



Form ADV Part 2A – Appendix 1

# MANAGED PORTFOLIO ACCOUNT WRAP FEE PROGRAM BROCHURE

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This managed account or wrap fee program brochure for the Managed Portfolio Account (“MPA”) program provides information about the qualifications and business practices of HSBC Securities (USA) Inc. (“HSI”, “We”, or the “Firm”) and it should be considered before investing in MPA. 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 (“SEC”) or by any state securities authority.

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

HSI is a federally registered investment adviser with the SEC. Registration with the SEC or with any state securities authority, the use of the term “registered investment adviser”, and descriptions of HSI and some of our associates as “registered” does not imply a certain level of skill or training.

### Investment Products:

ARE NOT A BANK DEPOSIT OR OBLIGATION OF THE BANK OR ANY OF ITS AFFILIATES	ARE NOT FDIC INSURED	ARE NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY	ARE NOT GUARANTEED BY THE BANK OR ANY OF ITS AFFILIATES	MAY LOSE VALUE
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## **Item 2: Material Changes to Our Part 2A-Appendix 1 of Form ADV Firm Brochure**

There was one material change made to the HSBC Securities (USA) Inc. (“HSI”) Form ADV Part 2A-Appendix 1 (commonly referred to as the “Brochure”) since the update of the Brochure on November 2019.

The material change is in Item 9A under Disciplinary Information to address the HSBC Securities (USA) Inc. to address the (“HSI”) settlement with the U.S. Securities and Exchange Commission (“SEC”) on March 16th, 2020, concerning HSI’s disclosures to advisory clients and prospective clients from November 2015 through August 2017 regarding how it compensates its dually registered investment adviser and broker representatives (“IARs”). The SEC determined that HSI’s disclosures were false and misleading because they failed to disclose conflicts of interest about how IARs’ compensation was determined. Please review Item 9 for full details.

The document was updated to a more plain English description in several sections. In addition, the following non-material changes will be highlighted:

### **Item 4: Services, Fees and Compensation section was updated:**

- Clarified language describing retirement accounts offered and removed pension and profit sharing plans.
- Defined terms for both SMA and UMA options and investment strategies.
- Included reference to the HSBC Wealth Track Program as a managed account offering.
- The UMA Option section was updated to clarify HSI’s duties in recommending asset allocations and strategies.
- The Reasonable Restriction section was updated to highlight how restrictions are subject to approval by HSI and SMA Manager or UMA Manager. The allocations to restricted securities in the UMA account will be allocated to cash.
- Updated disclosure for Overlay Manager throughout to clarify that HSI has delegated certain activities to an affiliate and a third party.

### **Item 6: Investment Strategy and Asset Allocation Evaluation**

Updated Asset Class Evaluation Section:

- Added language to demonstrate how HSBC Global Asset Management (USA) Inc. collaborated with its partners to oversee asset allocations used in the MPA program.

### **Item 9B. Material Relationship or Arrangements with Related Persons: Conflicts of Interest**

- Removed disclosure for HSBC Investment Banking Group.

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

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

HSI is the sponsor of a wrap fee account program referred to as the Managed Portfolio Account Program (“MPA” or “MPA Program”), which is a multi-product, fee-based separately managed account program. MPA offers two investment account options: Separately Managed Accounts (“SMA”) and Unified Managed Accounts (“UMA”). MPA is designed to assist clients, including individuals, retirement accounts, and institutions, with their investment needs based on financial objectives, time horizon and risk tolerance.

Through the MPA Program, HSI will facilitate access to professional asset management and other services and third party investment managers for a single “wrap” fee. UMA will also provide, at the client’s election, tax optimization services at no additional cost to U.S. persons, for U.S. taxes only.

HSI has entered into an agreement with HSBC Global Asset Management (USA) Inc. (“AMUS”) to perform certain services, for compensation, in the MPA Program.

In this Brochure we use the following terms to refer to the investment managers in the MPA Program:

- Model Manager (UMA option only) – an investment manager who provides model portfolios consisting of individual securities to HSI. Model Managers do not have discretion over a client’s account.
- SMA Manager (SMA option only) – an investment manager who invests client accounts in individual securities. SMA Managers have discretion over a client’s account.
- Overlay Manager (UMA option only) – HSI as the Overlay Manager implements a Model Manager’s recommendations in client accounts. HSI has delegated certain activities to an affiliate and a third party.
- Investment Strategy – refers to all investment vehicles used including mutual funds, ETFs, Models and SMAs.

#### Oversight

HSI, through the Managed Account Oversight Committee (“Committee”), oversees the operation of MPA as well as the services provided by AMUS and any other material vendor. The Committee is chaired by HSI and consists of members and invitees who are employees of HSI and AMUS. Employees of AMUS have no authority to make decisions or otherwise influence approvals of the Committee.

## Services

HSI offers the MPA Program to its clients, and aside from sponsorship, is responsible for client contact, communications, suitability, account opening services such as Know Your Client and Anti-Money Laundering reviews, and relationship management. The Firm is also responsible for investment advice, trading, trade servicing, account maintenance, client service, custody of client assets and overall operational support for the Firm's investment advisory products. For additional information on custody, please see Item 9.

HSI also provides ongoing client services that include the following:

1. Periodic portfolio review and consultation with clients through our Investment Adviser Representatives ("Representative").
2. Handling subsequent transactions (additional investments and redemptions).
3. Responding to client inquiries about their accounts.
4. Requests for an annual in-person or telephonic meeting with clients to discuss the account and any changes to the client's investment objectives or reasonable investment restrictions.

Pursuant to an intercompany agreement, AMUS provides (i) advice as to proposed asset allocations, (ii) advice on investment strategies in the MPA Program and (iii) various operational services. HSI compensates AMUS for these services.

HSI contracts with HSBC's Global Fund Approvals and Research team (referred to as "GFAR"), to research and approve investment strategies that are aligned with the asset classes offered within the MPA Program's. HSI makes the final selection of investment strategies to be used.

HSI does not offer managed account or wrap fee programs other than HSBC Spectrum and Spectrum II Account Programs (Spectrum and Spectrum 2), MPA and the HSBC Wealth Track Program ("Wealth Track"), its proprietary investment advisory offerings. Accordingly, HSI offers a limited range of investment advisory solutions available to meet certain client's particular circumstances.

The HSBC Spectrum, Spectrum 2 Account Programs make available access to the services of an Investment Adviser Representative ("Representative") who is available to discuss updates in the client's financial situation and handle account updates and changes.

The Wealth Track Program does not make available the services of an Investment Adviser Representative, however client support is available by telephone through the Wealth Services Desk which can be contacted at 888-809-3802.

General and specific disclosures for the Spectrum and Spectrum 2 and Wealth Track program offerings are covered in separate Form ADV Part 2A and Appendixes 1.

The documents for Spectrum and Spectrum 2 can be found in the following website  
<https://www.us.hsbc.com/1/2/home/invest-retire/investments/asset-allocation-solutions>.

Information on Wealth Track can be found under the following website:  
<https://www.us.hsbc.com/investments/online-investing/wealth-track/>.

The Spectrum and Wealth Track programs offer investments in mutual funds and ETFs and are described in the separate brochures available.

#### Reinvestment/Distribution Models

Clients can choose to receive dividends, interest, distributions and other income paid on securities held in the account (collectively “Distributions”) directly or reinvest the Distributions in accordance with the Investment Strategy used for their account. Clients should reach out his/her Representative for more information.

Please note, the payment of Distributions to the client can affect the performance of the account.

Clients that wish to reinvest Distributions in their account, should choose portfolios that only allow reinvestment. Model Managers that provide reinvestment-only model portfolios do not select securities with particular dividend targets and payment of the income stream can be inconsistent month over month.

Clients should consider legal and/or tax implications when considering their options regarding Distributions. Clients should consult with their attorney or tax advisor.

#### Comparison of SMA Option to UMA Option

##### SMA Option

In the SMA Option, a client’s assets are managed in a single strategy or “sleeve.” An SMA Manager will invest a client’s account in individual securities. The SMA Manager has discretion over the client’s account.

##### UMA Option

In the UMA Program, a client’s assets are managed using several strategies, or sleeves. Each sleeve will be invested in mutual funds, ETFs, or individual securities recommended by a Model Manager. Model Managers do not have discretion over a client’s account. HSI, as the Overlay Manager in the UMA Program, has discretion over a client’s account and implements the recommendations from Model Managers.

The Overlay Manager is authorized to make changes to the assets in client accounts and/or to reallocate assets at any time (including an allocation into a new asset class), without consulting clients, for any reason it deems appropriate, including, without limitation, to respond to general market or macroeconomic circumstances, or to rebalance the assets periodically to restore the original allocation percentages or target weights. The Overlay Manager can reallocate assets to reflect changes such as the introduction of new asset classes or new model portfolios, as well as the removal of asset classes or model portfolios.

