will assist in completing a profile questionnaire (the "Questionnaire"). The Questionnaire is designed to elicit personal, financial and investment information concerning the investor's financial circumstances, risk preference and tolerance, liquidity requirements and investment objectives. The Questionnaire information is analyzed through a computerized asset allocation program which generates 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 that have investment objectives and policies corresponding to such client's investment allocation. The client will be provided with an Investment Strategy Proposal and Statement of Investment Selection, both documents will have a list of mutual funds (may also include Exchange Traded Funds ("ETF") that are selected by the client in consultation with the Financial Advisor. The customer is required to sign off on the Statement of Investment Selection before the investments are purchased. Assets in the Spectrum Program can be invested in ETFs and shares of open-end and closed end-investment companies. Some of which may be

managed or advised by AMUS, or another HSI affiliate, or by a fund which AMUS provides services for and will receive compensation for in addition to receiving the Spectrum fee.

After the account is established, the Firm's affiliate, AMUS, has investment discretion, in accordance with the selected investment strategy. However, the client can initiate investment changes within their account with the assistance and/or guidance of their HSI Financial Advisor.

Please consult with Form ADV Part 2A for AMUS for additional information on services provided by the World Selection Spectrum Account/Program and Offshore World Selection Spectrum Account/Programs.

For the MPA Program, the client, in consultation with their Financial Advisor, may utilize the MPA Client Profile Questionnaire or, may utilize other means at the Financial Advisor's disposal, to assist in the evaluation of the level of risk and investment preference the client desires for their MPA investment portfolio. As a result of this consultative process, the Financial Advisor facilitates the preparation of an Investment Policy Statement ("IPS") for the client's MPA investment portfolio. The IPS will contain a recommended asset allocation with consideration of the risk tolerance and other factors pertinent to ascertaining the suitability of MPA and the investment products available through MPA. The client may make adjustments, within certain parameters, to stock and bond asset allocation targets or asset class allocation targets. Subject to the customer's approval, client assets may be invested in accordance with a mix of investment strategies utilizing multiple third party investment advisory firms or may be invested in a single investment strategy. The client will be advised to express their personal preferences for the MPA account, including restrictions on specific investments, which will be reflected in the IPS. The IPS will be prepared with the MPA recommendations and the client's investment selections which may differ significantly from the recommendations. The IPS is confirmed by the customer in writing. Through this process, the client is provided with individualized professional investment consultation.

The Firm's Financial Advisor assigned to the account will consult with the client's periodically, but no less than annually, to determine if there have been any changes to the customer's investment profile or financial condition. The client and their Financial Advisor will determine whether any changes should be made to the IPS, asset allocation, risk tolerance, or other factors pertaining to the continued suitability of the MPA and the investments available through the MPA. Clients are also encouraged to contact their Financial Advisor promptly in the event of any material changes to the information they have provided, or any other changes in their financial circumstances or investment goals that would impact the management and investment allocation of their account.

Please consult with Form ADV Part 2A, Appendix 1 for AMUS for additional information on services provided by the MPA Account Program.

(ii) Ability of Clients to Impose Restrictions on Investing in Certain Securities or Types of Securities

AMUS allows for reasonable restrictions to be placed within the MPA and Spectrum Programs. In all cases, the customer must request restrictions through their Financial Advisor.

D. Participation in wrap fee programs.

As described above, HSI offers the MPA and Spectrum Programs which are considered wrap fee programs. The Firm does not offer any other type of advisory services for a fee. These two products are described in greater detail in Form ADV Part 2A and Appendix 1 for AMUS, which are available upon request.

E. Disclosure of the amount of client assets we manage on a discretionary basis and the amount of client assets we manage on a non-discretionary basis.

HSI does not manage assets on a discretionary basis. However, HSI does manage assets on a non-discretionary basis. As of January 31, 2011, the amount of assets managed on a non-discretionary basis was \$1,585,200,175.

Discretionary asset management of the MPA and Spectrum Programs is handled by third party money managers, including the Firm's affiliate, AMUS.

ITEM 5. FEES AND COMPENSATION

The Firm is required to describe its brokerage, custody, fees and fund expenses so customers know how much they are charged, and by whom, for HSI's advisory services. The Firm's fees are generally negotiable.

A. Description of how we are compensated for our advisory services provided to you.

Fees for MPA are generally charged and collected in accordance with the AMUS Investment Advisory Agreement provided to customers. Fees for this program are described in greater detail in Form ADV Part 2A, Appendix 1 for AMUS.

MPA Program

Fees will be paid quarterly in advance. Fees will be a percentage of assets in the account based on assets under management at the beginning of the quarter. A portion of the fees (on an annual rate ranging from 0.25% to 0.75%) will be paid quarterly in advance to the selected investment managers within the investment portfolio held by the client with the exception of the mutual funds and ETFs in the accounts. The investment managers for the mutual funds and ETFs are paid directly by the funds/ETFs as part of their expenses. These fund expenses are considered as part of the calculation of the daily Net Asset Value (NAV) of the funds. Portfolios invested in

mutual funds, ETFs or other investment companies will be included in calculating the value of the account to determine the amount of the fee.

Fees for each new or terminated account will be prorated for the appropriate number of days in the billing period. New client accounts will be charged a fee in advance based on the inception value of the account through the end of the first quarter under management. Terminated accounts will receive a rebate of fees charged in advance and not earned based on the prorated fee that was charged for the balance of the quarter. In addition, contributions in excess of \$25,000 cash or equivalent value of “in kind” securities would be charged an additional fee at the time the contribution is made to the portfolio pro-rated through the end of the quarter. Withdrawals of cash or equivalent market value of “in kind” securities in excess of \$25,000 would generate a fee refund pro-rated to the end of the quarter.

The standard annual fees rates for the MPA Program range from .95 percent and 2.5 percent.

Spectrum Program

Spectrum Program fees are paid in arrears. The service 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. All funds included in the Program have operating expenses, including advisory and administration fees. These fees will be in addition to and not included in, the Program fees, as set forth below.

The Standard Fee Schedule for the Spectrum Program is as follows:

<u>Average Assets</u>	<u>Annual Rate</u>	<u>Minimum Fee</u>
First \$250,000	1.50%, plus	\$375.00
Next \$250,000	1.00%, plus	
Assets in excess of \$500,000	0.50%	

AMUS reserves the right to reduce or waive the minimum fee at any time. Fees for the Spectrum Program are described in greater detail in Form ADV Part 2A, for AMUS.

B. Description of whether we deduct fees from *clients*’ assets or bill *clients* for fees incurred.

On a quarterly basis, the Firm debits fees from customer accounts based on the calculation and instructions provided by a third party service provider that is contracted to administer each Program. A portion of these fees are then paid to HSI, AMUS, and the platform manager and third party money managers.

C. Description of any other types of fees or expenses *clients* may pay in connection with our advisory services, such as custodian fees or mutual fund expenses.

Wrap fee clients will receive AMUS's Form ADV, Part 2A, Appendix 1 (the "Wrap Fee Program Brochure"). Wrap fee clients will not incur transaction costs for trades executed through HSI. More information about this is disclosed in their separate Wrap Fee Program Brochure.

For the Spectrum Program, the client pays a single fee for the services provided apart from fees and expenses (including investment advisory fees), paid in respect to the underlying mutual fund investments.

Under the MPA Program, the client will pay a fee, based on the amount of assets under management, for investment advisory, custody, securities execution and related brokerage services. Clients will not be separately charged for investment advisory services provided by HSI or AMUS for custody services provided by the Firm, or for the custody services provided by the Custodian or for brokerage commissions charged by HSI.

