



\$250,000,000
ELEMENTSSM

**Linked to the S&P Commodity Trends Indicator — Total Return
due June 16, 2023**

The ELEMENTSSM Linked to the S&P Commodity Trends Indicator — Total Return due June 16, 2023 (the “Securities”) do not guarantee any return of principal at maturity and do not pay any interest during their term. Instead, you will receive a cash payment at maturity or upon repurchase by HSBC USA Inc. based on the performance of the S&P Commodity Trends Indicator — Total Return, less an investor fee. The terms and conditions relating to the offerings set forth in this pricing supplement shall supersede the terms and conditions set forth in two other pricing supplements dated June 10, 2008 and April 9, 2009 relating to the same offering previously filed with the Securities and Exchange Commission. The principal terms of the Securities are as follows:

Issuer: HSBC USA Inc. (“HSBC USA”).

CUSIP Number: 4042EP 602

Underlying Index: The return on the Securities is linked to the performance of the S&P Commodity Trends Indicator — Total Return (Bloomberg symbol: SPTICTR) (the “Index”). The Index is designed to apply a long/short strategy to six commodity sectors comprised of sixteen traditional, physical commodity futures contracts. The Index is a total return index designed to reflect the performance of a fully collateralized investment in the futures contracts.

Payment at Maturity: If your Securities have not previously been repurchased by HSBC USA, at maturity you will receive a cash payment equal to the principal amount of your Securities times the index factor on the final valuation date times the fee factor on the final valuation date.

Secondary Market: We intend to list the Securities on NYSE Arca under the ticker symbol “LSC”. If an active secondary market in the Securities develops, we expect that investors will purchase and sell the Securities primarily in this secondary market.

Repurchase of the Securities at Your Option: Subject to the requirements described below, you may offer \$2,500,000 stated principal amount (250,000 Securities) or more of your Securities to HSBC USA for repurchase on any business day during the term of the Securities, beginning on June 17, 2008 and ending on May 25, 2023. If you elect to offer your Securities for repurchase, and the requirements for acceptance by HSBC USA are met, you will receive a cash payment in an amount equal to the daily repurchase value, which is the principal amount of your Securities to be repurchased times the index factor on the applicable valuation date times the fee factor on the applicable valuation date.

Repurchase of the Securities at Our Option: We will have the right to repurchase the Securities in whole but not in part on any business day during the term of the Securities beginning June 16, 2011, if, at anytime on or after June 16, 2011, the aggregate principal amount of the Securities outstanding is \$5,000,000 (500,000 Securities) or less. Upon such repurchase, you will receive a cash payment in an amount equal to the daily repurchase value, which is the principal amount of your Securities to be repurchased times the index factor on the applicable valuation date times the fee factor on the applicable valuation date.

Repurchase Mechanics: *Repurchase at Your Option:* You may offer your Securities to HSBC USA for repurchase on any business day during the term of the Securities, beginning on June 17, 2008. To offer your Securities for repurchase, you and your broker must deliver an irrevocable offer for repurchase to HSBC USA no later than 5:00 p.m., New York City time, on the business day immediately preceding the applicable valuation date and follow the procedures set forth under “Specific Terms of the Securities — Repurchase Procedures.” If you fail to comply with these procedures, your offer will be deemed ineffective and HSBC USA will not be obligated to repurchase your Securities. Also, unless the scheduled repurchase date is postponed due to a market disruption event as described herein, the final day on which HSBC USA will repurchase your Securities will be June 1, 2023. As such, should you wish to have HSBC USA repurchase your Securities, your Securities must be offered for repurchase no later than May 25, 2023. *Repurchase at Our Option:* If we exercise our right to repurchase the Securities, we will deliver an irrevocable call notice to The Depository Trust Company (“DTC”) (the holder of the global note). The business day immediately succeeding the date the irrevocable call notice was delivered to DTC shall be the valuation date applicable to such repurchase, subject to postponement due to the occurrence of a market disruption event.

Valuation Date: Valuation date means each trading day from June 18, 2008 to June 12, 2023 inclusive. We refer to June 12, 2023, as the “final valuation date.” If there is a market disruption event occurring on a valuation date, such valuation date, including the final valuation date, may be postponed as provided herein.

(cover continued on next page)

Nuveen Investments

Merrill Lynch & Co.

**As Agents for
HSBC USA Inc.**

Pricing Supplement dated April 9, 2009

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(continued from previous page)

Repurchase Date: A repurchase date is the third business day following a valuation date. Unless the scheduled repurchase date is postponed due to a market disruption event as described herein, the final day on which HSBC USA will repurchase your Securities will be June 1, 2023. As such, should you wish to have HSBC USA repurchase your Securities, your Securities must be offered for repurchase no later than May 25, 2023.

Inception Date: June 10, 2008.

Initial Settlement Date: June 16, 2008.