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

As a service provider to HSI, AMUS oversees the asset allocations used in MPA and provides the subject matter expertise and administrative resources to support the MPA Program. AMUS collaborates with various HSBC Global Asset Management teams to develop Strategic Asset Allocations (“SAA”) subject to limits (e.g., asset classes and risk tolerance bands) and Tactical Asset Allocation (“TAA”) views based on both global and local inputs. AMUS considers a number of factors when determining whether to recommend to HSI a change in the target asset allocation, including macroeconomic analyses, market trends, valuation of asset classes and outlook for asset classes. This means that HSBC Securities, at its discretion, can change the target asset allocation periodically based upon AMUS’s advice.

HSI chooses mutual funds, SMA Managers, Model Managers and ETFs available in the MPA Program, using a process involving quantitative and qualitative factors provided by GFAR to determine how well the investment strategy represents its asset class. The investment strategy can include U.S. and foreign equity securities (including emerging market securities), and investment grade, lower quality corporate and governmental fixed income securities. Mutual funds and ETFs also can invest in financial instruments such as swaps and other derivatives to gain exposure to a particular group of securities, an index or an asset class (such as commodities), or to hedge a position.

#### Client Profile

The Representative will assist clients in completing information requests designed to elicit personal, financial and investment information concerning the client’s financial circumstances, risk preference and tolerance, liquidity requirements, and investment objectives.

The client, in consultation with his or her Representative will use the US Risk Profile Questionnaire and Scoring to evaluate the level of risk and investment preference desired for the client’s MPA investment portfolio. As a result of this consultative process, the Representative prepares a Proposal for the client’s MPA Program account. The Proposal will contain a recommended asset allocation that takes into account the client’s investment objectives, risk tolerance and the investment products available through MPA. For the UMA Option the client can make adjustments within certain parameters to the asset allocation targets. Client assets will be invested in accordance with a mix of investment strategies using multiple Model Managers (in the UMA Option) or in a single investment strategy (in the SMA Option).

The client’s Representative will consult with the client periodically, but not less than annually, by requesting an in-person or telephonic meeting (or will otherwise meet the regulatory requirements for an annual meeting) to determine whether to update the client’s financial information and determine whether any changes should be made to the client’s Proposal, asset allocation, risk tolerance, or other factors that would affect the management of the client’s account. Clients are also encouraged to contact their Representative promptly in the event of any material changes to the information they have provided, or any other changes in their financial circumstances or investment goals that would affect the management of their account.

#### Portfolio Management

##### UMA Options

HSI will recommend an asset allocation and a menu of recommended investment strategies in each asset class.



The client can also indicate their own personal preference for an asset allocation based on his/her unique financial circumstances and subject to certain guidelines for each asset class. The client, in consultation with the Representative, will select one or more of the investment strategies to fulfill each asset class.

HSI acts as Overlay Manager to provide portfolio implementation and coordination services for the client's account. HSI has delegated certain activities to an affiliate and a third party. In addition, HSI may at its discretion engage an unaffiliated Overlay Manager upon 30 days' written notice to the client.

Client adjustments to recommended asset allocation, investment strategies, investment restrictions and preferences may materially affect the composition and performance of investment portfolios. In addition, each client's account begins investing at different times in different market conditions, which can also have an effect on the account's investment return. The timing of the client's contributions to or withdrawals from the account also can affect account performance. For these reasons, the performance and investment returns of MPA client accounts with the same or similar investment objectives will differ.

The optional tax optimization service in UMA uses a client's portfolio information to evaluate the tax implications of portfolio trades prior to execution. Within an MPA UMA client's account portfolio, where possible, gains and losses across multiple investment styles will be selected to minimize the overall tax impact. The tax impact of portfolio rebalancing will also be evaluated. Specific information as to client's tax status and other financial information (including holdings in non-MPA accounts) will not be considered in this service. There can be no assurances that the service will result in the optimal tax consequences for clients. In addition, the tax optimization service can have a negative impact on the investment performance of a UMA account and any such negative impact may not be fully offset by tax benefits, if any. The tax optimization services should not be considered tax advice. Potential clients should consult with their independent tax advisors to assess the tax implications of the optimization service. The service is offered to U.S. persons, for U.S. taxes only.

### **Services Provided by Pershing LLC ("Pershing")**

In support of the MPA Program, Pershing provides HSI with a technology solution for providing client proposals, submitting and tracking service orders and maintenance requests, and creating performance and other reports. Pershing also provides operational services including new Client Account set up; maintenance; order processing; billing (including implementation of fee schedules, inception billing, quarterly billing and contribution and withdrawal billing); mailed and/or electronic performance reporting, quarterly reports and daily on-demand summaries. Pershing's affiliate, Lockwood Advisors, Inc. ("Lockwood") enters into agreements with the SMA Managers in the MPA Program. Pershing effects the purchase and/or sale of securities in a Client UMA sleeve after the Overlay Manager updates a model. Pershing also invests new sleeves or rebalances existing sleeves in accordance with the selected Model Portfolio.

### **Proxy Voting**

HSI is authorized to vote proxies for the securities held in MPA Program accounts. For the single-sleeve SMA accounts, HSI has delegated this authority to the MPA SMA Managers. For the multi-sleeve UMA accounts, a third party voting service, Institutional Shareholder Services ("ISS"), acts as an independent voting agent on behalf of HSI. ISS provides proxy analysis and voting recommendations, manages the operational process, and votes proxies based on HSBC's guidelines. If there is a conflict or need for clarification ISS refers the proxy to AMUS, which will review it as part of the services that AMUS



provides to the MPA program. AMUS will use any research provided by ISS in rendering its decision and submitting the proxy vote. A copy of AMUS's Proxy Voting Policy and information about how proxies were voted is available upon client request.

A client can vote proxies for its Account by notifying HSI in writing. HSI is not liable if the client does not receive proxies in sufficient time to vote them.

#### Custody and Reporting

HSI or another financial intermediary serves as custodian for accounts. Currently, HSI has entered into an agreement with Pershing® LLC ("Pershing" or "Custodian") to act as the custodian for the MPA Program. Pershing is located at One Pershing Plaza, Jersey City, New Jersey 07399. The Custodian will generally furnish monthly, but no less frequently than quarterly, account statements summarizing account activity during the period. Clients can suppress receipt of separate trade confirmations for an account by completing a confirmation suppression request. Information from the confirmations will be reported at least quarterly to the client, in lieu of separate trade confirmations.

Pershing facilitates the production and mailing of quarterly performance statements to clients in the MPA Program. The performance statements are intended to inform clients as to how their accounts within the MPA Program have performed during the period and are not intended to replace the statements of the Custodian.

#### Reasonable Restrictions

A client can request reasonable restrictions on the investments in the account. For example, a client may request that SMA Manager or Overlay Manager not buy a particular stock or stocks from a particular industry. If a restriction request is so overly broad as to make it not possible to manage the account according to the strategy, HSI will work with the client's Representative to determine a potential alternative. Reasonable restrictions are subject to approval by the SMA Manager or UMA Manager. The allocations to restricted securities in the UMA account will be allocated to cash.

#### Discretionary Authority: SMA

HSI's discretionary authority is limited to evaluating and monitoring the SMA Managers responsible for managing the assets in a client's account. Neither HSI nor AMUS has responsibility or liability for the individual investment decisions of any SMA Manager.

The client will designate SMA Managers who will have investment discretion over their account. The SMA Manager will determine the securities to be purchased, held or sold for an account and the weightings thereof, subject to any reasonable investment restrictions or limitations imposed by client, properly communicated in writing to HSI and accepted by the SMA Manager(s).

#### Discretionary Authority: UMA

HSI acts as Overlay Manager to provide portfolio implementation and coordination services for the Account. HSI has delegated certain activities to an affiliate and a third party. In addition, HSI may at its discretion, engage an unaffiliated Overlay Manager upon thirty (30) days written notice to the client.

HSI's discretionary authority is limited to establishing and rebalancing the asset allocation; evaluating, selecting and monitoring the Model Managers, investment strategies and coordinating investment restrictions; and, if selected, performing tax optimization in each UMA account. HSI has no responsibility

or liability for the individual recommendations of any Model Manager or the investment manager of any mutual fund or ETF.

Best Execution and Brokerage Services:

Each SMA Manager has the discretion to select broker-dealers to execute trades and is responsible for selecting broker-dealers in a manner consistent with its obligation to seek best execution. Clients are encouraged to review the SMA Manager's Firm Brochure regarding its brokerage practices. SMA Managers will generate trade recommendations and orders through a variety of methods and transmit those orders to HSI's designated trading entity at Pershing.

SMA Managers will seek to execute securities purchases and sales with or through Pershing, and can also execute fixed income trades with or through Pershing but rarely do. Clients authorize and direct all transactions in their account, except as provided below, to be effected by or through Pershing. See the Trading Away section below for additional information. HSI generally provides securities execution and related brokerage services using Pershing's clearing and execution facilities.