AMUS reserves the right, without notice, to pass on to the client, transaction charges or commissions resulting from trades effected through or with broker-dealers other than those affiliated with AMUS for mark-ups or mark-downs by such other broker-dealers. Incidental costs such as wire fees or bank charges would be an additional charge. The fee also does not cover fees and expenses associated with investments in mutual funds, ETFs or other investment companies. The client agrees without offset to the fee payable by them, and any such fees and expenses received for service provided to such mutual funds, ETFs or investment companies unless such offset is required by applicable law. Assets invested in mutual funds, ETFs or other investment companies also may be subject to additional investment management fees, 12b-1 fees, shareholder servicing fees, and other expenses, some or all which may be paid to us or one of our affiliates, as set forth in the prospectus for each of the funds or ETFs but ultimately are borne by the customer. In addition, MPA Program trades may incur other fees and charges not included in the MPA account fee, including markups, markdowns, ticket charges, market charges and SEC charges.

Both the Spectrum and MPA Programs 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.

Some or all of the funds in which customer accounts may be invested may be managed or advised by one of our affiliates (or be a fund for which one of our affiliates otherwise provides services), in which case, HSI, AMUS, or an affiliate may receive compensation from such fund in addition to the fee for the Spectrum or MPA service. To the extent a fund is selected in which a customer account will be invested; the receipt of such additional compensation could create a

conflict of interest. The funds made available through the Programs include both third party funds and funds advised by AMUS and its affiliates.

D. Commissionable securities sales.

HSI is also registered as a broker-dealer. As a registered investment adviser, we do not provide investment advisory advice outside of the MPA and Spectrum Programs. However, as a registered broker-dealer, HSI does sell securities for a commission. In order to sell securities for a commission, the Firm's registered representatives are securities licensed through our primary self-regulatory body, the Financial Industry Regulatory Authority ("FINRA"), as well as state registered through the applicable states in which the Firm conducts business. HSI registered representatives may accept compensation for the sale of securities or other investment products, including distribution or service ("trail") fees from the sale of mutual funds. Customers should be aware that the practice of accepting commissions for the sale of securities:

- 1) Presents a conflict of interest and gives the Firm and/or our registered representative an incentive to recommend investment products based on the compensation received, rather than on the customer's needs. We generally address commissionable sales conflicts that arise as follows:
 - a) explaining to clients that commissionable securities sales creates an incentive to recommend products based on the compensation we and/or our registered representatives may earn and may not necessarily be in the best interests of the client; and
 - b) when recommending commissionable mutual funds, explaining that "no-load" funds are available through the Firm if the client wishes to become an investment advisory client.
- 2) In no way prohibits customers from purchasing investment products recommended by HSI through other brokers or agents which are not affiliated with us.
- 3) More than 50% of the Firm's revenue results from commissions and other compensation paid to our registered representatives by our broker-dealer for the sale of investment products we or our supervised persons recommend to customers, including trail fees from the sale of mutual funds. The commissions we earn provide our primary source of compensation.

ITEM 6. PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT

The Firm does not charge performance fees to our clients.

ITEM 7. TYPES OF CLIENTS AND ACCOUNT REQUIREMENTS

HSI services the following types of clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Pension and Profit Sharing Plans;
- Corporations, Limited Liability companies and/or other business types

AMUS' requirements for opening and maintaining investment advisory accounts, or otherwise engaging us for investment advisory services is as follows:

- AMUS requires a minimum account opening balance of \$250,000 for the MPA Program and \$25,000 for the Spectrum Program. Generally, this minimum account balance requirement is not negotiable. AMUS reserves the right to decrease the minimum account size if deemed necessary.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Description of the methods of analysis and investment strategies we use in formulating investment advice or managing assets.

HSI does not provide a specific method of analysis or investment strategy in respect to the MPA and Spectrum Program. The Methods of Analysis and investment strategies provided by AMUS in formulating investment advice or managing assets through the MPA and Spectrum Program are as follows:

Methods of Analysis for the MPA Program

AMUS, through its Multimanager division (referred to herein as "Multimanager"), conducts due diligence based upon both quantitative (e.g., investment performance returns, rankings, tracking error etc.) and qualitative (e.g., firm, people, investment strategy and process, idea generation, portfolio construction etc.) factors to recommend the asset managers, and mutual funds available through MPA. As part of the qualitative review, multimanager will send firm and strategy questionnaires, analyze portfolio holdings, review performance attribution and conduct manager meetings.

Multimanager seeks to identify managers that they believe will deliver consistent risk-adjusted returns going forward over a market cycle. Multimanager also conducts ongoing evaluation of the MPA managers through evaluation of key factors including personnel, organizational changes and investment performance. Style analytics, attribution and periodic performance comparisons against representative benchmarks and peers are used as part of the monitoring process.

Methods of Analysis for the Spectrum Program

In order to select mutual funds for inclusion in the Spectrum Program, Multimanager (a research group within AMUS, uses a fundamental research approach that examines both quantitative (e.g., investment performance returns, rankings, diversification and turnover) and qualitative (e.g., investment strategy and process, reputation, stability, and employee compensation arrangements) aspects of the funds and their managers. Once selected, such funds and managers will be monitored by Multimanager on a continuous basis.

More information about Multimanager's role and AMUS's role in the selection and monitoring of mutual funds and third party money managers can be found in Form ADV Part 2A, and Appendix 1 for AMUS, which is available upon request.

Please note:

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

B. Our practices regarding cash balances in *client* accounts, including whether we invest cash balances for temporary purposes and, if so, how.

Clients may elect to have their idle cash balances swept into money market funds including funds that are managed by our affiliate, AMUS. HSI affiliates may receive compensation payable in respect of such funds as permissible by law.

ITEM 9. DISCIPLINARY INFORMATION

We are required to disclose whether there are legal or disciplinary events that are material to a *client's* or prospective *client's* evaluation of our advisory business or the integrity of our management. There are a number of specific legal and disciplinary events that we must presume are material for this Item. If our advisory firm or a *management person* has been *involved* in one of these events, we must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in our or the *management person's* favor, or was reversed, suspended or vacated, or (2) the event is not material (see Note below). For purposes of calculating this ten-year period, the "date" of an event is the date that the final *order*, judgment, or decree was entered, or the date that any rights of appeal from preliminary *orders*, judgments or decrees lapsed.

The SEC and/or State Regulators have not provided us with an exclusive list of material disciplinary events, which need to be disclosed. If our advisory firm or a *management person* has been *involved* in a legal or disciplinary event that is not specifically required to be disclosed,

but nonetheless is material to a *client's* or prospective *client's* evaluation of our advisory business or the integrity of our management, we must disclose the event. Similarly, even if more than ten years has passed since the date of the event, we must disclose the event if it is so serious that it remains currently material to a *client's* or prospective *client's* evaluation of our firm or management.

We need to disclose all material facts regarding the following event(s):

A. Our firm or part of our management was involved in a criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which our firm or a management person:

was the subject of any *order*, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a *management person* from engaging in any *investment-related* activity, or from violating any *investment-related* statute, rule, or *order*. The details of the relevant event are:

A Regulatory Action was initiated by the Federal Reserve Bank of Chicago ("Federal Reserve Bank") for a Principal sanction of Cease and Desist against HSBC North America Holdings, Inc. The Federal Reserve Bank initiated this on or about October 4th, 2010. The Docket Case Number is 10-202-B-HC.

