



HSBC Securities (USA) Inc.

Private Equity Funds  
and Direct Investments

HSBC SECURITIES (USA) INC.  
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**October 2016**

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

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

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.

**Item 2: Material Changes to Our Part 2B of Form ADV Firm Brochure- October 2016**

Item 6- Supervision- Updated Investment Committee references.

Item 2-Updated Educational Background and Business Experience for Michael C. Cutlip.

Created Part 2B of Form ADV for Irfan A. Khan, CFA.

**Item 2: Material Changes to Our Part 2A of Form ADV Firm Brochure- March 2016**

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

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

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

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

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

**Disclosure**

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

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**Item 4: Advisory Business**

**The information provided in this Form ADV Part 2A only applies to HSBC Parties' Private Equity Business. The Firm also provides investment advisory services outside of the services noted above and has a specific Form ADV Part 2A for those other services. Because the Private Equity Business contains covered funds, as defined under the Volcker Act, and HSI is deemed a banking entity thereunder, the Firm must comply therewith.**

HSI has been in business as an investment adviser since 2005. The Firm is a Delaware corporation headquartered in New York City, and an indirect, wholly owned subsidiary of HSBC Holdings plc. Since March 26, 2012, HSI operates under an Assignment and Assumption Agreement (the "Agreement") with HSBC Private Equity Advisors LLC. Pursuant to the Agreement, HSBC Private Equity Advisors LLC, transferred and assigned to HSI all of its rights and obligations with respect to certain pooled investment vehicles, separately managed accounts and direct investments (the "Private Equity Funds & Direct Investments" or "Private Equity"). This transaction was completed to transfer certain fund advisory contracts to HSBC Securities (USA) Inc. in order to benefit from its status as a registered adviser under the U.S. Investment Advisors Act.

Also, pursuant to an Investment Management and Subadvisory Agreement, dated as of November 30, 2011 (the "IMSA"), Graycliff Partners LP ("Graycliff" or the "Subadviser") was engaged as Subadviser to the Private Equity Funds & Direct Investment vehicles and assets ("the Private Equity Business"). Graycliff is an independent entity that is registered with the SEC as a registered investment advisor and may manage the Private Equity Business side by side with their other client accounts and funds. The IMSA sets forth the rights and obligations of Graycliff, HSI and HSBC Capital (USA) Inc. ("HCUS," an affiliate of HSI) with respect to the provision by Graycliff of investment management services in respect of the Private Equity Funds & Direct Investments that are owned by HCUS and the provision of subadvisory services by Graycliff in respect of the Private Equity Funds & Direct Investments for which HSI acts as manager. Among other things, the IMSA established an Investment Committee, comprised of some dual hatted employees of HSI/HCUS and some representatives of Graycliff, to review and approve new investments and dispositions of investments in respect of the Private Equity Funds & Direct Investments that are subject to the IMSA

**Advisory Services**

As of December 31, 2015, the Private Equity Business held approximately \$730 million of discretionary assets under management across five principal strategies. The first and second types of investments focus on direct equity and mezzanine investments, respectively, primarily in lower middle market companies in the U.S. The third type focuses on Latin American investments in direct equity transactions. The fourth type involves fund of funds investments in U.S. and Latin American based private equity funds, and the last type involves mezzanine and equity investments in U.S. real estate.

**Assets under Management**

HSI manages the Private Equity Business only on a discretionary basis. As of December 31, 2015, HSI managed approximately \$2.98 billion in overall assets under management, including the approximately \$730 million in assets held in the Private Equity Business.

**Item 5: Fees and Compensation**

All fees charged by the Firm with respect to the Private Equity Business are negotiable in the Firm's sole and absolute discretion. Fees will be charged on a fixed annual dollar amount basis for certain pools of capital, and on a percentage of assets under management basis for others as per the respective limited partnership agreements. Regarding the latter, management fees will be based on total committed capital amounts during the investment period, and will be based on invested capital thereafter; the annual fee charged will depend on the specific investment type but ranges from 0.25% to 2%. Each client will be invoiced directly on a quarterly basis for all fees incurred.

The Firm charges the Private Equity Business fees quarterly in advance or in arrears depending on the specific agreement with each client. Fees payable for any period shorter than a full quarter will be prorated based on the number of days in the period. If a Firm client pays the Firm a fee for any period that is determined by the Firm to be more than the amount the client should have paid for the period, the Firm will refund the excess payment or offset subsequent fees by the amount of the excess payment, depending on the specific agreement with the client.