If the SMA Manager believes using another broker-dealer is consistent with its obligation to seek best execution on a particular transaction, the SMA Manager can use a broker-dealer other than Pershing. Please refer to an SMA Manager's Form ADV brochure for information about its selection of broker-dealers. When the SMA Manager directs transactions for execution with or through broker-dealers other than Pershing, the client will incur additional transaction costs not included in the MPA investment advisory fee. These transaction costs will not be shown on the brokerage statements or trade confirmations, and are embedded in the price of the security.

Clients sometimes pay exchange or similar fees to third parties, including but not limited to fees to convert foreign shares to American Depositary Receipts as well as foreign taxes. All of these charges are in addition to the MPA Program fee.

Trading Away for SMA Managers

Clients should be aware that some SMA Managers, particularly those specializing in fixed income, have placed all or substantially all of their client trades with another broker-dealer for execution, also known as "trading away". Some SMA Managers also trade away in foreign ADRs or U.S. equity securities; however, the level of this trading away in the Program has been minimal with the exception of one manager, ClearBridge.

SMA Managers trade away for various reasons, including because it can be more efficient to place a single trade for all clients rather than a series of trades for their clients in different wrap programs. Please refer to a SMA Manager's Firm Brochure for information about its selection of broker-dealers.

If the SMA Manager executes trade orders with another broker-dealer, you likely will incur trading costs in addition to the Program Fee. The trading costs may include commissions, markups, mark downs or "spreads" paid to market makers in addition to the Program Fee.

Special Disclosure for Equity Manager ClearBridge

For equity securities transactions driven by a change in ClearBridge's investment model and that need to be simultaneously effected for many clients (i.e., model-change trades), Legg Mason Private Portfolio Group, the parent company of ClearBridge (LMPPG), has executed, and expects to continue execute, all or substantially all of these transactions as an aggregated block trade through a single broker-dealer instead

of executing the transactions with each client's Sponsor or Designated Broker. LMPPG believes that handling equity model change trades in this manner enhances its ability to obtain best execution for client accounts. Currently there have been no additional costs to clients. However, there may be additional costs in the future. For additional information please refer to the LMPPG Firm Brochure.

Special Disclosures for Fixed Income Manager Neuberger Berman

Neuberger Berman Tax-Exempt Intermediate Maturity Fixed Income Strategy (Neuberger Berman)

The Neuberger Berman SMA Manager, buys and sells municipal securities for clients on various electronic trading platforms; these platforms typically charge between \$0.10 to \$10 per bond. The higher fee rate will be usually charged when very small lot sizes are being traded. These transaction costs will not be shown on the brokerage statements or trade confirmations, and are embedded in the price of the security.

Principal, Agency and Cross Transactions

SMA Manager places trades in the SMA Option, and Pershing places trades in the UMA Option. Please refer to their respective Firm Brochures for their trading practices.

HSI acts as an introducing broker for the MPA Program (and other clients and programs), using the clearing and execution facilities of our third party clearing agent, Pershing, for all securities transactions executed within a client's account, subject in all cases to best execution obligations and applicable law.

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

In some cases when a client is funding their Account they may own an HSBC issued Structured Certificate of Deposit or Note (collectively "Structured Products"). When selling or making an early redemption of Structured Products, HSI will engage in a principal or cross trade to unwind the constituent parts of the Structured Products. HSI as a broker-dealer at times will receive incidental compensation for liquidating Structured Products, however, the Wealth Management division of HSI does not receive any compensation on the early redemption of Structured Products. HSI as an investment adviser does not receive any compensation when a client sells a Structured Product to fund its managed account.

Termination

The client agreement can be terminated by either party by written notice to the other party. The notice period is found in the account agreement. Account termination will not affect: (i) the validity of any action taken previously by HSI under the client agreement; (ii) liabilities or obligations of the parties from transactions initiated before termination; or (iii) the client's obligation to pay advisory fees pro-rated through the date of termination. Please see the MPA Client Agreement for full details.

Fees and Other Charges

Fees are charged quarterly in advance. Fees are calculated as a percentage of assets in the account as of the last business day of the previous calendar quarter. The client authorizes the Custodian to deduct HSI's and AMUS's fees directly from the client's account.

HSI's fee covers all advisory, administrative, custodial and brokerage services, under the Program except that HSI's fees **do not** include:

- brokerage transaction fees or commissions associated with Trading Away
- dealer markups or markdowns that are embedded in the price of certain securities, executed on a "net" basis, (e.g. fixed income securities);
- any fees imposed by regulatory or governmental authorities (including those imposed by the Securities and Exchange Commission);
- wire transfer and other miscellaneous fees incurred in the underlying HSI brokerage account (See HSI brokerage fee schedule, available from HSI or your representative);
- costs associated with special requests by a client; or
- any management, administrative, distribution or other operating fees or expenses of a mutual fund (including a money market fund) or ETF held in the Account. These separate operating fees and expenses are disclosed in the fund's or ETF's prospectus.

Related accounts may be entitled to discounted fees. To determine if a client's related account is eligible for a discount, clients should contact their Representative.

No fee adjustment will be made for appreciation or depreciation in the asset value of the Account during any quarterly period. If during a billing period, a client makes a contribution or withdrawal equal to \$25,000 or more of cash or securities or other assets (other than dividends, interest or capital gains distributions on securities held in the Account), the client's next quarterly advisory fee will be credited or debited (on a pro rata basis) accordingly through a separate billing made in arrears. This amount is based upon the market value of the additional assets, prorated for the number of days remaining in the billing period and based on HSI's then-current fee schedule applicable to the account. A pro rata portion of any prepaid fees will be returned, in the event of termination of the account agreement.

The mutual funds and ETFs made available through the MPA Program include both funds advised by non-HSBC investment companies (third party funds) and funds advised by AMUS and its affiliates (proprietary funds). As of April 2017, the only AMUS proprietary funds in the MPA Programs are money market funds.

HSI pays a portion of the MPA Program fees to the Program's service providers. In addition to Program fees, clients pay their share of a mutual fund's or ETF's fees and expenses, which include 12b-1 (distribution) fees, management fees, administrative fees, operating costs, and all other asset-based costs.

For information regarding the structure, fees, and risks associated with investing in ETFs, see the SEC's Investor Bulletin on ETFs: <https://www.sec.gov/servlet/sec/investor/alerts/etfs.pdf>

In the MPA Program, HSI does not credit its representatives with any 12b-1 fees HSI receives. However, when HSBC receives 12b-1 fees, the Firm's policy is to credit the client's account in an amount equal to the amount of the client's share of any Rule 12b-1 fees the Firm received.

Representatives are paid a salary with the opportunity to receive a discretionary bonus, which creates conflicts between you, us and your professional. Please see Item 9B “Material Relationships or Arrangements with Related Persons” and “Other Compensation” sections for additional information.

The current MPA Program fee schedules for SMA and UMA are:

**SMA:**

	<b>All Fixed Income</b>	<b>All Equity</b>
<b><u>Total Portfolio Assets Under Management:</u></b>	<b>Fee rate (per annum) on assets:<sup>L1</sup></b>	
<b>First \$500,000</b>	1.50%	2.50%
<b>Next \$500,000</b>	1.20%	2.00%
<b>Over \$1,000,000</b>	0.95%	1.50%

**UMA:**

Standard Fee Schedule for accounts **opened on or after November 10, 2014:**

<b>Model:</b>	<b>Conservative</b>	<b>Moderately Conservative</b>	<b>Moderate</b>	<b>Moderately Aggressive</b>	<b>Aggressive</b>
<b><u>Total Portfolio Assets Under Management:</u></b>	<b>Fee rate (per annum) on assets:<sup>L1</sup></b>				
<b>First \$500,000</b>	1.55%	1.60%	1.70%	2.15%	2.50%
<b>Next \$500,000</b>	1.25%	1.30%	1.35%	1.70%	2.00%
<b>Over \$1,000,000</b>	0.90%	0.95%	1.00%	1.30%	1.50%

Standard Fee Schedule for accounts **opened on or after December 20, 2013:**

<b>Model:</b>	<b>Moderate</b>	<b>Moderately Aggressive</b>	<b>Aggressive</b>
<b><u>Equity/Fixed Income/&amp; money market allocation (+/-5%)</u></b>	<b><u>35% / 65%</u></b>	<b><u>60% / 40%</u></b>	<b><u>100% / 0%</u></b>

<b><u>Total Portfolio Assets Under Management:</u></b>	<b>Fee rate (per annum) on assets:<sup>L1</sup></b>
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<b>First \$500,000</b>	1.70%	2.15%	2.50%
<b>Next \$500,000</b>	1.35%	1.70%	2.00%
<b>Over \$1,000,000</b>	1.00%	1.30%	1.50%

Standard Fee Schedule for accounts **opened prior to December 20,2013:**

<b>Model:</b>	<b>Conservative</b>	<b>Income &amp; Growth</b>	<b>Balanced</b>	<b>Balanced with Growth</b>	<b>Growth &amp; Income</b>	<b>Growth</b>	<b>All Equity</b>
<b><u>Total Portfolio Assets</u> <u>Under Management:</u></b>	<b>Fee rate (per annum) on assets:<sup>L1</sup></b>						
<b>First \$500,000</b>	1.70%	1.85%	2.00%	2.15%	2.25%	2.40%	2.50%
<b>Next \$500,000</b>	1.35%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
<b>Over \$1,000,000</b>	1.00%	1.15%	1.20%	1.30%	1.35%	1.50%	1.50%

<sup>L1</sup> Fiduciaries of ERISA and Tax Qualified Plans should refer to Section 3 of the advisory agreement for a discussion of certain credits applicable in the event investments are made in affiliated mutual funds.