Index Factor: The index factor on any given day, other than the final valuation date, will be equal to the closing level of the Index on that day divided by the initial index level. The index factor on the final valuation date will equal the average of the closing levels of the Index for the five trading days prior to and including the final valuation date divided by the initial index level. The initial index level is the closing level of the Index on the inception date and is equal to 2,089.69.

Fee Factor: The fee factor is equal to one minus the aggregate investor fee, which is the product of (i) the annual investor fee and (ii) the number of days elapsed from the inception date to and including the applicable valuation date divided by 365. The annual investor fee is equal to 0.75%.

Because the investor fee reduces the amount of your return at maturity or upon repurchase by HSBC USA, the level of the Index must increase by an amount sufficient to offset the aggregate investor fee applicable to your Securities in order for you to receive at least the principal amount of your investment at maturity or upon repurchase. If the level of the Index decreases or does not increase sufficiently, you will receive less, and possibly significantly less, than the principal amount of your investment at maturity or upon repurchase by HSBC USA.

Trading Day: A trading day is a day on which (i) the level of the Index is calculated and published, (ii) trading is generally conducted on the New York Stock Exchange, NYSE Arca, the Nasdaq Stock Market and the American Stock Exchange and (iii) trading is generally conducted on the markets on which the futures contracts underlying the Index are traded, in each case as determined by the Calculation Agent in its sole discretion.

Business Day: A business day is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close.

You may lose some or all of your principal if you invest in the Securities. See “Risk Factors” beginning on page PS-10 of this pricing supplement for risks relating to an investment in the Securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this pricing supplement is truthful or complete. Any representation to the contrary is a criminal offense.

We sold a portion of the Securities on the inception date through the agents named below and through one or more dealers purchasing as principals through the agents named below at 100% of their stated principal amount of \$10.00 each. Additional Securities may be offered and sold from time to time through the agents named below and one or more dealers. We will receive proceeds equal to 100% of the offering price of Securities we issue and sell after the inception date.

Each agent named on the cover of this pricing supplement and any dealer in the initial and any subsequent distribution is expected to charge normal commissions for the purchase of the Securities. Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”) and Nuveen Investments LLC (“Nuveen Investments”), each a member of the Financial Industry Regulatory Authority (“FINRA”), formerly known

as the NASD, will receive a portion of the investor fee. Please see “Supplemental Plan of Distribution” in this pricing supplement for more information.

Delivery of the Securities in book-entry form only will be made through DTC on or about June 16, 2008. The Securities will be issued in minimum denominations of \$10 and integral multiples of \$10 in excess of that amount.

In this pricing supplement, “**we**,” “**us**” and “**our**” refer to HSBC USA Inc.

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SUMMARY

The following is a summary of terms of the ELEMENTSSM Linked to the S&P Commodity Trends Indicator — Total Return due June 16, 2023 (the “Securities”), as well as a discussion of risks and other considerations you should take into account when deciding whether to invest in the Securities. The information in this section is qualified in its entirety by the more detailed explanations set forth elsewhere in this pricing supplement and the accompanying prospectus supplement and prospectus. References to the “prospectus” mean our accompanying prospectus, dated April 2, 2009, and references to the “prospectus supplement” mean our accompanying prospectus supplement, dated April 9, 2009.

We may, without providing you notice or obtaining your consent, create and issue securities in addition to those offered by this pricing supplement having the same terms and conditions as the Securities. We may consolidate the additional securities to form a single class with the outstanding Securities.

This section summarizes the following aspects of the Securities:

- What are the Securities and how do they work?
- What is the Index and what does it measure?
- Will I receive interest on the Securities?
- How do you sell your Securities?
- How do you offer your Securities for repurchase by HSBC USA?
- What are some of the risks of the Securities?
- Is this the right investment for you?
- How has the Index performed historically?
- What are the tax consequences of an investment in the Securities?
- How does the Calculation Agent calculate the payment on the Securities?

What Are the Securities and How Do They Work?

The ELEMENTS Linked to the S&P Commodity Trends Indicator — Total Return due June 16, 2023 (the “Securities”) are senior unsecured obligations of HSBC USA Inc. (“HSBC USA”), whose return is based upon the performance of the S&P Commodity Trends Indicator — Total Return (the “Index”). The Securities are not principal protected and, consequently, the return of the principal amount of your investment at maturity is not guaranteed. **Furthermore, we will not pay you interest during the term of the Securities.**

Unless your Securities have been previously repurchased by us, either at your election or at ours, the Securities will mature on June 16, 2023 and no interest will be paid prior to that date. Further details on the conditions and the procedures applicable to any such repurchase are set forth in this pricing supplement.

Payment at Maturity

If your Securities have not been previously repurchased by HSBC USA, at maturity you will receive a cash payment in an amount equal to the principal amount of your Securities *times* the index factor determined on the final valuation date *times* the fee factor on the final valuation date.