The details of the allegation are as follows:

The Federal Reserve Bank of Chicago reviewed and assessed the effectiveness of HSBC Bank of North America Holdings, Inc.'s ("HNAH") Corporate Governance and Compliance Risk Management practices, policies, and internal controls, and identified deficiencies. HNAH and the Board of Governors mutually agreed to enter into a consent cease and desist order (The "Order"). HANA and its institution-affiliated parties shall cease and desist and take affirmative action with respect to the deficiencies documented in the order.

The matter was finalized by a Consent. The resolution date was October 4, 2010. The following sanctions ordered were a Cease and Desist Injunction.

The following details of the sanction are: Consent cease and desist order requiring compliance listed below.

Our response to the details of this action are as follows:

The Reserve Bank reviewed and assessed the effectiveness of HNAH's corporate governance and compliance risk management practices, policies, and internal controls, and identified the following as corrective actions to be taken: source of strength - the Board of Directors of HNAH shall take steps to fully utilize HNAH's financial and managerial resources, pursuant to section 225.4(a) of Regulation Y of the Board of Governors of the Federal Reserve System (12 c.f.r. §225.4(a)), to serve as a source of strength to the banks. Board oversight - within thirty days of the order, HNAH's Board of Directors shall submit to the Reserve Bank an acceptable written plan to strengthen board oversight of HNAH's Compliance Risk Management Program. Regional Compliance Officer - within sixty days of the order, HNAH's Board of Directors shall take such

actions as are necessary to employ a permanent full-time Regional Compliance Officer with demonstrated knowledge and experience in managing a compliance risk management program at an entity with a compliance profile. Compliance risk assessment - within thirty days of the order, HNAH's Board of Directors shall submit to the Reserve Bank a written firm wide compliance risk assessment. Compliance Risk Management Program - within sixty days of the submission of the firm wide compliance risk assessment, HNAH's Board of Directors shall submit an acceptable written plan to the Reserve Bank to improve governance, structure, and operations of the compliance risk management program. BSA/AML compliance - within ten days of the order, HNAH's Board of Directors shall retain an independent consultant acceptable to the Reserve Bank to complete a review of the effectiveness of the firm wide BSA/AML compliance program adopted by HNAH and prepare a written report of findings and recommendations. Suspicious activity monitoring and reporting - within sixty days of completion of the BSA/AML compliance review, HNAH shall submit to the Reserve Bank an acceptable written program designed to reasonably ensure proper reporting by HNAH and its subsidiaries of all known or suspected violations of law or suspicious transactions to law enforcement and supervisory authorities. Progress reports - within thirty days after the end of each calendar quarter following the date of the order, HNAH's Board of Directors shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the order. Approval and implementation of plans, program, and engagement letter - HNAH shall submit written plans and a program that are acceptable to the Reserve Bank within the applicable time periods set forth in the order.

B. Our firm or a management member was involved in an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which our firm or a management person:

was found to have been involved in a violation of an *investment-related* statute or regulation and was the subject of an *order* by the agency or authority:

(a) denying, suspending, or revoking the authorization of our firm or a *management person* to act in an *investment-related* business; The details of this relevant event are:

A Regulatory Action was initiated by the Office of the Comptroller of the Currency ("OCC") for a Principal Sanction of Cease and Desist. The OCC initiated this on or about October 6, 2010 against HSBC Bank USA, N.A. The Docket and Case Number was AA-EC-10-98.

The details of this allegation are as follows:

The Comptroller of the Currency of the United States of America ("Comptroller"), through his National Bank Examiners and other staff of the Office of the Comptroller of the Currency ("OCC"), conducted an examination and investigation of the Payments and Cash management ("PCM"), global banknotes, and foreign correspondent operations of HSBC Bank USA, N.A., Mclean, Virginia ("Bank"). The OCC has identified deficiencies in the Bank's internal controls for these areas as well as its overall program for Bank Secrecy Act/Anti-Money Laundering ("BSA/AML") Compliance.

This matter was finalized by Consent on October 6, 2010. The following sanction was ordered: Cease and Desist/Injunction.

The details of the sanction are as follows:

Consent Cease and Desist Order issued by the Comptroller of the Currency of the United States of America through his National Bank Examiners and other staff of the Office of the Comptroller of the Currency ("OCC"). The Bank committed to taking all necessary steps to remedy the deficiencies identified by the OCC, and enhance the Bank's BSA/AML compliance program.

The following details of the sanction are: Consent cease and desist order requiring compliance listed below.

Our responses to the details of the action status are as follows:

The OCC conducted an examination and investigation of the PCM, Global Bank notes, and Foreign Correspondent Operation of the Bank and identified the following as corrective actions to be taken: Compliance Committee - The Board shall maintain a Compliance Committee of at least three directors, of which at least two may not be employees or officers of the Bank or any of its subsidiaries or affiliates. The Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of the order. Comprehensive BSA/AML action plan - within sixty days of the order, the Bank shall submit to the Deputy Comptroller and the examiner-in-charge a plan containing a complete description of the actions that are necessary and appropriate to achieve full compliance with the order. Management - within fifteen days of the order, the Board shall submit to the Deputy Comptroller and Examiner-in-charge a plan to recruit, hire, appoint, and retain a qualified, permanent Regional Compliance Officer and a qualified, permanent BSA Officer. Review of BSA compliance program - within ten days of the order, the Bank shall retain an independent consultant to conduct an independent review of the Bank's BSA/AML compliance program. BSA compliance program - within ninety days of the order, the board and executive management shall ensure that a BSA/AML program is in place which meets specific criteria outlined in the order. Management information - within ninety days of this order, the board shall ensure that Bank management conducts a management information system assessment, and develops a plan that will enable management to more effectively identify, monitor, and manage the Bank's BSA risks on a timely basis. CDD and EDD information - the Bank shall develop and implement appropriate policies and procedures for gathering Customer Due Diligence and Enhanced Due Diligence information. monitoring - within sixty days of the order, the Bank shall submit revised policies and procedures for wire monitoring using its current wire monitoring system to the Deputy Comptroller and the examiner-in-charge. Suspicious Activity reporting - the Bank shall develop and maintain a written program of policies and procedures to ensure, pursuant to 12 c.f.r. § 21.11, the timely and appropriate review and dispositioning of suspicious activity alerts, and the timely filing of SARs. Account/transaction activity review ("look-back") - the Bank shall retain one or more independent consultants to conduct an independent review of account and transaction activity ("look-back") covering areas to be specified in writing by the examiner-in-charge. Restrictions on growth, new products and high-risk lines of business - the Bank informed the OCC that it is exiting the global Banknotes line of business for non-domestic customers. If, in the future, the Bank intends to re-enter the international bulk cash line of business, the Bank shall notify the examiner-in-charge of its plan in writing and obtain written supervisory non-objection prior to

commencing re-entry. Remote Deposit Capture (“RDC”) - the Bank shall establish controls, commensurate with its BSA/AML risk, over the usage of rdc by foreign correspondent customers, and the Bank's monitoring of RDC transactions. BSA training - within ninety days of this order, the Bank shall develop, implement, and thereafter adhere to a comprehensive training program for all appropriate operational and supervisory personnel to ensure their awareness of their responsibility for compliance with the requirements of the Office of Foreign Assets Control ("OFAC") and the BSA, including reporting requirements associated with SARS, pursuant to 12 c.f.r. part 21, subpart b, regardless of the size of the relationship or type of customer involved. BSA independent testing and audit - the Bank shall develop and maintain an effective program to audit the Bank's BSA/AML compliance program.

C. A self-regulatory organization (SRO) proceeding in which our firm or a management person:

was *found* to have been *involved* in violations of the SRO's rules and we were (iii) fined more than \$2,500.