HSI may, in its sole discretion, discount the MPA Program Fee.

#### Comparison Cost of Service

The MPA program can cost clients more or less than purchasing such services separately depending on the frequency of trading in the client's account, commissions charged at other broker-dealers or investment firms for similar products, advisory fees charged by other investment firms, and other factors.

Please consult the advisory agreement, accompanying schedule of fees, and fund prospectuses for other terms, conditions, representations and disclosures relating to the MPA program. HSI encourages clients to review each recommended SMA Manager's Firm Brochure for their respective conflicts of interest, trading, privacy policies, codes of ethics, etc.

#### Account Funding

If a prospective client intends to fund an MPA account with assets from the redemption of securities, mutual funds, the surrender of an insurance product, early withdrawal from a certificate of deposit, or the sale of any other financial instruments, the client should consider the cost of any possible sales charges, fees or commissions previously paid or to be paid upon such redemption or sale, or any penalties that the client will incur in order to surrender or withdraw from, certain instruments. It may be costly or inappropriate to fund an MPA account in this manner.

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

HSI has established a minimum account size of \$250,000 for MPA accounts and can waive this minimum account size at its discretion. Each SMA Manager also has a minimum account size. Smaller Program accounts can have different performance than larger accounts.

A client's account can include a mutual fund that has higher fees and expenses than a similar Model Manager or SMA Manager. HSI will not necessarily exchange a mutual fund for a similar Model Manager or SMA Manager with a higher investment minimum if a client's assets increase to above the investment minimum. Clients should discuss all investment options with their HSI Representative.

HSI will terminate accounts that fall below these minimums in HSI's sole discretion.

**Item 6: Investment Strategy and Asset Allocation Evaluation**Investment Strategy Evaluation

HSI makes decisions regarding investment strategies leveraging the funds approved by Global Fund Approvals and Research ("GFAR"). GFAR researches and approves investment strategies (mutual funds, ETFs and separately managed accounts) using a variety of qualitative and quantitative criteria.

GFAR conducts due diligence based upon both quantitative (e.g., investment performance returns, peer rankings, tracking error, etc.) and qualitative (e.g., firm, people, investment strategy and process, portfolio construction, etc.) factors to approve the investment strategies available through the MPA Program. As part of the qualitative review, GFAR will conduct manager meetings, review performance attribution, analyze portfolio holdings and assess liquidity and capital erosion. Risk metrics and periodic performance comparisons against representative benchmarks and peers are used as part of the quantitative process. GFAR also conducts ongoing monitoring of the investment strategies using similar criteria as the initial review process. AMUS assists with operational arrangements and of the investment strategies.

Based upon its findings during the ongoing monitoring, GFAR may change the status of an investment strategy to Hold. If the factors that led to a Hold status remain unresolved, GFAR will change the status of the investment strategy to "Not Approved." MPA clients are notified of the change, and should work with their representative to select a replacement option if desired. Concurrently, the Overlay Manager will be notified of the investment strategy change and will transition the account.

In certain cases where there is a significant change affecting the investment strategy, HSI can recommend the immediate removal without a suspend or hold period. Affected clients will be notified of the alternative investment strategy recommendation.

Depending on the circumstances, HSI reserves the right to freeze the client's portfolio until the replacement investment strategy is established within the MPA program. The transition process from one investment strategy to another may result in transactions that will generate realized gains or losses. To the extent the SMA Manager of a replacement strategy accepts responsibility for the management of specific security positions from the strategy being replaced, the transfer of positions to the new strategy will not incur a transaction cost.



Please also refer to the SMA Manager's Firm Brochure in addition to the prospectuses for funds offered in the programs for descriptions of investment strategy risks.

#### Asset Allocation Evaluation

AMUS oversees the asset allocation used in the MPA program and provides administrative resources to support the program. In providing this service, AMUS collaborates with HSBC Global Asset Management to develop the asset allocation models, considering both its long-term and its short-term tactical views. Over the long-term, Strategic Asset Allocations ("SAA") take into account expected long-term asset class returns, volatilities and correlations in determining recommended allocations, subject to restrictions such as appropriate asset classes and risk tolerance bands. As such, SAAs reflect our long-term expectations for capital markets balancing expected returns with a reasonable level of volatility for the models in the Program. Ranges / guidelines are provided for each asset class to allow for client flexibility. SAAs and asset class ranges are reviewed periodically. In the short-term, capital markets will often deviate from our expectations and present the opportunity to adjust our recommended allocations. In periodically reviewing the models, AMUS will make refinements to the asset allocation models using Tactical Asset Allocation ("TAA") which adjusts allocations considering short-term trends and relative valuations in capital markets. As such, TAA seeks to take advantage of relative valuation opportunities that arise in the short-term and are expected to enhance portfolio performance over the long-term. In making recommendations, AMUS will source the information and tools used in its analysis from both global and local teams balancing our long-term strategic expectations with short-term tactical opportunities. This means that HSI, at its discretion, may change the asset allocation models periodically based upon the advice provided by AMUS. The client can also change an asset allocation based on his/her unique financial circumstances and subject to certain guidelines for each asset class.

#### Share Class Evaluation

In the UMA Option where mutual funds can be held, some mutual fund share classes charge distribution fees (12b-1 fees), shareholder servicing fees, and/or sub-transfer agency fees. Some mutual fund sponsors or distributors also pay a portion of their fees to offer their shares in other UMA programs, a practice called "revenue sharing." HSI credits 12b-1 fees received, and does not accept revenue sharing payments from any of the mutual funds in the UMA option. While we make efforts to provide you with the lowest cost share class made available by the fund, this depends on program eligibility, among other factors such as surcharges imposed by our Custodian. Furthermore, fund expenses can change over time; therefore, we cannot assure you that you will always be in the lowest expense share class. HSI will periodically compare the expenses of your fund's share class with the expenses of the fund's other share classes available to the MPA Program, and decide whether to convert to the lower share class. Any share class conversions will be reflected on your account statements. There will be no cost to you if HSI initiates a share class conversion; however, you may have tax consequences.

#### **Risks:**

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase in value and your account(s) could enjoy a gain, it is also possible that the 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.

Investments in a client's MPA account and shares of funds, including money market funds, are: not a deposit or other obligation of HSBC Bank or any of its affiliates; not FDIC insured or insured by any

federal government agency of the United States; not guaranteed by HSBC Bank or any of its affiliates; and are subject to investment risk, including possible loss of the principal amount invested.

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

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

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

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

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

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

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

- *Currency Risk:* Fluctuations in exchange rates between the U.S. dollar and foreign currencies, or between various foreign currencies, may negatively affect a portfolio's investment performance.
- *Custody Risk:* The Funds invest in securities markets that are less developed than those in the U.S., which may expose a portfolio to risks in the process of clearing and settling trades and the holding of securities by foreign banks, agents and depositories. The laws of certain countries may place limitations on the ability to recover assets if a foreign bank, agent or depository enters bankruptcy. In addition, low trading volumes and volatile prices in less developed markets may make trades more difficult to complete and settle, and governments or trade groups may compel local agents to hold securities with designated foreign banks, agents and depositories that may be subject to little or no regulatory oversight or independent evaluation. Local agents are held only to the standards of care of their local markets.
- *Cyber Security Risk:* With the increased use of technology such as the Internet to conduct business, HSI, as with all businesses and digital platforms that store, process, transmit or transact information via networked technology, is susceptible to a breach of confidentiality, loss of data integrity or disruption in availability of its networked systems.

Cyber vulnerability continues to be leveraged by criminals to perpetrate crimes at an increasing rate, often exceeding traditional offense, and poses a significant threat to economic, social and geopolitical stability for private firms and countries. HSI faces sophisticated cyber threats from state-sponsored attackers, hackers for hire, organized cyber syndicates, and other threat actors seeking our critical corporate and customer information.

Cyber incidents can result from deliberate internal or external attacks. Cyber-attacks can include, but are not limited to, gaining unauthorized access to computer systems (e.g., through "hacking" or malicious software (aka Malware) denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Unintentional cyber incidents can occur, such as the inadvertent release of confidential information that could result in the violation of applicable privacy laws.