The index factor on the final valuation date will equal the average of the closing levels of the Index for the five trading days immediately prior to and including the final valuation date (the “calculation period”) *divided* by the initial index level.

The initial index level is 2,089.69, the closing level of the Index on the inception date.

If a market disruption event occurs and is occurring during the calculation period, the level of the Index for such trading day on which the market disruption event occurred will be calculated by reference to the values of the Index Components (as defined below) unaffected by the market disruption event on the scheduled trading days during the calculation period and by reference to the values of the affected Index Components on the trading days during the calculation period on which there is no market disruption event occurring. If a market disruption event occurs or is occurring on the final valuation date, the Calculation Agent (as defined below) will

postpone, for up to five scheduled trading days, the final valuation date until the next trading day when there is no market disruption event occurring with respect to such affected Index Component. A “scheduled trading day” is any day that, but for the occurrence of a market disruption event, would have otherwise been a trading day. If the final valuation date is postponed due to a market disruption event, the maturity date will also be postponed by an equal number of business days up to five business days.

For more information on market disruption events and their effect on the calculation of the payment you will receive at maturity, see “Specific Terms of the Securities — Market Disruption Events” and “ — Payment at Maturity” in this pricing supplement.

The fee factor is equal to one minus the aggregate investor fee, which is the product of (i) the annual investor fee and (ii) the number of days elapsed from the inception date to and including the applicable valuation date *divided by* 365.

Because the aggregate investor fee reduces the amount of your return at maturity or upon repurchase by HSBC USA, the level of the Index must increase by an amount sufficient to offset the aggregate investor fee applicable to your Securities in order for you to receive at least the principal amount of your investment at maturity or upon repurchase by HSBC USA. If the level of the Index decreases or does not increase sufficiently, you will receive less, and possibly significantly less, than the principal amount of your investment at maturity or upon repurchase by HSBC USA.

The annual investor fee is equal to 0.75%.

Payment upon Repurchase

We have the right to repurchase the Securities in whole and not in part on any business day during the term of the Securities beginning June 16, 2011, if, at anytime on or after June 16, 2011, the aggregate principal amount of the Securities outstanding is \$5,000,000 (500,000 Securities) or less (such right being commonly known as a “clean-up” call). If we exercise our right to repurchase the Securities, we will deliver an irrevocable call notice to The Depository Trust Company (“DTC”). The business day immediately succeeding the date the irrevocable call notice was delivered to DTC shall be the valuation date applicable to such repurchase, subject to

postponement due to the occurrence of a market disruption event.

At your election you may, subject to certain restrictions, offer your Securities for repurchase by HSBC USA on any business day during the term of the Securities, beginning on June 17, 2008 and ending on May 25, 2023, provided that you offer at least \$2,500,000 stated principal amount of Securities (250,000 Securities) for repurchase and follow the procedures as described below.

If you choose to offer your Securities for repurchase or they are repurchased at our option, you will receive a cash payment on the repurchase date in an amount equal to the daily repurchase value, which is the principal amount of your Securities *times* the index factor on the applicable valuation date *times* the fee factor on the applicable valuation date.

The index factor on any valuation date, other than the final valuation date, will be equal to the closing level of the Index on that valuation date *divided by* the initial index level.

A repurchase date is the third business day following a valuation date. A valuation date is each trading day from June 18, 2008 to June 12, 2023 inclusive. Unless your scheduled repurchase date is postponed due to a market disruption event, the final day on which HSBC USA will repurchase your Securities will be June 1, 2023. As such, should you wish to have HSBC USA repurchase your Securities, your Securities must be offered for repurchase no later than May 25, 2023. A valuation date may be postponed due to a market disruption event up to four scheduled trading days. If postponement of a valuation date due to a market disruption event occurs, such postponement will continue until the next trading day on which there is no market disruption event, for up to four scheduled trading days. If a valuation date is postponed, the corresponding repurchase date will also be postponed so that such repurchase date occurs on the third business day following the valuation date as postponed. For more information on market disruption events and their effect on the calculation of the payment that you will receive upon repurchase, see “Specific Terms of the Securities — Market Disruption Events” and “ — Payment Upon Repurchase” in this pricing supplement.

For a further description of how your payment at maturity will be calculated, see “ — How Does the Calculation Agent Calculate the Payment on the

Securities? — Hypothetical Examples” below and “Specific Terms of the Securities” in this pricing supplement.

The Securities will be issued in denominations of \$10 and integral multiples of \$10. You will not have the right to receive physical certificates evidencing your ownership except under limited circumstances. Instead, we will issue the Securities in the form of a global certificate, which will be held by DTC or its nominee. Direct and indirect participants in DTC will record beneficial ownership of the Securities by individual investors. Account holders in the Euroclear or Clearstream Banking clearance systems may hold beneficial interests in the Securities through the accounts those systems maintain with DTC. You should refer to the section “Description of Notes — Book-Entry” in the accompanying prospectus supplement.