The details of these relevant events are:

Item # 1

A Regulatory Action was initiated by FINRA for a Principal Sanction of a Civil and Administrative Penalty/Fine and Censure. FINRA initiated this on or about April 22, 2010 against HSBC Securities USA, Inc. (“HSBC Securities”) The Docket Case Number is 2008013863801. The principal product type claimed was Auction Rate Securities.

The details of the allegation are as follows:

FINRA alleged that during the period from May 31, 2006 through February 28, 2008 ("relevant period"), except as otherwise noted, HSBC Securities violated certain NASD, FINRA, and MSRB rules by (1) making negligent misrepresentations and omissions of material facts to customers 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 customers; (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. The following sanctions were ordered: A Censure was ordered in addition to a fine paid for 1.5 Million Dollars. Also a repurchase offer was made.

The following details of the sanction are as follows:

Without admitting or denying FINRA's findings and without adjudication of any issue of law or fact, HSBC Securities consented, solely for the purpose of this proceeding, to the entry of FINRA's findings and the following sanctions: a censure and fine in the amount of \$1.5 million;

offering to repurchase eligible ARS from investors in the relevant class; making best efforts to provide liquidity to investors who purchased ARS during the relevant period but who were not in the relevant class; for any investor in the relevant class who sold eligible ARS below par between certain dates, paying the difference between par and the sale price; arbitrating claims for consequential damages filed by eligible investors in the relevant class under FINRA's special arbitration procedures; and providing FINRA with certain reports. The specific terms of the repurchase offer are defined in the AWC.

Our responses to the details of this action are as follows:

In determining the sanctions in this matter, FINRA took into account HSBC Securities' voluntary remediation to customers prior to the entry of the AWC, which included HSBC securities' voluntary repurchase of ARS from its customers in 2008. As of July 2008, HSBC Securities repurchased more than ninety percent of its then current customers' ARS holdings and in October 2008 offered to repurchase all of the remaining ARS held in those customers' HSBC Securities accounts.

Item #2

A Regulatory Action was initiated by Chicago Board of Trade for a Principal Sanction of a Civil and Administrative Penalties and Fine against HSBC Securities USA, Inc. ("HSBC Securities") Chicago Board of Trade initiated this on or about June 19, 2007. The principal product type claimed was Futures-Financial. The Docket Case Number is 07-MSR-05.

The details of the allegation are as follows:

Chicago Board of Trade alleges that HSBC Securities (USA) Inc. ("HSBC Securities") (a) engaged in the execution of an EFP transaction without a bona fide cash component and (b) the firm executed two contingent EFP transactions, in which the cash exchanged correlated to the net of two futures transactions.

The matter was finalized by a Settlement on September 22, 2007.

The following sanction was ordered: A money fine was imposed for \$30,000

The details of the sanction are as follows:

HSBC Securities (USA) Inc. was fined in the amount of \$30,000. The firm was required to pay its fine within thirty days of the date on which the decision became final.

Our responses to the details of this action are as follows:

In order to ensure that the trading staffs ("the staff") are knowledgeable about CBOT EFP rules, the firm has implemented EFP training.

Item #3

A Regulatory Action was initiated the Chicago Board of Trade ("CBOT") for a Principal Sanction of Civil and Administrative Penalties and Fine. The CBOT initiated this on or about March 7, 2007 against HSBC Securities USA, Inc. The principal product type claimed was Futures and Commodities. The Docket Case Number is 06-RFT-052.

The details of the allegation are as follows:

The Chicago Board of Trade ("CBOT") alleged that HSBC Securities (USA) Inc. ("HSBC") violated Regulation 332.08. Trade date for the trade dates of October 1, 2006 through December 27, 2006 reflected an unacceptable CTR error rate. HSBC was fined \$1,000.

The matter was finalized on March 8, 2007.

The following sanction was ordered: A money fine was imposed for \$1,000.

The following details of the sanction are: See allegations section above.

Item #4

A Regulatory Action was initiated the Chicago Board of Trade ("CBOT") for a Principal Sanction of Civil and Administrative Penalties and Fine. The CBOT initiated this on or about March 14, 2007 against HSBC Securities USA, Inc. The principal product type claimed was Futures and Commodities. The Docket Case Number is 06-MSI-34B.

The details of the allegation are as follows:

The Chicago Board of Trade ("CBOT") alleged that HSBC Securities (USA) Inc. ("HSBC") violated Regulation 3242.01 in that the firm failed to make delivery of contract grade two-year U.S. Treasury Notes by 1:00 P.M., Chicago time, on delivery day.

The matter was finalized by Decision and Order of Offer of Settlement on March 14, 2007.

The following sanction was ordered: A money fine was imposed for \$60,000.

The following details of the sanction are:

The Chicago Board of Trade ("CBOT") alleged that HSBC Securities (USA) Inc. ("HSBC") violated Regulation 3242.01 in that the firm failed to make delivery of Contract Grade two-year U.S. Treasury notes by 1:00 p.m., Chicago time, on delivery day. HSBC was fined \$60,000.00

Item #5

A Regulatory Action was initiated by FINRA for a Principal Sanction of Censure and a Monetary Fine. FINRA initiated this on or about December 20, 2010 against HSBC Securities (USA) Inc ("HSBC").

The docket and case number was 2009019187301.

The principal product type claimed was Trace-Eligible Securities.

The details of the allegation are as follows:

FINRA alleged that HSBC Securities (USA) Inc. Violated FINRA Rules 2010, 6730(a), NASD Rules 6230(b), 6230(c)(6). HSBC Securities (USA) Inc. ("HSBC") failed to report to the Trade Reporting and Compliance Engine (TRACE) the correct contra-party's identifier for transactions in Trace-Eligible Securities; the firm reported inter-dealer transactions as customer transactions.

The firm failed to report to trace transactions in Trace-Eligible Securities that it was required to report. The firm failed to report numerous transactions in Trace-Eligible Securities to trace within fifteen minutes of the execution time. This conduct constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

The matter was finalized by Acceptance, Waiver and Consent (“AWC”) on December 20, 2010.

The following sanctions were ordered Monetary Fine and Censure.

The Sanction Details are as follows:

Without admitting or denying the findings, HSBC consented to the described sanctions and to the entry of findings. HSBC was censured and fined \$30,000.00.

Item #6

A Regulatory Action was initiated by FINRA against HSBC Securities (USA) Inc. (“HSBC”) for a Principal Sanction of Censure and a fine. FINRA initiated this on or about March 19, 2008. The docket and case number was 20060059732-01. The principal product type claimed was Trace-Eligible Securities.

The details of the allegation are as follows:

FINRA alleged that HSBC Securities (USA) Inc. (“HSBC”) violated SEC Rule 17A-3, NASD Rules 2110, 6230(A), 6230(C)(8) - Failure to report trace transactions in Trace-Eligible Securities executed on a business day during Trace System hours within fifteen minutes of the time of execution; failed to report the correct time of trader execution for Trace-Eligible Securities; failed to show the correct time of execution on the memorandum of Trace-Eligible Securities orders.

The matter was finalized by Acceptance, Waiver and Consent on March 19, 2008. The following sanctions were ordered: Monetary Fine of \$12,500 and a censure.

The details are as follows: Without admitting or denying the findings, HSBC was censured and fined \$12,500.

Item #7

A Regulatory Action was initiated by FINRA against HSBC Securities (USA) Inc. for a Principal Sanction of Censure and a Monetary Fine. FINRA initiated this on or about May 14, 2008. The docket and case number was 2007009471401. The principal product type claimed was Fixed Income Securities.