A failure in or a breach of our operational or security systems or infrastructure, or those of our third party vendors and other service providers, including as a result of cyber-attacks, could disrupt our businesses, result in the disclosure or misuse of confidential or proprietary information, and may adversely impact our businesses.

Data quality and integrity are critical for decision making, enterprise risk management and operational processes, as well as for complying with applicable regulation. Our businesses depend on our ability to process a large number of complex transactions, most of which involve, in some fashion, networked computing devices. If any of our financial, accounting, data processing or other recordkeeping systems and management controls fail, or are subject to cyber-attack that could compromise integrity, availability or confidentiality of our systems or data, we could be materially adversely affected.

Cyber security failures or breaches at HSI or at service providers (including, but not limited to, sub-advisers, accountants, custodians, transfer agents and administrators), and the issuers of securities in which HSI invests on behalf of its clients, could result in the loss or theft of client data or funds, the inability to

access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or costs associated with system repairs.

Cyber security failures or breaches can result in financial losses, interfere with our ability to calculate a fund's net asset value, impede our trading, and prevent clients and shareholders from transacting business. These failures or breaches can cause violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. In addition, we could incur substantial costs to prevent any cyber incidents in the future.

HSI relies on cybersecurity risk controls that are managed enterprise wide for HSBC plc in order to ensure that threats are identified and mitigated properly. While HSBC plc. (a corporate parent company of HSI) has preventative, detective and mitigation technologies in place as well as mature business continuity and resiliency plans in the event of cyber-attacks, it is not possible to identify and create mitigation measures for every type of event that might result in a service disruption.

• *Debt Instruments Risk:* The risks of investing in debt instruments include:

- **High-Yield Securities ("Junk Bond") Risk:** Investments in high-yield securities (commonly referred to as "junk bonds") are often considered speculative investments and have significantly higher credit risk than investment-grade securities and tend to be less marketable (i.e., less liquid) than higher rated securities. The prices of high-yield securities, which may be more volatile and less liquid than higher rated securities of similar maturity, may be more vulnerable to adverse market, economic or political conditions.
- **Interest Rate Risk:** Fluctuations in interest rates may affect the yield and value of investments in income producing or debt instruments. Generally, if interest rates rise, the value of such investments may fall. Client should note that interest rates are at, or near, historic lows, but will ultimately increase, with unpredictable effects on the markets and investments.
- **Credit Risk:** A portfolio could lose money if an issuer or guarantor of a debt instrument fails to make timely payments of interest or principal or enters bankruptcy. This risk is greater for lower-quality bonds than for bonds that are investment grade.
- **Inventory Risk:** The market-making capacity in some debt markets has declined as a result of reduced broker-dealer inventories relative to portfolio assets, reduced broker-dealer proprietary trading activity and increased regulatory capital requirements for financial institutions such as banks. Because market makers provide stability to a market through their intermediary services, a significant reduction in dealer market-making capacity has the potential to decrease liquidity and increase volatility in the debt markets.

**Prepayment Risk:** During periods of falling interest rates, borrowers may pay off their debt sooner than expected, forcing an underlying portfolio to reinvest the principal proceeds at lower interest rates, resulting in less income.

- **Extension Risk:** The risk that during periods of rising interest rates, borrowers pay off their debt later than expected, preventing a portfolio from reinvesting principal proceeds at higher interest rates, increasing the sensitivity to changes in interest rates and resulting in

less income than potentially available.

- *Depository Receipts Risk:* Investments in depository receipts, such as ADRs and GDRs, may entail the special risks of international investing, including currency exchange fluctuations, government regulations, and the potential for political and economic instability.

- *Derivatives Risk:* Use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments and could increase the volatility of a portfolio's asset value and cause losses. Risks associated with derivatives include the risk that the derivative is not well correlated with the security, index or currency to which it relates; the risk that derivatives may result in losses or missed opportunities; the risk that the portfolio will be unable to sell the derivative because of an illiquid secondary market; the risk that a counterparty is unwilling or unable to meet its obligation; and the risk that the derivative transaction could expose the portfolio to the effects of leverage, which could increase the portfolio's exposure to the market and magnify potential losses, particularly when derivatives are used to enhance return rather than offset risk. There is no guarantee that derivatives, to the extent employed, will have the intended effect, and their use could cause lower returns or even losses to the portfolio. The use of derivatives by the portfolio to hedge risk may reduce the opportunity for gain by offsetting the positive effect of favorable price movements.

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

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

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

- *Style Risk:* The risk that use of a growth or value investing style may fall out of favor in the marketplace for various periods of time. Growth stock prices reflect projections of future earnings or revenues and may decline dramatically if the company fails to meet those projections. A value stock may not increase in price as anticipated if other investors fail to recognize the company's value.
- *Capitalization Risk:* Stocks of large capitalization companies may be volatile in the event of earnings disappointments or other financial developments. Medium and smaller



capitalization companies may involve greater risks due to limited product lines and market and financial or managerial resources. Stocks of these companies may also be more volatile, less liquid and subject to the potential for greater declines in stock prices in response to selling pressure. Stocks of smaller capitalization companies generally have more risk than medium capitalization companies.

- **Issuer Risk:** An issuer's earnings prospects and overall financial position may deteriorate, causing a decline in a portfolio's asset value.

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

- **Financial Services Risk:** Investments in the financial services group of industries may be particularly affected by economic cycles, interest rate changes, and business developments and regulatory changes applicable to the financial services group of industries. For example, declining economic and business conditions can disproportionately impact companies in the financial services group of industries due to increased defaults on payments by borrowers. Interest rate increases can also adversely affect financial services companies by increasing their cost of capital. In addition, financial services companies are heavily regulated and, as a result, political and regulatory changes can affect the operations and financial results of such companies, potentially imposing additional costs and possibly restricting the businesses in which such companies may engage.

- **Foreign Securities Risk:** Investments in foreign securities are generally considered riskier than investments in U.S. securities, and are subject to additional risks, including international trade, political, economic and regulatory risks; fluctuating currency exchange rates; less liquid, developed or efficient trading markets; the imposition of exchange controls, confiscations and other government restrictions; and different corporate disclosure and governance standards.

- **Frontier Market Countries Risk:** Frontier market countries generally have smaller economies and even less developed capital markets or legal, regulatory and political systems than traditional emerging markets. As a result, the risks of investing in emerging market countries are magnified in frontier market countries. Frontier market economies are less correlated to global economic fluctuations than developed economies and have low trading volumes and the potential for extreme price volatility and illiquidity. The government of a frontier market country may exercise substantial influence over many aspects of the private sector, including by restricting foreign investment, which could have a significant effect on economic conditions in the country and the prices and yields of securities in a Fund's portfolio. Economies in frontier market countries generally are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries with which they trade. Brokerage commissions, custodial services and other costs relating to investment in frontier market countries generally are more expensive than those relating to investment in more developed markets. The risk also exists that an emergency situation may arise in one or more frontier market countries as a result of which trading of securities may cease or may be substantially curtailed and prices for investments in such markets may not be readily available.

- *Government Securities Risk:* There are different types of U.S. government securities with different levels of credit risk. U.S. government securities issued or guaranteed by the U.S. Treasury and/or supported by the full faith and credit of the United States have the lowest credit risk. A U.S. government sponsored entity, although chartered or sponsored by an Act of Congress, may issue securities that are neither insured nor guaranteed by the U.S. Treasury and are riskier than those that are.
- *Index Fund Risk:* The risk that the underlying funds' performance will not correspond to its benchmark index for any period of time and may underperform the overall stock market.
- *Initial Public Offering Risk:* Investments in securities purchased at an initial public offering ("IPO") or secondary public offering are often subject to a broader set of market impacts such as investor perception and market opinions of companies that were previously privately-held. As such, prices of securities purchased at an IPO or secondary public offering may be more volatile or fluctuate more rapidly than other types of securities. Additionally, to the extent an account is smaller in size, investments in securities purchased at an IPO or secondary public offering may have a more significant impact on the account's performance or value than the securities would on an account larger in size as those securities may represent a larger proportion of the overall securities held by a smaller account.
- *Issuer Risk:* The risk that the issuer's earnings prospects and overall financial position will deteriorate, causing a decline in the value of the portfolio.
- *Leverage Risk:* Leverage created by borrowing or investments, such as derivatives, can diminish the portfolio's performance and increase the volatility of the portfolio's asset value.
- *Liquidity Risk/Illiquid Securities Risk:* The risk that the portfolio could lose money if it is unable to dispose of an investment at a time that is most beneficial or be unable to meet redemption demand.
- *Market Risk:* Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. In the short term, equity prices can fluctuate dramatically in response to these developments. Different parts of the market and different types of equity securities can react differently to these developments. For example, large-cap stocks can react differently from small-cap or mid-cap stocks, and "growth" stocks can react differently from "value" stocks.
- *Model Risk:* A model is defined as a quantitative method, system, or approach that applies statistical, economic, financial or mathematical theories, techniques, and assumptions to process input data into quantitative estimates. Quantitative methodologies or systems whose inputs are (partially or wholly) qualitative or based on expert judgment may be classified as a model providing that the outputs produced by the model are quantitative in nature. HSI, in conjunction with AMUS, use models to assist in the investment decision making process, to analyze the investment risks borne by a fund or client account, to measure the liquidity in a fund or client account, to conduct stress tests and for other reasons. Model risk is defined as the risk of funds or HSI and/or affiliates experiencing an actual or potential financial loss, or the breach of a regulation or client restriction, owing to the misspecification or misapplication of a model in relation to its intended use, or the improper implementation or incorrect execution of a model.