In addition, the Firm will receive a performance fee as described in Item 6.

In addition to paying management and performance fees, the Private Equity Business and their investors are subject to other investment expenses such as registration and custodial fees, expenses and related costs, interest costs, insurance costs, indemnification and litigation costs, taxes, duties and other governmental charges, legal fees, internal and external accounting fees, audit and tax preparation fees, and transaction and due diligence expenses (whether or not the transaction or investment is consummated). Investors will be allocated their pro rata share of such additional fees and expenses for the time period they are invested.

The Firm and its affiliates may receive certain transaction and similar fees from entities in which a client invests. In certain instances, a portion of the management fees payable by clients of the Firm may be reduced by the net proceeds of all such fees allocable to that client.

Neither the Firm nor any of its supervised persons accepts compensation for the sale of securities or other investment products, as outlined in Items 6 and 14 below.

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

The Private Equity Business is charged a performance fee, generally of up to 20% of the excess of distributions to clients or investors in a pooled vehicle over invested capital, a specified return to investors, fees and expenses. Neither the Firm nor any of its supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee on a side-by-side basis.

The fact that the Firm may in part be compensated based on the performance of investments may create an incentive for the Firm to recommend investments to or make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of a performance-based compensation arrangement. However, the Firm will provide its investment advisory services to each of its clients in accordance with the investment strategy disclosed in the client's offering materials or advisory agreements, as applicable, to help ensure that its clients and their investors are aware of the investment strategy and the risks associated with the strategy.

The Firm does not charge performance fees to our clients with respect to other investment advisory and managed products.

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

The Firm's clients with respect to the Private Equity Business are partnerships and other pooled investment vehicles, and banks and other financial institutions. Investors in the partnerships and pooled investment vehicles consist primarily of:

- Banks and other financial institutions
- Corporations
- High net worth individuals
- Trusts and estates

The investors in the Firm's Private Equity products are subject to applicable suitability and know your customer requirements. The Firm requires that each outside investor in a Private Equity investment be an "accredited investor" as defined in Regulation D under the U.S. Securities Act of 1933, as amended, and a "qualified purchaser" as defined in the U.S. Investment Company Act of 1940, as amended. Furthermore, all funds are currently closed to new investors.

**Item 8: Method of Analysis, Investment Strategies and Risk of Loss**

Day-to-day management of the Private Equity Business is performed by the Subadviser pursuant to the IMSA.

The Subadviser performs fundamental analysis, and targets companies in the lower middle market in the strategies described in Item 4. The Subadviser believes this sector of the economy presents an attractive investment opportunity due to (1) lower entry valuations and more exit opportunities, (2) opportunities for substantial growth and (3) general scarcity of available capital. The Subadviser targets transactions involving management & leveraged buyouts, acquisitions, consolidations, divestitures, growth capital, recapitalizations and generational transfers. The Subadviser seeks meaningful alignment with management (economically and fundamentally) and chooses businesses with strong free cash flow generation.

The Subadviser's multi-manager or fund of funds investment strategies generally target investments that, based on the Subadviser's fundamental analysis, are expected to (1) outperform the broader public markets and comparable alternative investments and (2) provide opportunities for substantial capital appreciation.

The Subadviser's real estate investment strategies generally focus on opportunistic transactions where the Subadviser believes the underlying assets have been undermanaged and undercapitalized. The Subadviser believes that these transactions generally provide a better risk-adjusted return. The Subadviser may also invest in more stabilized income producing assets and select hospitality transactions.

The Subadviser's personnel generally meet on a weekly basis to discuss potential and pending transactions. If discussions have advanced beyond the preliminary evaluation stage, a brief memorandum to the entire team is prepared. Should the transaction reach the stage where the transaction team proposes to move forward with a transaction, it will prepare a detailed memorandum on the transaction for the Subadviser's investment committee and convene a meeting of the Subadviser's investment committee. The Subadviser's investment committee will then discuss the opportunity in depth with the transaction team and decide whether to authorize the transaction. In addition to the general investment thesis, deal tactics and potential exit strategies will also be discussed.