The details of the allegation are as follows:

FINRA alleged that HSBC Securities (USA) Inc. (“HSBC”) violated NASD Rules 2110 and 3010. During the period January 2004 through June 2006, customers who maintained escrow accounts with the firm's bank affiliate 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. The firm failed to take adequate steps to assess the fairness of the commissions. The firm 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 customers in that the firm (A) failed to establish adequate written guidelines for mark-ups and commissions on fixed income products (B) failed to give adequate guidance in reference to determining what is a fair mark-up or commission on fixed income products (C) failed to include trades executed for customers in branch examination reviews (D) failed to establish 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.

The following sanctions were ordered: Monetary Fine of \$200,000 and a Censure.

The details are as follows: Without admitting or denying the findings, HSBC was Censured and Fined \$200,000.

Item #8

A Regulatory Action was initiated by FINRA against HSBC Securities (USA) Inc. for a Principal Sanction of Censure and a Monetary Fine. FINRA initiated this on or about April 30, 2009. The docket and case number was 2007011232101. The principal product type claimed was Trace-Eligible Securities.

The details of the allegation are as follows:

FINRA alleged that HSBC Securities (USA) inc. failed to report to the Trade Reporting and Compliance Engine (TRACE) transactions in Trace-Eligible Securities within fifteen minutes of the time of execution. This conduct constitutes separate and distinct violations of NASD Rule 6230(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Rule 2110.

The matter was finalized by Acceptance, Waiver and Consent (“AWC”) on April 30, 2009. The following sanctions were ordered: Monetary Fine of \$20,000 and a censure.

The sanction details are as follows:

Without admitting or denying the findings, HSBC Securities (USA) Inc. consented to the described sanctions to the entry of findings. HSBC Securities (USA) Inc. was censured and fined \$20,000.

Item #9

A Regulatory Action was initiated by FINRA against HSBC Securities (USA) Inc. for a Principal Sanction of Civil and Administrative Penalty and Censure. FINRA initiated this on or

about June 10, 2010. The docket and case number was 2007010582702. The principal product type claimed was Collateralized Mortgage Obligations “CMOS”).

The details of the allegation are as follows:

On May 20, 2010, the firm submitted a letter of Acceptance, Waiver and Consent in which HSBC Securities (USA) Inc. (“HSBC”) without admitting or denying guilt, consented to findings that it: (1) violated NASD Conduct Rules 3010(a) and (b) and 2110 by (a) failing to establish and maintain a supervisory system and written procedures regarding the sale of CMOS to customers that were reasonably designed to achieve compliance with applicable securities laws and regulations and with FINRA rules; and (b) failing to establish and maintain a system of written procedures reasonably designed to supervise whether the sales of CMOS were suitable for its customers and the attended risks of the products were fully explained whenever a registered representative recommended a CMO investment; (2) did not comply with NASD IM-2210-8 which requires firms to offer certain educational materials before the sale of a CMO to any person other than an institutional investor and while the firm did offer a brochure, the brochure did not comply with the contents standards of NASD conduct rule 2210(d)(1) and IM-2210-8; and (3) violated NASD conduct rule 2310 and 2110 by recommending and selling inverse floater CMOS to customers for whom such products were unsuitable. HSI consented to the imposition by FINRA of a sanction of a censure and a \$375,000 fine. FINRA acknowledged that, independent of the imposed sanction, impacted customers have received full restitution from the firm.

The matter was finalized by Acceptance, Waiver and Consent (“AWC”) on June 10, 2010. The following sanctions were ordered: Monetary Fine of \$375,000 and a Censure.

The sanction details are described in the allegation details above.

Item #10

A Regulatory Action was initiated by FINRA for a Principal Sanction of Censure and a Monetary Fine. FINRA initiated this against HSBC Securities (USA) Inc. on or about August 19, 2010. The docket and case number was 2008015260101. The principal product type was Equity Listed (Common or Preferred Stocks).

The details of the allegation are as follows:

FINRA alleged that HSBC Securities (USA) Inc. violated NASD Rules 2110, 4632, 4632(a) 6130(d): The firm failed within ninety seconds after execution to transmit to the Firm/NASDAQ Trade Reporting Facility (FINRA/NASDAQ TRF) one hundred and five last sale reports of transactions in designated securities. The firm reported to the FINRA/NASDAQ TRF twenty three last sale reports of transactions in designated securities it was not required to report. The firm failed to report to the FINRA/NASDAQ TRF the correct time of execution for seventy nine transactions in reportable securities.

The matter was finalized by Acceptance, Waiver and Consent (“AWC”) on August 19, 2010. The following sanctions were ordered: Monetary Fine of \$22,500 and a Censure.

The sanction details are as follows:

Without admitting or denying any violation, HSBC Securities (USA) Inc. was fined \$22,500.

Item #11

A Regulatory Action was initiated by FINRA for a Monetary Fine. FINRA initiated this on or about February 2, 2009 against HSBC Securities (USA) Inc. The docket and case number was 2007007234501. The principal product type claimed was Trace-Eligible Securities, Municipal Securities subject to MSRB reporting requirements and covered option contracts.

The details of the allegation are as follows:

FINRA alleged that HSBC Securities (USA) Inc. ("HSBC") violated Article VI, Section 2 and Schedule A, Section 1 of the NASD by laws and NASD rule 2110: failure to include transactions for certain covered securities, such as Trace-Eligible Securities, Municipal Securities subject to MSRB reporting requirements and covered options contracts, on its trading activity fee self-reporting forms for certain accounts between September 2003 and December 2006. As a result, the required trading activity fees were not paid for these transactions, specifically, during this period HSBC underpaid approximately \$28,000.00 in trading activity fees. Once the error was discovered by HSBC, subsequently submitted correct trading activity fee self-reporting forms and later submitted amended forms and the additional fees to correct the previous error.

The matter was finalized by Acceptance, Waiver and Consent ("AWC") on February 2, 2009. The following sanctions were ordered: Monetary Fine of \$5,000.

The sanction details are as follows: Without admitting or denying any violation, HSBC Securities (USA) Inc. was fined \$5,000.

Item #12

A Regulatory Action was initiated by FINRA against HSBC Securities (USA) Inc. FINRA initiated this on or about January 20, 2010. The docket and case number was 200801127719-01.

The details of the allegation are as follows:

FINRA alleged that HSBC Securities (USA) Inc. ("HSBC") violated Rule 6955(A). HSBC failed to timely report the order audit trail system (OATS) reportable order events.

The matter was finalized by Acceptance, Waiver and Consent ("AWC") on January 20, 2010. The following sanctions were ordered: Monetary Fine and a Censure of \$12,500.

The sanction details are as follows: Without admitting or denying any violation, HSBC Securities (USA) Inc. was fined \$12,500.

Item #13

A Regulatory Action was initiated by the NASD Regulation Inc. ("NASD") for a Principal Sanction of a Civil and Administrative Penalty and Fine. NASD initiated this on or about July

27, 2007 against HSBC Securities (USA) Inc. The docket and case number was 20050026982-01.

The details of the allegation are as follows:

The NASD alleged that HSBC Securities (USA) Inc. ("HSBC") violated NASD Rule 2110. HSBC failed within ninety seconds after execution to transmit to the NASDAQ Market Center ("NMC") last sale reports of transactions in the Consolidated Quotation System.

The matter was finalized by Acceptance, Waiver and Consent ("AWC") on July 27, 2007. The following sanctions were ordered: Monetary Fine of \$5,000.

The sanction details are as follows: See allegation above.

Without admitting or denying any violation, HSBC was fined \$5,000.

Item #14

A Regulatory Action was initiated by NASD Regulation, Inc ("NASD") for a Principal Sanction of Censure and a Monetary Fine. The NASD initiated this on or about June 12, 2007 against HSBC Securities (USA) Inc. The docket and case number was 20060055677-01. The principal product type claimed was Equity-Over the Counter ("OTC").