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

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

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

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

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

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

• *Regulatory Risk in Other Countries:* Disclosure and regulatory standards in emerging market countries are in many respects less stringent than U.S. standards. Therefore, disclosure of certain material information may not be made, and less information may be available. Additionally, regulators in many countries continue to review the regulation of such portfolios. Any further changes by a regulatory

authority or additional legislative developments may affect a portfolio's operations, investment strategies, performance and yield.

- *Repurchase Agreement Risk:* The use of repurchase agreements, which are agreements where a party buys a security from another party ("seller") and the seller agrees to repurchase the security at an agreed-upon date and price (which reflects a market rate of interest), involves certain risks. For example, if the seller of the agreements defaults on its obligation to repurchase the underlying securities at a time when the value of these securities has declined, a portfolio may incur a loss upon disposition of the securities. There is also the risk that the seller of the agreement may become insolvent and subject to liquidation.
- *Short Sale Risk:* The risk of entering into short sales, including the potential loss of more money than the actual cost of the investment, and the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the portfolio.
- *Sovereign Debt Risk:* Sovereign debt instruments, which are instruments issued by foreign governmental entities, are subject to the risk that the governmental entity may be unable or unwilling to repay the principal or interest on its sovereign debt due to, among other reasons, cash flow problems, insufficient foreign currency reserves, political considerations, the relative size of the governmental entity's debt or its failure to implement economic reforms required by the International Monetary Fund or other multilateral agencies. A governmental entity that defaults may ask for additional loans or for more time to pay its debt. There is no legal process for collecting sovereign debts that a government does not pay nor are there bankruptcy proceedings through which all or part of the sovereign debt that a governmental entity has not repaid may be collected.
- *Stable NAV Risk:* The following applies to money market funds that maintain a stable price of \$1.00 per share. The fund may not be able to maintain a Net Asset Value ("NAV") per share of \$1.00 (a "Stable NAV") at all times. The failure of other money market funds to maintain a Stable NAV (or the perceived threat of such a failure) could adversely affect the fund's NAV. Shareholders of a money market fund should not rely on or expect HSI, the fund's adviser or an affiliate to help a fund maintain a Stable NAV. Pending money market fund reform changes may also impact Stable NAV policies of funds.
- *Stand-by Commitments:* Stand-by commitments are subject to certain risks, which include the ability of the issuer to pay when the commitment is exercised, the fact that the commitment is not marketable, and the fact that the maturity of the underlying obligation generally differs from that of the commitment.
- *Underlying Fund Selection Risk:* The risk that a portfolio may invest in underlying funds that underperform other similar funds or the markets more generally, due to poor investment decisions by the investment adviser(s) for the underlying funds or otherwise underlying funds also have their own expenses, which the portfolio bears in addition to its own expenses.
- *Variable Rate Securities Risk:* Variable (and floating) rate instruments have interest rates that are periodically adjusted either at set intervals or that float at a margin above a generally recognized rate. Variable (and floating) rate instruments are subject to the same risks as fixed income investments, particularly interest rate risk and credit risk. Due to a lack of secondary market activity for certain variable and floating rate instruments, these securities may be more difficult to sell if an issuer defaults on its financial obligation or when a portfolio is not entitled to exercise its demand rights.

**Item 7: Client Information Provided to Investment Managers**

HSI will share a client's Proposal with its SMA Manager(s) and the Overlay Manager in addition to AMUS.

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

Upon reasonable request, HSI will make available the appropriate service provider (AMUS or SMA Manager) personnel for consultation concerning the management of the client's account in the MPA Program.

**Item 9: Additional Information****A. DISCIPLINARY INFORMATION**

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

- On March 16, 2020, HSBC Securities (USA) Inc. ("HSI") entered into a settlement with the U.S. Securities and Exchange Commission ("SEC") concerning HSI's disclosures to advisory clients and prospective clients from November 2015 through August 2017 regarding how it compensates its dually registered investment adviser and broker representatives ("IARs"). The SEC determined that HSI's disclosures were false and misleading because they failed to disclose conflicts of interest about how IARs' compensation was determined. The SEC's Order recognizes that HSI disclosed to all brokerage customers in its Customer Agreement that conflicts of interest between customers and IARs may arise with respect to recurring income HSI receives. But in separate disclosures to advisory customers, HSI stated that IARs were compensated based solely on non-financial factors, and not on the fees paid to HSI. The SEC found that HSI did consider financial factors in setting IAR's discretionary bonuses, including the amount of quarterly advisory fees Spectrum and Managed Portfolio Account ("MPA") program clients paid to HSI, which gave IARs an incentive to generate those fees. The SEC further determined that HSI lacked sufficient policies and procedures reasonably designed to prevent violations pertaining to its representations about IARs' compensation. On March 16, 2020, without admitting or denying the SEC's findings, HSI agreed to a censure and to pay a fine of \$725,000. HSI amended its disclosures in March 2018 and was not required to engage in any remediation. Disclosures are under Item 9B "Material Relationships or Arrangements with Related Persons" and also under "Other Compensation".
- On June 30, 2017 HSI agreed to a settlement with FINRA regarding allegations that it failed to maintain electronic brokerage records in non-erasable and non-rewritable format known as the "Write Once, Read Many: (WORM) format, that is intended to prevent the alteration or destruction of broker-dealer records stored electronically. HSI failed to retain in WORM format brokerage order memoranda records relating to approximately 12.36 million transactions in preferred exchange-traded funds, equities, and fixed income products. Other affected records included a limited number of HSI's general ledger, certain internal audit records, risk management control records, unusual activity reports

and certain policy manuals. The findings also stated that HSI failed to notify FINRA at least 90 days prior to retaining a vendor to provide electronic storage. HSI is also alleged to have failed to implement an audit system regarding the inputting of records in electronic storage media. HSI is alleged to have failed to obtain an attestation from their third-party vendor. Additionally, HSI failed to establish maintain and enforce written supervisory procedures reasonably designed to achieve compliance with applicable Securities Exchange Commission Rule for record retention requirements. HSI's written supervisory procedures failed to specify how the Firm should supervise its compliance with record retention requirements under the rule.

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

- In February 2016, HSBC Finance Corporation, HSBC Bank USA, HSBC Mortgage Services Inc. and HSBC North America Holdings entered into an agreement with the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, the Consumer Financial Protection Bureau, other federal agencies ("federal parties") and the state Attorneys General of 49 states and the District of Columbia ("state parties") to resolve civil claims related to past residential mortgage loan origination and servicing practices. The settlement is similar to prior national mortgage settlements reached with other U.S mortgage servicers and includes the following terms: \$100 million to be allocated among participating federal and state parties, and \$370 million in consumer relief. In addition, the settlement agreement sets forth national mortgage servicing standards to which HSBC U.S. affiliates will adhere. All except \$32 million of the settlement is allocable to HSBC Finance Corporation. This matter was settled within the amount reserved.
- The Federal Reserve Bank of Chicago reviewed and assessed the effectiveness of HSBC North America Holdings, Inc.'s ("HNAH") complex-wide Corporate Governance and Compliance Risk Management practices, policies, and internal controls, and identified deficiencies. HNAH entered into a consent cease and desist order on October 4, 2010 and agreed to take affirmative action to strengthen HNAH's corporate governance and compliance risk management practices, policies, and internal controls.
- FINRA alleged that during the period from May 31, 2006 through February 28, 2008, except as otherwise noted, HSI violated certain NASD, FINRA, and MSRB rules by (1) making negligent misrepresentations and omissions of material facts to clients concerning the safety and liquidity of Auction Rate Securities ("ARS"); (2) using advertising and marketing materials that were not fair and balanced and did not provide a sound basis for evaluating the facts about purchasing ARS; (3) selling restricted, and therefore unsuitable, ARS to certain non-qualified clients; (4) failing to retain certain emails from May 2004 to April 2009, and failing to retain certain internal instant messages from February 2007 to September 2008; and (5) failing to maintain adequate supervisory procedures concerning its sales and marketing activities regarding ARS and its retention of certain emails and instant messages. The matter was finalized by Acceptance, Waiver and Consent ("AWC") on April 22, 2010. HSI was censured, paid a fine of \$1.5 million, and made repurchase offers to certain eligible investors. In determining the sanctions in this matter, FINRA took into account HSI's voluntary repurchase of ARS from its clients in 2008. As of July 2008, HSI repurchased more than ninety percent of its then current clients' ARS holdings and in October 2008 offered to repurchase all of the remaining ARS held in those clients' HSI accounts.