Although private equity investments offer the opportunity for significant capital gains, such investments involve a high degree of business and financial risk that can result in substantial losses. Investing in securities involves risk of loss that clients should be prepared to bear. These risks include the following:

- Lack of end market demand (due to either general macroeconomic or sector specific distress)
- Internal cost overruns
- Changes in legal, fiscal, and regulatory regimes
- Dependence on key personnel
- Illiquidity of investment
- Lack of client control
- Currency risk

Investors should carefully consider the following risks prior to investing in any private equity fund.

Risks of Private Equity Investments

The investment portfolio will generally consist of securities issued by companies whose securities are not publicly traded. Although private equity investments offer the opportunity for significant capital gains, such investments involve a high degree of business and financial risk that can result in substantial losses.

Availability of Investment Opportunities

The business of identifying and structuring private investments is competitive and involves a high degree of uncertainty. In addition, the availability of investment opportunities generally will be subject to market conditions and the prevailing regulatory or political climates. As such, there can be no assurances that the Subadviser will be able to identify and complete attractive investments.

Future and Past Performance

The performance of prior investments recommended by or made on behalf of the Funds and Direct Investments by the investment professionals of the Adviser or Subadviser is not necessarily indicative of future results. On any given investment, loss of principal is possible.

Concentration of Investments

The Subadviser may advise clients to make multiple investments in one industry or one industry segment. As a result, the investment portfolios could become concentrated and aggregate returns may be affected substantially by the performance of a few holdings.

Investments in Junior Securities

The Subadviser generally will advise clients to invest in the most junior securities in a company's capital structure and, therefore, is subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment.

Leverage

Investments with a leveraged capital structure will be subject to increased exposure to adverse economic factors, such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of the company or its industry. If an investment is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of the equity could be significantly reduced or even eliminated.

Long-Term Investments

The return of capital and the realization of gains, if any, will occur only upon the partial or complete disposition of an investment. Most investments will not be sold or distributed for a number of years after they are made. Prior to such time, there generally will be no current return on those investments.

Risks of Realization of Investments; Illiquidity

Given the nature of the investments recommended by or made on behalf of the Funds and Direct Investments by the Subadviser, there is a significant risk that the Private Equity Business will be unable to realize their investment objectives by sale or other disposition at attractive prices or otherwise will be unable to complete any exit strategy. In particular, these risks could arise from changes in the financial



condition or prospects of the companies in which it has invested, changes in national or international economic or political conditions (including acts of war, terrorism or other calamity or crisis), adverse conditions in national or global financial or capital markets, or changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made or operate.

#### Non-Controlling Investments

Some investments may be minority positions in companies in which the Subadviser and the Private Equity Business have no right to appoint a director or otherwise exert significant influence or protect its position. In such cases, the Subadviser will rely significantly on the management teams and boards of directors of such companies, which may include representation by other investors whose interests may conflict with those of the Private Equity Business.

#### Limitations on Transfer; No Market For Investor Interests

Investors in the Private Equity Business will not be permitted to transfer or pledge their interests without the consent of the general partner or managing member of the Fund. Furthermore, the transferability of interests is subject to certain restrictions contained in the relevant governing documents of the Private Equity Business and will be affected by restrictions imposed under applicable securities laws. In general, withdrawals by investors are not permitted. There is currently no efficient market for interests in private equity funds, and it is not expected that one will develop.

#### Non-United States Investments

Certain companies in which the Private Equity Business invest may be based and may operate outside the United States. Investments in non-United States securities involve certain risks not typically associated with investing in United States securities, including risks relating to: (a) currency exchange matters, including fluctuations in the rate of exchange between the United States dollar and the various other currencies; (b) differences between the United States and non-United States securities markets, including potential price volatility in and relative liquidity of some non-United States securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (c) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation; and (d) the possible imposition of non-United States taxes on income and gains recognized with respect to such securities.

#### Consequences of Failure to Make Payment in Full

If an investor in one of the Funds fails to fund any installment of its capital commitment or to make any other payment when due, the defaulting investor may be required, among other things, to forfeit a substantial portion of its capital account in the Fund and its rights to future profits (but not losses) that otherwise would have been allocable to the investor in the Fund. The general partner or managing member of the Fund may designate a person or entity to assume the entire unpaid balance of the defaulting investor's capital commitment and succeed to all of the rights of the defaulting investor's interest. In addition, the general partner or managing member of the Fund may take other actions provided in the governing documents of the Fund and pursue any available legal or equitable remedies, with the expenses of collection of the unpaid amount, including attorneys' fees, to be paid by the defaulting investor.