The details of the allegation are as follows:

The NASD alleged the following: SEC Rules 10b-10, 17a-3, a7a-4, 200(g) of Regulation SHO, 203(B)(1) of regulation SHO, NASD rules 3010, 3110, 6130, 6955(a) - HSBC Securities (USA) Inc. ("HSBC") accepted short sale orders in an equity security from another person, or affected a short sale in an equity security for its own account, without documenting that it borrowed the security, or entered into a bona fide arrangement to borrow the security, or that it had reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due. The findings stated that the firm failed to correctly report sale transactions to act as long, short or short exempt, failed to report the correct execution time and in one instance, the firm reported its capacity as principal when it was acting as agent. The findings also stated that the firm reported to OATS execution reports that contained inaccurate, incomplete or improperly formatted data and executed short sale orders and failed to properly mark the order tickets as short for these orders. The findings also included that the firm failed to preserve for a period of not less than three years, the first two in an accessible place, the memorandum of brokerage orders, and a customer confirmation and failed to show the time of receipt on the memorandum of a brokerage order. The NASD found that the firm failed to disclose the correct capacity and to disclose average price on customer confirmations. The NASD also found that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with the applicable securities laws, regulations and NASD rules relating to compliance with order handling, best execution, anti-intimidation and coordination, sales transactions, books and records and for monitoring use of firm's bank.

The matter was finalized by Acceptance, Waiver and Consent ("AWC") on June 12, 2007. The following sanctions were ordered: Monetary Fine of \$27,500 and a Censure.

The sanction details are as follows: Without admitting or denying the findings, HSBC Securities (USA) Inc. ("HSBC") consented to the described sanctions and to the entry of findings HSBC was Censured and Fined \$27,500.

Item #15

A Regulatory Action was initiated by NASD Regulation, Inc. ("NASD") for a Principal Monetary Sanction. The NASD initiated this against HSBC Securities (USA) Inc. ("HSBC") on or about March 2, 2001. The complaint number was CMS 020140. The product type claimed was Equity-Over the Counter ("OTC")

The details of the allegation are as follows: Allegation related to the regulatory action was thirty four backing away incidents during the Fourth Quarter of 2000.

The matter was finalized by Acceptance, Waiver and Consent ("AWC") on August 6, 2002. The following sanctions were ordered: Monetary Fine of \$10,000.

The sanction details are as follows: A monetary fine of \$10,000.

Item #16

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

The details of the allegation were as follows: The NYSE alleged: (1) Violation of 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 customers for whom such products were unsuitable; (b) failing to accurately advise customers 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) Violation of NYSD 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. (3) Violation of 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 customers, 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.

The matter was finalized by Stipulation and Consent on October 8, 2007. The following sanctions were ordered: A Censure and Monetary Fine of \$500,000.

Other Sanctions ordered were as follows:

The firm must engage in 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.

The sanction details are as follows:

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.

Our response to the details of this action is as follows:

The NYSE hearing board rendered a decision on September 13, 2007 with regard to the stipulation of facts and consent to penalty entered into between the firm and the division of enforcement of NYSE regulation. The decision became final at the close of business on October 8, 2007. The firm must offer its remediation plan to NYSE enforcement within thirty days of the date on which the decision became final. The firm was required to pay its fine within forty five days of the date on which the decision became final.

Item #17

A Regulatory Action was initiated by NASD Regulation Inc. ("NASD") for a Principal Sanction of a Fine; Disgorgement/Restitution and Undertaking against HSBC Securities (USA) Inc. ("HSBC"). FINRA initiated this on or about January 17, 2007. The docket and case number was 20050001900.

The principal product type claimed was Government Debt; Municipal Debt; Corporate Debt; Equity-Over the Counter ("OTC"); Equity Listed-Common and Preferred Stock; Futures-Financial; Insurance.

The details of this allegation are as follows:

NASD Regulation Inc. ("NASD") alleged that HSBC Securities (USA) Inc. ("HSBC")- formerly known as HSBC Brokerage (USA) Inc. violated rule G-30 and supervision violation of Rule G-27.

The matter was finalized by Acceptance, Waiver and Consent on January 17, 2007. The following sanctions were ordered: Monetary Fine of \$17,500 and a Censure and Disgorgement/Restitution.

Other sanctions ordered: Undertaking.

The sanction details are as follows: Without admitting or denying the findings, HSBC Securities (USA) Inc. ("HSBC") was censured and fined \$17,500.00, required to pay \$1329.53, plus interest, in restitution to public customers and required to revise its written supervisory procedures regarding fair pricing and markups within thirty days of acceptance of this AWC by

NAC. A registered principal of the firm will submit satisfactory proof of payment of the restitution out of reasonable and documented efforts undertaken to effect restitution to NASD no later than sixty days after acceptance of this AWC. Any undistributed restitution and interest will be forwarded to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer last resided.

Item #18

A Regulatory Action was initiated by the New York Stock Exchange, Inc. for a Principal Sanction of a Censure and Fine. The New York Stock Exchange initiated this on or about October 29, 2003 against HSBC Securities (USA) Inc. ("HSBC"). The docket and case number was 04-190.

The details of the allegation are as follows: The New York Stock Exchange alleged failure to preserve electronic communication for a period of three years. Failure to reasonably supervise operational and technological activities relating to retention of electronic communications. Not promptly reporting failure to retain electronic communications.

The matter was finalized by Stipulation and Consent on December 15, 2004. The following sanctions were ordered: Monetary Fine and a Censure of \$500,000.

The sanction details are as follows: The firm was fined \$500,000. The resolution date was December 15, 2004.

Item #19

A Regulatory Action was initiated by Chicago Board of Trade ("CBOT") for a Principal Sanction of Civil and Administrative Penalty and Fine. The CBOT initiated this on or about November 1, 2005 against HSBC Securities (USA) Inc. The docket and case number was 05-RFT-058.

The details of the allegation were as follows:

The CBOT alleged that HSBC Securities (USA) Inc. ("HSBC") violated regulation 33208. Trade dates for the period of November 1, 2005 through December 31, 2005 and for the period of February 27, 2006 through March 24, 2006 contained at least one data entry error.

This matter was finalized on August 3, 2006. The following sanctions were ordered: Monetary Fine for \$1,800.

The sanction details are as follows: See allegation section above.

Item #20

A Regulatory Action was initiated by NASD Regulation Inc. ("NASD") for a Principal Sanction of a Fine. NASD initiated this on or about March 13, 2007 against HSBC Securities (USA) Inc. The docket and case number was 20041000233-01.

The details of the allegation are as follows:

The NASD Regulation Inc. ("NASD") alleged that HSBC Securities (USA) Inc. ("HSBC") alleged that HSBC Securities (USA) Inc. ("HSBC") violated Rule 3360 for failure to timely report its short interest positions to the NASD.

This matter was finalized by Acceptance, Waiver and Consent on March 13, 2007. The following sanctions were ordered: Monetary Fine for \$5,000.

The sanction details are as follows: Without admitting or denying any violation, HSBC Securities (USA) Inc. was fined \$5,000.

Item #21

A Regulatory Action was initiated by NASD Regulation Inc. ("NASD") against HSBC Securities (USA) Inc. ("HSBC") for a Principal Sanction of a Censure and a Fine of \$7,500. NASD initiated this on or about July 01, 2003. The docket and case number was (Consent Number) C10030122. The principal product type claimed was Debt-Government as well as Debt Corporate, Asset Backed Equity- Over the Counter (OTC) Futures-Commodity.