- 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.

## **BROKER-DEALER REGISTRATION STATUS**

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

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

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

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.

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

AMUS provides investment advice to registered investment companies and other institutions. AMUS is a wholly-owned subsidiary of HSBC Bank USA, N.A. ("HSBC Bank"). AMUS is a service provider to the MPA Program and other HSI advisory programs and earns fees based on assets invested in the programs. In addition, AMUS acts as the investment adviser for the proprietary money market mutual funds that are registered investment companies, some of which are included as investments in the MPA Program. HSI can offer to our non-advisory brokerage customers, shares of proprietary investment companies (mutual funds) to which AMUS serves as investment adviser.

AMUS, whose money market mutual funds are offered in the MPA Program, receives compensation (such as mutual fund advisory fees, and other compensation), in addition to a portion of the fee for the MPA Program. Program fees for retirement accounts are reduced by the amount of the advisory fee for money market funds advised by AMUS. To the extent HSI includes an AMUS advised money market funds as the option into which a client's account could be invested, the receipt of such additional compensation could create a conflict of interest for AMUS. AMUS' role is referenced in the investment advisory agreement for the Programs.

The mutual funds made available through the MPA Program include both third party funds and the money market mutual funds advised by AMUS. Clients can only elect to have their idle cash balances swept into money market funds currently all of which are managed by AMUS, and for which AMUS receives advisory fees. Clients will pay these fees as well as their Program fee as permissible by law. AMUS' role is referenced in the investment advisory agreement for the MPA Program.



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

As Overlay Manager, HSI at its discretion as specified in the client agreement has delegated certain activities to an affiliate in exchange for compensation. In addition, HSI may at its discretion engage an unaffiliated Overlay Manager upon 30 days' written notice to the Client. Any unaffiliated third party who acts as Overlay Manager (a "Third Party Overlay Manager") is entitled to receive the benefits to which HSI, as Overlay Manager, is entitled.

### **Conflicts of Interest**

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

The principal business of our Firm is that of a full service broker-dealer. Clients who have MPA Program accounts can also be clients of the broker-dealer. Therefore, clients can have similar securities in their commission-based brokerage accounts as they would have in their MPA account.

HSI is also a registered broker-dealer and executes trades for clients in the MPA Program through Pershing. HSI recommends to its clients shares in mutual funds 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.

HSI provides investment advisory and brokerage advice outside of the MPA Program. As a registered broker-dealer with the Financial Industry Regulatory Authority ("FINRA"), HSI sells securities for a commission outside of the Program and is permitted to receive 12b-1 (distribution) and/or shareholder servicing fees from the sale of mutual funds. All sales charge information is disclosed in the mutual fund prospectus that is provided to the customer. HSI's practice, as a broker-dealer, of accepting such fees creates a conflict of interest.

Representatives are paid a salary with the opportunity to receive a discretionary bonus which creates conflicts between you, HSBC Securities and your representative. Please see the "Other Compensation" section below for additional information.

HSI Representatives are also securities-licensed Registered Representatives of HSI, and in their capacity as Registered Representatives engage in the sale of securities-related products and services outside of the MPA Program. Clients are under no obligation to purchase or sell securities products and services through HSI or to participate in the MPA Program; however if they choose to do so, clients should be aware that the Registered Representative will receive additional compensation as described later in this section, that creates a conflict of interest. Please see the "Other Compensation" section below for additional information.

In addition, Representatives at times will be located in branches of HSBC Bank USA N.A. ("HBUS"), and clients of HBUS 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.



HBUS is a national bank organized and existing under the laws of the United States and a member of the Federal Reserve. HBUS, 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 HBUS and report into the HSBC North America Holdings Company Committee.

Our Firm and most 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. See the “Other Compensation” section below for additional information.

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

Certain employees of AMUS and HBUS are registered representatives of HSI and may hold FINRA and state securities registration. HSI maintains supervision of such persons.

## **Other Compensation**

HSI does not pay referral fees to non-HSI persons for the referral of their clients to our Firm.

Our representatives are paid a salary with the opportunity to receive a discretionary bonus, which creates conflicts between you, HSBC Securities and your representative. We base bonuses (or individual pay decisions) for HSI associated persons, including your representative, on the representatives’ personal performance measured against established key performance indicators and objectives. We consider financial factors like gathering assets (including assets gathered and retained in managed accounts and recommended by the representative), and generating income for HSBC resulting from client investments (including quarterly fees from managed accounts), and the funding of HSBC’s discretionary compensation plan. We also consider factors, such as compliance with rules, their activities in meeting with clients and fulfilling clients’ financial needs. Accordingly, these factors create a conflict as your representative has an interest in recommending products and services offered by HSI and its affiliates, including brokerage accounts, managed accounts, annuities and transactions effected for brokerage accounts. Other HSBC Securities associated persons like relationship managers in the branches and supervisors are also eligible for bonuses affected by your representative’s recommendations.

In addition, our representatives at times will participate in internal HSBC recognition programs, which are based on overall personal performance that is also impacted by the factors noted above, including the accumulation of assets and income. Therefore your representative has further incentives to recommend that a client invest assets with HSI.

As permitted by law and HSI policy, third parties such as a mutual fund or annuity provider at times will sponsor events and industry related conferences for educational purposes to which individual representatives will be invited and receive other benefits, including transportation and entertainment related to the above. Representatives at times will also receive from such third parties some meals,

occasional ticket to events, and gifts of a nominal value as permitted by industry regulations. Feel free to ask your representative about our compensation for any particular service or product that you purchase.

HSI reserves the right, at its discretion and without prior notice to change the methods by which it compensates its sales professionals.

**Gifts, Gratuities, Entertainment and Non-Monetary Compensation:** From time to time, HSBC or its employees will, as is generally consistent with customary industry practice and in accordance with HSBC's policies and procedures, receive nonmonetary compensation (other than cash or cash equivalents), such as promotional items (e.g., coffee mugs, calendars or gift baskets), meals and access to certain industry related conferences, from individuals or institutions with whom they transact business or with whom they may engage in business dealings on behalf of clients. Such gifts, meals and entertainment provided by HSI may generate a conflict of interest to the extent they create an incentive for the recipient or beneficiary to use, recommend, offer or include products or services of HSI. The giving and receipt of gifts and other benefits are subject to limitations under internal HSI policies and procedures.

**Product Provider Payments and Conferences:** From time to time, HSI (and its affiliates) will receive marketing and training support payments, conference subsidies, and other types of financial compensation and incentives from mutual fund companies and other product providers, broker-dealers and other vendors to support the sale of their products and services to our clients, including our ERISA plan clients. Note that the level of vendor support or other payments is not dependent on or related to the level of assets invested in or with the products or services of the particular vendor, but the receipt of these payments presents HSI with a conflict of interest in recommending these parties' services and products to clients. HSI deals with that conflict through disclosure in this brochure.

HSI generally provides securities execution and related brokerage services using the clearing and execution facilities of Pershing, LLC as detailed above.

Each SMA Manager in the SMA Program has the discretion to select broker-dealers to execute trades for MPA and is responsible for executing MPA trades in a manner consistent with its obligation to obtain best execution, and clients are encouraged to review each SMA Manager's Firm Brochure regarding its brokerage practices.

## Securities Backed Line of Credit

We do not use leverage as an investment strategy for managed accounts. However, where appropriate, an eligible client, as detailed in the Account Control Agreement and Risk Disclosure statement, may use Securities-Backed Lending, which is a bank line of credit collateralized by the assets of the managed account, as well as other collateral the client may hold at HBUS or HSI. Securities-Backed Lending enables clients to access non-purpose credit that is secured by that client's brokerage and/or advisory portfolio. The maximum amount of the credit given depends on the lending value of your portfolio, as specified in the Credit Agreement entered into with HBUS. Securities-Backed Lending may create additional risks for managed account clients including being subject to a collateral call due to a drop in the account's value attributable to downward market movement, market volatility and credit exposure. All these can lead to collateral shortfalls and may cause HBUS, which has extended the line of credit, to ask the managed account client for additional collateral or to sell existing collateral to satisfy the collateral shortfall. HBUS will earn compensation in the form of fees and interest on loans secured by accounts managed under this program. A drop in your managed account's value could cause the account to fall below the minimum required to participate in the managed account program. This could result in the discontinuance of advisory services and cause your account to revert to an unmanaged brokerage account. Such actions could result in the failure to reach your investment goals. Any securities based lending fees and interest are separate and in addition to any fees paid pursuant to the managed account agreement.

Neither HSI, its Representatives nor its affiliates will act as an investment adviser to you when selling securities subject to a collateral shortfall or credit line loan demand. We will make these sales in our capacity as a broker-dealer. In addition, as creditors, we and our affiliates may have interests that are adverse to you.