Imposition of Tax Regardless of Cash Distributions

Investors in the Private Equity Business will be required to recognize for United States income tax purposes their pro rata share of taxable net income, whether or not they received distributions that cover such tax liabilities. Taxable income may be generated for an investor even though the value of the investor's interest has declined.

Dodd-Frank Act/Volcker Rule Risk

The "Volcker Rule" contained in Section 619 of the Dodd-Frank Act will limit the ability of HSBC Securities, which is deemed a banking entity to sponsor, invest in or serve as investment manager of the Private Equity Business. Because the Federal Reserve currently treats HSBC Securities as a nonbank subsidiary of HSBC, HSBC Securities is required to conform its activities to the requirements of the Volcker Rule for which the Private Equity Business contains legacy covered funds as defined therein. With respect to the legacy covered funds and relationships, the Federal Reserve intends to grant a final one-year extension to the conformance period in 2015, which would give banking entities until July 21, 2017 to comply with the Volcker Rule. Therefore the Volcker Rule may have a material adverse effect on the Private Equity Business' ability to accomplish its investment objective, and could render the continued existence and operation of the funds impractical. Upon the end of the applicable conformance period, HSBC Securities may be required to reduce or eliminate its investment in the Fund, which in turn could result in HSBC Securities seeking to transfer all or a portion of its investment in the Private Equity Business to a third party.

For a more detailed discussion of material information relating to the Private Equity Business, including, without limitation, risks and conflicts associated with their investment strategies, please refer to the private offering memoranda of HSBC Private Equity Investors Cayman L.P., HSBC Private Equity Access Fund, L.P., HSBC USA Private Equity Investments Limited, HSBC Latin America Private Equity Investors L.P., HSBC Latin America Institutional Fund, L.P., HSBC Latin America Private Equity Investments Limited, HSBC Latin America Partners, L.P., and HSBC Private Equity Partners II USA LP.

**Item 9: Disciplinary Information**

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

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

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

FINRA alleged that during the period from May 31, 2006 through February 28, 2008, except as otherwise noted, HSI violated certain NASD, FINRA, and MSRB rules by (1) making negligent misrepresentations and omissions of material facts to clients concerning the safety and liquidity of Auction Rate Securities ("ARS"); (2) using advertising and marketing materials that were not fair and balanced and did not provide a sound basis for evaluating the facts about purchasing ARS; (3) selling restricted, and therefore unsuitable, ARS to certain non-qualified clients; (4) failing to retain certain emails from May 2004 to April 2009, and failing to retain certain internal instant messages from February 2007 to September 2008; and (5) failing to maintain adequate supervisory procedures concerning its sales and marketing activities regarding ARS and its retention of certain emails and instant messages. The matter was finalized by Acceptance, Waiver and Consent ("AWC") on April 22, 2010. HSI was censured, paid a fine of \$1.5 million, and made repurchase offers to certain eligible investors. In determining the sanctions in this matter, FINRA took into account HSI's voluntary repurchase of ARS from its clients in 2008. As of July 2008, HSI repurchased more than ninety percent of its then current clients' ARS holdings and in October 2008 offered to repurchase all of the remaining ARS held in those clients' HSBC Securities accounts.

FINRA alleged that HSI violated NASD Rules 2110 and 3010. During the period January 2004 through June 2006, clients who maintained escrow accounts with the Firm's bank affiliate allegedly were charged commissions for fixed income securities trades executed by the Firm on their behalf, which were higher than the commissions they were charged in the past and in certain instances, higher than industry standards. FINRA alleged that the Firm failed to take adequate steps to assess the fairness of the commissions; lacked adequate written guidelines for mark-ups and commissions on trades for fixed

income products, and also failed to establish and maintain adequate procedures to monitor the appropriateness of commissions charged these clients in that the Firm failed to (A) establish adequate written guidelines for mark-ups and commissions on fixed income products; (B) give adequate guidance in reference to determining what is a fair mark-up or commission on fixed income products; (C) include trades executed for clients in branch examination reviews; and (D) established reasonable procedures for monitoring fixed income security mark-ups and commissions.