The allegations related to this regulatory action are as follows: 1) During the time period November 6, 2002 to January 22, 2003, HSBC inaccurately reported to the Trade Reporting A Compliance Engine ("TRACE") that it had acted as an agent, when it had actually acted in a principal capacity, in sixty random transactions reviewed by NASD staff. By reason of the foregoing, HSBC violated NASD Marketplace Rule 6230 and NASD Conduct Rule 2110. 2) During the time period July 2002 to January 2003, HSBC failed to establish and maintain an adequate supervisory system reasonably designed to achieve compliance with TRACE reporting requirements. By reason of foregoing, HSBC violated NASD Conduct Rule 3010(a) and NASD Conduct Rule 2110.

The matter was finalized by Acceptance, Waiver and Consent ("AWC") on December 18, 2003. The following sanctions were ordered: Monetary Fine and a Censure of \$7,500.

The sanction details are as follows:

With respect to the finding listed in the AWC, please note that this was caused by a programming error resulting from HSBC Securities (USA) Inc. ("HSBC") staff defaulting to the wrong capacity designation when the firm's TRACE reporting software was first implemented. This issue was immediately resolved when it was brought to our attention. With respect to finding listed in the AWC, this was also resolved during the 2003 examination of our firm. Revised procedures were prepared and given to the NASD examiner who conducted the review. These procedures include, among other things, reviewing transactions by utilizing the "trade reporting system" function of the trace web site. HSBC Securities was fined \$7,500.00. Payment was made by bank check to the NASD for the full amount effective January 15, 2004.

Our response to the details of this plan are as follows: Per the NASD findings, during the period of November 6, 2002 and January 22, 2003, HSBC inaccurately reported to the Trade Reporting

and Compliance Engine ("TRACE") that it had acted as a agent, when it had actually acted in a principal capacity. During the time period July 2002 to January 2003, HSBC failed to establish and maintain an adequate supervisory system reasonably designed to achieve compliance with trace reporting requirement. HSBC accepts and consents, without admitting or denying the allegations or findings was censured and fined \$7,500.00. With respect to the inaccuracy reported to the Trade Reporting and Compliance Engine ("TRACE"), this was caused by a programming error resulting from HSBC staff defaulting to the wrong capacity designed when the firm's TRACE reporting software was first implemented. This issue was immediately resolved when it was brought to our attention. With respect to failure to establish and maintain and adequate supervisory system reasonably designed to achieve compliance with trace reporting requirement, this issue was also resolved during the 2003 examination of our firm. Revised procedures were prepared and given to the NASD examiner who conducted the review. These procedures include, among other things, reviewing transactions by utilizing the "Trade Reporting System" function of the TRACE web site.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Our firm or our *management persons* are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. The details are as follows:

The principal business of our firm is that of a full service broker-dealer. We engage in a full range of primary and secondary securities activity in the U.S. and international markets, including acting as a primary dealer in corporate bonds, U.S. and international equities, and as a broker in futures and options. We are registered with the Securities and Exchange Commission, the Financial Industry Regulatory Authority, and various other regulatory bodies. Our firm acts as an introducing broker in respect to the Spectrum and MPA Programs, using the clearing and execution facilities of our third party clearing agent, Pershing LLC, in respect of all securities transactions executed within a client's account, subject in all cases to best execution obligations and applicable law.

B. Our firm or our *management persons* are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. The details are as follows:

HSI is registered as a futures commission merchant.

C. Description of any relationship or arrangement that is material to our advisory business or to our *clients*, that we or any of our *management persons* have with any *related person*¹ listed below. We are required to identify the *related person* and if the relationship or arrangement creates a material conflict of interest with *clients*, describe the nature of the conflict and how we address it.

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

1. broker-dealer, municipal securities dealer, or government securities dealer or broker:

Please see 10A above.

2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)

AMUS provides investment advice to registered investment companies and other institutions. AMUS is a wholly-owned subsidiary of HSBC Bank USA, N.A. AMUS acts as the general partner or manager to certain registered investment companies, some of which may be included as investments in the Managed Portfolio Account and Spectrum Account programs. We may offer to our non-advisory clients, shares of investment companies to which AMUS serves as investment adviser. HSI has policies and procedures that are reasonably designed to mitigate conflicts of interests and comply with the regulatory requirements in selling securities including mutual funds.

3. other investment adviser or financial planner.

Please refer to Items 10 C 2 and Item 4 of this brochure.

4. futures commission merchant, commodity pool operator, or commodity trading advisor

Please refer to Item 10B of this Brochure

5. banking or thrift institution

Our investment banking division provides investment banking services to the HSBC Group’s major corporate clients. Financial Advisor representatives of our firm may conduct business on the premises of our affiliate, HSBC Bank USA, N.A.

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

HSBC Bank USA, N.A. (“HSBC Bank”), is a national bank organized and existing under the laws of the United States and a member of the Federal Reserve. HSBC Bank, with

which we have entered into agreements, provides certain office space and certain administrative service such as payroll and benefits processing to HSI. Certain employees and officers of HSI are officers of HSBC Bank and report into the bank's Fiduciary Committee.

6. accountant or accounting firm

There are no such relationships material to the Firm's investment advisory business.

7. lawyer or law firm

There are no such relationships material to the Firm's investment advisory business

8. insurance company or agency

Our firm and representatives are also licensed insurance agents with HSBC Insurance Agency USA, Inc. and HSBC Securities (USA) Inc. In California, HSBC Securities (USA) Inc., 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.

9. pension consultant

There are no such relationships material to the Firm's investment advisory business

10. real estate broker or dealer

There are no such relationships material to the Firm's investment advisory business

11. sponsor or syndicator of limited partnerships.

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.

D. If we recommend or select other investment advisers for our *clients* and we receive compensation directly or indirectly from those advisers, or we have other business relationships with those advisers, we are required to describe these practices and discuss the conflicts of interest these practices create and how we address them.

Please refer to Item 4B of this Brochure.

Item 11. Code Of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. Brief description of our Code of Ethics adopted pursuant to SEC rule 204A-1 and offer to provide a copy of our Code of Ethics to any *client* or prospective *client* upon request.

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

B. If our firm or a *related person* recommends to *clients*, or buys or sells for *client* accounts, securities in which our firm or a *related person* has a material financial interest (excluding an interest as a shareholder of an SEC-registered, open-end investment company), we must describe our practice and discuss the conflicts of interest it presents.

Here is how we address conflicts that arise, including our procedures for disclosing the conflicts to *clients*.

Our firm and its employees may buy or sell securities for its own account, including securities that it recommends to clients and may profit from such transactions. Please also see 11A of this Brochure.

We may purchase or sell the same security for a number of clients 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 customers 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. In addition, our firm and its employees may buy or sell securities for its own account, including securities that it recommends to clients and may profit from such transactions. In all of these cases, we may receive compensation or other benefits in addition to the Managed Portfolio Account program fee it receives from clients and, therefore, may have an incentive to engage in such transactions.

- C. If our firm or a *related person* invests in the same securities (or related securities, *e.g.*, warrants, options or futures) that our firm or a *related person* recommends to *clients*, we are required to describe our practice and discuss the conflicts of interest this presents and generally how we address the conflicts that arise in connection with personal trading.

See Item 11A and B of this Brochure.

- D. If our firm or a *related person* recommends securities to *clients*, or buys or sells securities for *client* accounts, at or about the same time that you or a *related person* buys or sells the same securities for our firm's (or the *related person's* own) account, we are required to describe our practice and discuss the conflicts of interest it presents. We are also required to describe generally how we address conflicts that arise.