## C. CODE OF ETHICS AND PERSONAL TRADING

HSI has adopted a Code of Ethics and Staff Dealing Policies and Procedures that governs employee personal securities transactions ("Code of Ethics"), designates access persons, protects material nonpublic information, and requires employees to comply with all relevant securities laws. The Code of Ethics reflects our belief in the absolute necessity to conduct business at the highest ethical and professional levels. HSI requires all personnel to report their personal securities accounts to the Compliance Department and requires pre-approval of personal trades in accordance with 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.

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

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

## **D. REVIEW OF ACCOUNTS**

The Custodian (or a designee) will provide each client with monthly, but in any event no less frequently than quarterly, account statements detailing the activity within the client's account. The statements will be based on activity provided by the Custodian.

HSI through its agreement with GFAR will periodically monitor the investment strategies of the SMA Managers, Model Managers, mutual funds and ETFs.

HSI through its agreement with AMUS will monitor the asset allocation models on a periodic basis. The review will focus on several factors, including the following:

- i. whether the asset allocation models are being managed in accordance with their investment objectives and mandates; and
- ii. whether the performance of the investment strategies are managed according to stated investment objectives and performing in line with expectation.

HSI or a Representative will annually request an in-person or telephonic meeting with a client (or will otherwise meet the regulatory requirements for an annual meeting) 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. An account review may also follow a change in client's investment profile, a change in the securities market or a change in other economic conditions.

The monthly or quarterly statements provided by the Custodian (or a designee) detailing current holdings and account activity are in addition to the quarterly performance reports provided for the client's account.

## **E. CLIENT REFERRALS AND OTHER COMPENSATION**

HSI does not pay referral fees to non-HSI persons for the referral of their clients to our Firm.

## **F. FINANCIAL INFORMATION**

HSI does not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore we have not included a balance sheet for our most recent fiscal year. There are no financial commitments to likely impair our ability to meet contractual obligations to our clients, and we have not been the subject of a bankruptcy petition at any time during the past ten years.

## **G. ADDITIONAL INFORMATION**

### **Assets under Management**

As of December 31, 2019, the MPA Separately Managed Account Program has approximately \$335 million dollars in non-discretionary assets under although HSI has discretion over the program management.

The MPA UMA Account Program has approximately \$193 million dollars in non-discretionary assets under management.



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

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

Website WWW.US.HSBC.COM

**March 2020**

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

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

Daniel Anniello\*  
Andre Brandao\*  
Diane L DiTondo\*

Jeffrey L. Kraebel\*  
Shaun M. McDougall\*  
Kevin Mullaney\*

This Brochure Supplement provides information about the following supervised persons:

- (i) Any supervised person who formulates investment advice for a client and has direct client contact; and
- (ii) Any supervised person who has discretionary authority over a client's assets, even if the supervised person has no direct client contact. See SEC rule 204-3(b)(2) and similar state rules.

Note: No supplement is required for a supervised person who has no direct client contact and has discretionary authority over a client's assets only as part of a team. In addition, if discretionary advice is provided by a team comprised of more than five supervised persons, brochure supplements need only be provided for the five supervised persons with the most significant responsibility for the day-to-day discretionary advice provided to the client.

**Daniel Anniello**

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

Daniel Anniello serves as National Sales Director since January 1, 2018. Daniel Anniello also served as Senior Vice President of Global Wealth Development for HSBC Securities (USA) Inc. since 2013.

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

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

Mr. Anniello was born in 1971.

**Item 3: Disciplinary Information**

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

**Item 4: Other Business Activities**

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

**Item 5: Additional Compensation**

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

**Item 6: Supervision**

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

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



## Andre Brandao

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

Mr. Brandao became a member, Chairman of the Board, Director, CEO and President of HSI on January 9, 2019. Mr. Brandao previously served in the same capacity from July 13, 2018 to October 10, 2018.

Mr. Brandao was appointed Chairman of the Board, CEO and President of HSBC Capital (USA) Inc. on July 13, 2018.

Mr. Brandao was appointed Head of Global Banking and Markets for the Americas on July 13, 2018, and is responsible for the business in Canada, the US and Latin America. He was appointed a Group General Manager in January 2013 and is a member of both Global Banking and Markets and HSBC North America Holdings (HNAH) Executive Committees.

Mr. Brandao was previously Head of Global Banking and Markets for Europe (HBEU) starting in July 2016. Prior to that, he was Country CEO of HSBC Brazil from May 2012 to July 2016. Mr. Brandao joined HSBC in February 1999 in Global Markets in Brazil and made his career within Global Banking and Markets in Latin America and the US. Mr. Brandao has 32 years of experience in the financial markets and prior to joining HSBC, he spent 11 years at Citibank in both Sao Paulo and New York.

Mr. Brandao holds a Computer Science degree from Mackenzie University, Sao Paulo, Brazil.

Mr. Brandao was born in 1963.

### Item 3: Disciplinary Information

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

### Item 4: Other Business Activities

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

### Item 5: Additional Compensation

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

### Item 6: Supervision

Michael M. Roberts, President and CEO of HSBC North America Holdings, HSBC USA Inc. and HSBC Bank USA, N.A. is responsible for and has supervisory oversight of Mr. Brandao. Mr. Roberts can be contacted at 212-525-5000.

Additionally, HSBC Securities (USA) Inc. has implemented written policies and procedures to monitor the advisory activities of the Firm and its supervised persons. All associated persons are required to adhere to these policies and procedures to help ensure adherence to applicable federal and state securities laws. HSBC Securities (USA) Inc.'s Compliance Department has created various internal controls to track each

policy and confirm the procedures are followed. HSBC Securities (USA) Inc. has also adopted a code of ethics and related supervisory controls that governs all covered persons.

**Diane L. DiTondo**

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

Diane DiTondo currently serves as Interim Senior Vice President of Wealth Operation for HSBC Securities (USA) Inc. since October 2019.

Prior to that Ms. DiTondo served in various roles with HSBC Bank USA N.A since 1989.

**Most recently Ms. DiTondo served in the following roles:**

- HSBC Bank (USA) NA, Senior Vice President, Retail Banking Wealth Management (RBWM) Business Risk and Control Management Officer from November 2015 to October 2019.
- HSBC Securities (USA) Inc., Senior Vice President, RBWM Wealth Business Strategy from October 2012 to November 2015.
- HSBC Securities (USA) Inc., Vice President, Business Support Director from 2001 to October 2012.

Ms. DiTondo holds a Bachelor of Science and also a Masters of Business Administration from the State University of New York, Buffalo.

Ms. DiTondo was born in 1964.

**Item 3: Disciplinary Information**

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

**Item 4: Other Business Activities**

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

**Item 5: Additional Compensation**

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

**Item 6: Supervision**

Michael L. Privitera is the Regional Chief Operating Officer of Retail Banking and Wealth Management, is responsible for and has supervisory oversight of Ms. DiTondo. Mr. Privitera can be contacted at 212-525-5000.

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

**Jeffrey Kraebel**

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

Jeffrey Kraebel is a Senior Vice President and Head of Products and Services for HSBC Securities (USA) Inc. since 2012.

He has served as Chief Administration Officer for HSBC Securities (USA) Inc. from July 2009 to November 2012. He also served as a Sales Director for HSBC Securities (USA) Inc. from December 2007 to May 2009. Mr. Kraebel served as a Regional Sales Manager for HSBC Securities (USA) Inc. from February 2005 to December 2007.

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

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

Mr. Kraebel was born in 1965.

**Item 3: Disciplinary Information**

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

**Item 4: Other Business Activities**

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

**Item 5: Additional Compensation**

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

**Item 6: Supervision**

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

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

**Shaun M. McDougall**

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

Shaun M. McDougall was appointed as Director and Officer, Executive Vice President and Head of Wealth Management for HSBC Markets and HSBC Securities (USA) Inc. on April 2019

Prior to joining HSBC Securities (USA) Inc. Mr. McDougall was a Retail Director at Citizens Bank from August 2016 to January 2019. Mr. McDougall also served as Regional Director of Consumer Banking and Wealth Management at JP Morgan Chase from March 2003 to August 2016. He also served as a Business Banking Market Manager from December 2009 to January 2011.

Mr. McDougall holds a Bachelor of Science Degree in Management from the Cornerstone University in 2003 and received a Masters in Business Administration, in Global Management from the University of Phoenix in 2006.

Mr. McDougall was born in 1979.

**Item 3: Disciplinary Information**

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

**Item 4: Other Business Activities**

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

**Item 5: Additional Compensation**

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

**Item 6: Supervision**

Andre Brandao, Chairman of the Board, Director, CEO and President of HSI, is responsible for and has supervisory oversight of Mr. McDougall. Mr. Brandao can be contacted at 212-525-5000.

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

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

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

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

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

Mr. Mullaney was born in 1969.

**Item 3: Disciplinary Information**

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

**Item 4: Other Business Activities**

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

**Item 5: Additional Compensation**

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

**Item 6: Supervision**

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

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