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

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

A Regulatory Action was initiated by the New York Stock Exchange Division of Enforcement for a Principal Sanction of Civil and Administrative Penalties and Fine of Censure and Undertaking. The New York Stock Exchange Division of Enforcement initiated this on or about July 27, 2007 against HSBC Securities (USA) Inc. (“HSI”). The docket and case number was NYSE Hearing Board Decision 07-150. The principal product type claimed was Callable Range Accrual Certificates of Deposit. The New York Stock Exchange Division of Enforcement alleged that HSI violated: (1) NYSE Rule 476(a)(6) for engaging in conduct inconsistent with just and equitable principles of trade by: (a) recommending and selling LIBOR CDs to clients for whom such products were unsuitable; (b) failing to accurately advise clients about the risks associated with the LIBOR CDs; and/or (c) making material misrepresentations regarding certain material features of the LIBOR CDs and/or the manner in which the products were likely to perform; (2) NYSE Rule 401(a) by failing to adhere to principles of good business practice by recommending and selling the LIBOR CD products to clients for whom they were not suitable; and (3) NYSE Rule 342(a) and (b) by: (a) failing to establish and maintain appropriate procedures to reasonably supervise whether the sale of callable LIBOR CDs were suitable for its clients, and (b) failing to adequately supervise its personnel in order to reasonably detect and prevent misrepresentations regarding material features of LIBOR CDs, and/or the manner in which they were likely to perform. On October 8, 2007, HSI agreed to a censure and fine in the amount of \$500,000 and an undertaking requiring the Firm to review the purchases of the outstanding LIBOR CDs (that existed as of June 1, 2007) and offer a remediation plan, reviewed and approved by NYSE Enforcement, in accordance with the terms of the stipulation and consent to penalty.

**Item 10: Other Financial Industry Activities and Affiliations**

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. Some of our management persons are registered, or have an application pending to register, as a registered representatives of HSI.

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

Certain employees of HSI are registered representatives of HSI in its capacity as a broker-dealer.

**Material Relationships with Related Persons**

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

As discussed in detail in item 4, pursuant to the IMSA, Graycliff was engaged as Subadviser to the Private Equity Business. Graycliff is an independent entity that is registered with the SEC as a registered investment advisor and may manage the Private Equity Business side by side with their other client accounts and funds. The IMSA sets forth the rights and obligations of Graycliff, HSI and HCUS with respect to the provision by Graycliff of investment management services in respect of the Private Equity Funds & Direct Investments that are owned by HCUS and the provision of subadvisory services by Graycliff in respect of the Private Equity Funds & Direct Investments for which HSI acts as manager. Among other things, the IMSA established an Investment Committee, comprised of some dual hatted employees of HSI/HCUS and some representatives of Graycliff, to review and approve new investments and dispositions of investments in respect of the Private Equity Funds & Direct Investments that are subject to the IMSA.

Our investment banking division provides investment banking services to the HSBC Group's major corporate clients. Investment Adviser Representatives of our Firm may conduct business on the premises of HSBC Bank.

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

In regard to the Firm's relation to investment advisory business, the Firm acts as an introducing broker in respect to the HSBC Spectrum and Managed Portfolio Account programs, using the clearing and execution facilities of our third party clearing agent, Pershing® LLC ("Pershing"), in respect of all

securities transactions executed within a client's account, subject in all cases to best execution obligations and applicable law.

HSBC Global Asset Management (USA) Inc. ("AMUS") provides investment advice to registered investment companies and other institutions. AMUS is a wholly-owned subsidiary of HSBC Bank USA, N.A ("HSBC Bank"). In October 2015, HSI took sponsorship of the HSBC Spectrum and Managed Portfolio Account programs from AMUS. In addition, AMUS acts as the general partner or manager to certain registered investment companies, some of which may be included as investments in the HSBC Spectrum and Managed Portfolio Account programs. HSI may offer to our retail 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.

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.

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

HSBC's Investment Banking Group may offer sponsorship or syndication of limited partnerships. However this is not offered through the Firm's investment advisory business or clients.

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



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

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

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

**Item 12: Brokerage Practices**

The Firm does not engage in any brokerage with respect to the Private Equity Business, as these non-public investments and are not sold, purchased, or traded on open exchanges.

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

The Firm’s Private Equity Investment Committee meets on a quarterly basis to perform formal reviews of existing portfolio companies and investments. Other key investment staff and the Chief Compliance Officer also participate in the review of accounts.