See Item 11A and B of this Brochure.

ITEM 12. BROKERAGE PRACTICES

- A. Description of the factors that we consider in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

1. Research and Other Soft Dollar Benefits. If we receive research or other products or services other than execution from a broker-dealer or a third party in connection with *client* securities transactions ("soft dollar benefits"), we are required to disclose our practices and discuss the conflicts of interest they create. Please note that we must disclose all soft dollar benefits we receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

The Firm does not participate in Soft Dollar business arrangements and receives no products, research, or services that the Company would consider a factor in recommending a particular broker dealer.

- a. Explanation of when we use *client* brokerage commissions (or markups or markdowns) to obtain research or other products or services, and how we receive a benefit because our firm does not have to produce or pay for the research, products or services.

The Firm does not utilize such methods.

- b. Incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our *clients'* interest in receiving best execution.

The Firm does not utilize such methods.

c. Causing *clients* to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

The Firm does not utilize such methods.

d. Disclosure of whether we use soft dollar benefits to service all of our *clients*' accounts or only those that paid for the benefits, as well as whether we seek to allocate soft dollar benefits to *client* accounts proportionately to the soft dollar credits the accounts generate.

The firm does not participate in soft dollar arrangements.

e. Description of the types of products and services our firm or any of our *related persons* acquired with *client* brokerage commissions (or markups or markdowns) w within our last fiscal year.

The Firm does not receive products and services acquired with client commissions. Please refer to AMUS' ADV Part 2A, Appendix 1 for additional information.

f. Explanation of the procedures we used during our last fiscal year to direct *client* transactions to a particular broker-dealer in return for soft dollar benefits we received.

The firm does not accept soft dollar benefits.

2) Brokerage for *Client* Referrals. If we use client brokerage to compensate or otherwise reward brokers for client referrals, we must disclose this practice, the conflicts of interest it creates, and any procedures we used to direct client brokerage to referring brokers during the last fiscal year (*i.e.*, the system of controls used by us when allocating brokerage)

The Firm does not engage in this practice.

1) Directed Brokerage.

a. If we routinely recommend, request or require that a *client* directs us to execute transactions through a specified broker-dealer, we are required to describe our practice or policy. Further, we must explain that not all advisers require their *clients* to direct brokerage. If our firm and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, we are further required to describe the relationship and discuss the conflicts of interest it presents by explaining that through the direction of brokerage we may be unable to achieve best execution of *client* transactions, and that this practice may cost our *clients* more money.

The Firm does not have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected.

b. If we permit a *client* to direct brokerage, we are required to describe our practice. If applicable, we must also explain that we may be unable to achieve best execution of your transactions. Directed brokerage may cost *clients* more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices on transactions.

The Firm does not engage in direct brokerage transactions.

B. Discussion of whether, and under what conditions, we aggregate the purchase or sale of securities for various *client* accounts in quantities sufficient to obtain reduced transaction costs (known as bunching). If we do not bunch orders when we have the opportunity to do so, we are required to explain our practice and describe the costs to *clients* of not bunching.

Managers generally aggregate orders for the same securities for a group of accounts in the normal course of conducting business. However, since there are no transaction costs (no commissions) in the MPA Program there is no transaction cost benefit.

ITEM 13. REVIEW OF ACCOUNTS OR FINANCIAL PLANS

A. Review of *client* accounts or financial plans, along with a description of the frequency and nature of our review, and the titles of our *employees* who conduct the review.

Annual account reviews may be conducted by a client's Financial Advisor 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 Financial Advisor 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 should be done in the presence of the client if possible, and based on the documented investment objectives and strategy of the account.

B. Review of *client* accounts on other than a periodic basis, along with a description of the factors that trigger a review.

A Financial Advisor may review client accounts more frequently than described above. Among the factors which 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.

C. Description of the content and indication of the frequency of written or verbal regular reports we provide to *clients* regarding their accounts.

We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we meet with MPA and Spectrum clients. Our clearing agent, Pershing[®] LLC, ("Pershing") provides periodic reports to our clients. These reports are provided at least quarterly.

For MPA and Spectrum, quarterly performance reports will be provided by AMUS for the investment portfolio of the client's account. These quarterly reports are generated by third party sources.

Additional information on AMUS role regarding the review of MPA and Spectrum accounts are described in greater detail in both the Form ADV Part 2A and Appendix 1 for AMUS, which is available upon request.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

A. If someone who is not a *client* provides an economic benefit to our firm for providing investment advice or other advisory services to our *clients*, we must generally describe the arrangement. For purposes of this Item, economic benefits include any sales awards or other prizes.

Spectrum and MPA program accounts give a special payment in the first fiscal year. This special payment is provided by HSI to the Financial Advisor. Clients will not incur this fee directly.

In addition, with respect to additional compensation related to advisory accounts, once the account is substantially funded (90% of the targeted funding level), investment adviser representatives of our Firm receive a one-time credit as follows:

Representatives with less than three years of service at our Firm receive a credit equal to the first year's anticipated net revenue, up to and capped at 1.25% of the Client's initial deposit in the advisory account.

Representatives with three years of service or more at our Firm receive a credit equal to the first year's anticipated net revenue, up to and capped at 0.50% of the Client's initial deposit in the advisory account.

This additional compensation applies to (i) mutual fund wrap accounts – subject to a \$100,000 minimum initial deposit, and (ii) MPA/SMA and UMA accounts – subject to a \$500,000 minimum initial deposit.

- B. If our firm or a *related person* directly or indirectly compensates any *person* who is not our *employee* for *client* referrals, we are required to describe the arrangement and the compensation.

We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our Firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940.

ITEM 15. CUSTODY

- A. If we have *custody* of *client* funds or securities and a qualified custodian as defined in SEC rule 206(4)-2 or similar state rules (for example, a broker-dealer or bank) does not send account statements with respect to those funds or securities directly to our *clients*, we must disclose that we have *custody* and explain the risks that you will face because of this.

We do have custody. However, Pershing[®] LLC (“Pershing”) acts as the qualified custodian and serves as the clearing agent for general securities brokerage transactions. Pershing does send periodic statement to our clients.

- B. If we have *custody* of *client* funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to our *clients*, we are required to explain that you will receive account statements from the broker-dealer, bank, or other qualified custodian and that you should carefully review those statements.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. We and the other custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

Item 16. Investment Discretion

If we accept *discretionary authority* to manage securities accounts on behalf of *clients*, we are required to disclose this fact and describe any limitations our *clients* may place on our authority. The following procedures are followed before we assume this authority:

HSI does not have discretionary authority to manage securities accounts. Our clients need to sign a discretionary investment advisory agreement with HSBC Global Asset Management (USA) Inc. for the management of their account.

Item 17. Voting Client Securities

- A. If we have, or will accept, proxy authority to vote *client* securities, we must briefly describe our voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6.

We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our Firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

Additional information on AMUS role regarding proxy voting is described in greater detail in Form ADV Part 2A, Appendix 1 for AMUS, which is available upon request.

ITEM 18. FINANCIAL INFORMATION

- A. If we require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, we must include a balance sheet for our most recent fiscal year.

We do not require nor do we solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance. Therefore we have not included a balance sheet for our most recent fiscal year.

- B. If we are an SEC-registered adviser and have *discretionary authority or custody* of *client* funds or securities, or we require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, we must disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to *clients*.

We do have custody. However, there are no financial conditions to likely impair our ability to meet contractual obligations to our clients.

- C. If we have been the subject of a bankruptcy petition at any time during the past ten years, we must disclose this fact, the date the petition was first brought, and the current status.

We have nothing to disclose in this regard.