Investors (and/or related persons) in the Private Equity Business generally will receive quarterly reports which will include investment performance and may include market commentary, as well as annual audited financial statements. Non related persons may also receive annual audited financial statements, as deemed necessary for regulatory purposes.

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

Neither the Firm nor any related person directly or indirectly compensates any person (including independent solicitors) through referral fees (non-commission or commission based) for client referrals to the Private Equity Funds and Direct Investments. The Firm does not receive any economic benefits from any person or entity other than the Firm’s clients for providing investment advice or other investment advisory services to the Firm’s clients. To the extent a client seeks to exit its position in the fund and retains a broker, the client would be responsible for the selection and compensation of such broker.

**Item 15: Custody**

With respect to the Private Equity Business, the Firm does not have custody of any client funds or securities. HSBC Bank USA, N.A., a related person of the Firm, serves as qualified custodian to Private Equity. HSBC Bank USA, N.A is located at 452 5th Avenue, New York, NY 10018

**Item 16: Investment Discretion**

With respect to Private Equity Funds & Direct Investments, the Firm has investment discretion in connection with its advisory services.

**Item 17: Voting Client Securities**

With respect to Private Equity Funds & Direct Investments, the business does not invest in publicly traded companies, and therefore no proxies are generated by the company. In the event that a proxy is required, clients will receive proxies or other solicitations directly from their custodian, a transfer agent, or Graycliff. 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.

**Item 18: Financial Information**

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. There are no financial conditions to likely impair our ability to meet contractual obligations to our clients, and we have not been the subject of a bankruptcy petition at any time during the past ten years.





HSBC Securities (USA) Inc.

Private Equity Funds  
and Direct Investments

**Item 1– Cover Page**

**Part 2B of Form ADV: Brochure Supplement**

Michael Cutlip  
HSBC Securities (USA) Inc.  
452 Fifth Avenue  
New York, NY 10018

**October 2016**

This brochure provides information about Michael Cutlip that supplements the HSBC Securities (USA) Inc. (“HSI”) Private Equity Funds and Direct Investments Brochure. You should have received a copy of that Brochure.

If you have any questions about the contents of this brochure supplement, please direct your written inquiry to the address listed above, or call (800) 662-3343. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

HSBC Securities Inc. (“HSI”) is an investment adviser registered with the SEC. 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. The oral or written communications of an adviser provide you with information from which you determine to hire or retain an adviser.

**Item 2 – Educational Background and Business Experience**

**Michael C. Cutlip**, born in 1962, holds a M.B.A. (Finance) from The University of Iowa, and a B.S. degree from Iowa State University.

Michael C. Cutlip is a Managing Director within Global Banking & Markets, a principal business line of HSBC Securities (USA) Inc., based in New York City. Mr. Cutlip is a member of the Board of Directors of HSBC Capital (USA) Inc., effective December 2012.

Mr. Cutlip joined HSBC in 1990, when he was hired into the Chicago Branch of The Hongkong & Shanghai Banking Corporation Limited. While based in Chicago, Mr. Cutlip became the Manager of the Chicago Branch and of the Houston Representative Office of HSBC Bank USA, N.A. In 2001, Mr. Cutlip relocated to HSBC's New York office, and led the client coverage teams responsible for HSBC's relationships with US-based clients operating in the Automotive, Chemical, Industrials, and TMT sectors. He moved to Hong Kong during 2009 to lead the Global Banking Portfolio Management team for Asia. Mr. Cutlip returned to New York during 2012, was GBM Banking COO of the Americas until 2016, and is now focused on US business transformation projects.

**Item 3 – Disciplinary Information**

There are no material legal or disciplinary events for this professional. Additional information about Michael C. Cutlip may be found on the Financial Industry Regulatory (FINRA) website at [www.finra.org/brokercheck](http://www.finra.org/brokercheck) or the Securities Exchange Commission (SEC) website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 4– Other Business Activities**

None.

**Item 5– Additional Compensation**

None.

**Item 6– Supervision**

Investment decisions are made by the “HSBC Review Committee” and “Third Party Funds Committee” formed under the IMSA. The following four persons have been appointed by HSBC Markets (USA) Inc. to serve on the committees:

**Michael C. Cutlip, Managing Director, HSBC Securities (USA) Inc., 212-525-7191**

**Irfan A. Khan, CFA, Global Banking and Markets, HSBC Securities (USA) Inc., 212-525-6112**

**David D. Morin, Head of Portfolio Management and Credit and Lending of Global Banking Americas, 212-525-6327**

**Thierry Roland, Chairman of the Board, CEO, and President of HSBC Securities (USA) Inc., 212-525-3897**

**Item 1– Cover Page**

**Part 2B of Form ADV: Brochure Supplement**

Irfan A. Khan, CFA  
HSBC Securities (USA) Inc.  
452 Fifth Avenue  
New York, NY 10018

**October 2016**

This brochure provides information about Irfan A. Khan that supplements the HSBC Securities (USA) Inc. (“HSI”) Private Equity Funds and Direct Investments Brochure. You should have received a copy of that Brochure.

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**Item 2 – Educational Background and Business Experience**

**Irfan A. Khan, CFA**, born in 1972, holds a Masters in Business Administration from the University of North Carolina’s Kenan-Flagler Business School at Chapel Hill with a concentration in investment management. Since 2001, Mr. Khan has held the prestigious Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute and the New York Society of Security Analysts (NYSSA).

Mr. Khan is a senior executive in HSBC’s Global Banking & Markets business, a principal business line of HSBC Securities (USA) Inc., and is based in New York City. Prior to his current role, Mr. Khan was associated with HSBC Global Asset Management (USA) Inc. for over 8 years. Mr. Khan joined the HSBC Group in 2005. Prior to joining the HSBC Group, Mr. Khan worked at Morgan Stanley Capital International, J.P. Morgan and Bear Stearns. Mr. Khan has over 20 years of work experience in financial markets encompassing equity research, institutional sales and trading, and investment management.

**Item 3 – Disciplinary Information**

There are no material legal or disciplinary events for this professional.

**Item 4– Other Business Activities**

None.

**Item 5– Additional Compensation**

None.

**Item 6– Supervision**

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**Thierry Roland, Chairman of the Board, CEO, and President of HSBC Securities (USA) Inc., 212-525-3897**

**Item 1– Cover Page**

**Part 2B of Form ADV: Brochure Supplement**

David D. Morin  
HSBC Securities (USA) Inc.  
452 Fifth Avenue  
New York, NY 10018

**October 2016**

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**Item 2 – Educational Background and Business Experience**

**David D. Morin** is a Managing Director for HSBC’s Global Banking & Markets Group, based in New York, and is the Deputy Head of Banking for Latin America. David is responsible for managing the Corporate, Financial Institution, and Public Sector relationship management teams located in Mexico, Colombia, Peru, Chile, Brazil, and Argentina. David has been with HSBC for 17 years and has held a range of risk and front office positions. David received his M.B.A. from the Stern School of Business at New York University

**Item 3 – Disciplinary Information**

There are no material legal or disciplinary events for this professional. Additional information about David D. Morin may be found on the Financial Industry Regulatory (FINRA) website at [www.finra.org/brokercheck](http://www.finra.org/brokercheck) or the Securities Exchange Commission (SEC) website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 4– Other Business Activities**

None.

**Item 5– Additional Compensation**

None.

**Item 6– Supervision**

Investment decisions are made by the “HSBC Review Committee” and “Third Party Funds Committee” formed under the IMSA. The following four persons have been appointed by HSBC Markets (USA) Inc. to serve on the committees:

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**Thierry Roland, Chairman of the Board, CEO, and President of HSBC Securities (USA) Inc., 212-525-3897**

**Item 1– Cover Page**

**Part 2B of Form ADV: Brochure Supplement**

Thierry Roland  
HSBC Securities (USA) Inc.  
452 Fifth Avenue  
New York, NY 10018

**October 2016**

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**Item 2 – Educational Background and Business Experience**

**Thierry Roland**, born in 1965, holds a MSc degree in Engineering from Ecole Centrale, Paris France and an MBA in Finance from Paris-Dauphine University

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

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

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

**Item 3 – Disciplinary Information**

There are no material legal or disciplinary events for this professional. Additional information about Thierry Roland may be found on the Financial Industry Regulatory (FINRA) website at [www.finra.org/brokercheck](http://www.finra.org/brokercheck) or the Securities Exchange Commission (SEC) website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 4– Other Business Activities**

None.

**Item 5– Additional Compensation**

None.

**Item 6– Supervision**

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