What Is the Index and What Does It Measure?

The Index (Bloomberg symbol: SPTICTR) is constructed, calculated and maintained by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“Standard & Poor’s” or “S&P”) pursuant to a licensing agreement with Alpha Financial Technologies, LLC (“AFT”). Standard & Poor’s has been calculating and maintaining the Index since December 31, 2003. The Index is designed to apply a long/short strategy to six commodity sectors comprised of sixteen traditional, physical commodity futures contracts (the “Index Components”). The Index is a total return index designed to reflect the performance of a fully collateralized investment in the Index Components. The Index Components are grouped into six sectors and each sector, except the energy sector and softs sector, is represented on either a “long” or “short” basis, depending on recent price trends of that sector. The energy sector is represented on either a “long” or “flat” basis, and each Index Component within the softs sector is represented on either a “long” or short” basis separately rather than in the aggregate as a single sector. The position of each sector (or in the case of the softs sector, each Index Component) is determined by comparing the current sector price to a moving exponential average. The sectors are rebalanced on a monthly basis and the Index Components contained in the sectors are rebalanced annually (except for the Index Components within the softs sector, which are rebalanced monthly). For further information

regarding the Index, please see the section entitled “The Index” in this pricing supplement.

Will I Receive Interest on the Securities?

No. We will not make any periodic payments of interest or any other payments on the Securities during the term of the Securities. Unless you elect to have your Securities repurchased by HSBC USA, you will not receive any payments on the Securities prior to maturity of the Securities.

How Do You Sell Your Securities?

We intend to list the Securities on NYSE Arca. If an active secondary market in the Securities develops, we expect that investors will purchase and sell the Securities primarily in this secondary market.

How Do You Offer Your Securities for Repurchase by HSBC USA?

If you wish to offer your Securities to HSBC USA for repurchase, you and your broker must follow the following procedures:

- your broker must deliver a completed irrevocable Offer for Repurchase, a form of which is attached as Annex A to this pricing supplement, to HSBC USA by 5:00 p.m., New York City time, on the business day immediately preceding the valuation date prior to the applicable repurchase date. One portion of the Offer for Repurchase must be completed by you as beneficial owner of the Securities and the other portion must be completed by your broker. You must offer \$2,500,000 stated principal amount or more of your Securities (250,000 Securities) for repurchase by HSBC USA on any business day beginning on June 17, 2008. HSBC USA must acknowledge receipt from your broker in order for your offer to be effective;
- your broker must book a delivery vs. payment trade, facing HSBC USA, with respect to your Securities on the applicable valuation date at a price equal to the applicable daily repurchase value; and
- your broker must cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m., New York City time, on the applicable repurchase date (the

third business day following the valuation date).

Different brokers and DTC participants may have different deadlines for accepting instructions from their customers. Accordingly, you should consult the brokerage firm or other DTC participant through which you own your interest in the Securities in respect of such deadlines. If HSBC USA does not receive the irrevocable Offer for Repurchase from your broker by 5:00 p.m., New York City time, on the business day immediately preceding the applicable valuation date, your notice will not be effective and we will not accept your offer to repurchase your Securities on the applicable repurchase date. Any repurchase instructions that we receive in accordance with the procedures described above will be irrevocable.

What Are Some of the Risks of the Securities?

An investment in the Securities involves risks. Some of these risks are summarized here, but we urge you to read the more detailed explanation of risks in “Risk Factors” in this pricing supplement and the accompanying prospectus supplement and prospectus.

- **Uncertain Principal Repayment** — Your principal is not protected. If the level of the Index decreases, or does not increase by an amount greater than the aggregate investor fee applicable to your Securities, you will receive less, and possibly significantly less, than your original investment in the Securities.
- **No Interest Payments** — You will not receive any periodic interest payments on the Securities.
- **Commodity Market Risk** — The return on the Securities is linked to the performance of the Index, which, in turn, is linked to the prices of the Index Components. Commodity futures prices may change unpredictably, affecting the value of the Index Components and, consequently, the value of your Securities in unforeseeable ways.
- **A Trading Market for the Securities May Not Develop** — Although we intend to list the Securities on NYSE Arca, a trading market for your Securities may not develop. We are not required to maintain any listing of the Securities on NYSE Arca or any other exchange.

- **Restrictions on Repurchases by HSBC USA**—You must offer at least \$2,500,000 stated principal amount of Securities (250,000 Securities) to HSBC USA for your offer for repurchase to be considered.
- **Your Offer for Repurchase Is Irrevocable** — You will not be able to rescind your offer for repurchase after it is received by HSBC USA, so you will be exposed to market risk in the event market conditions change after HSBC USA receives your offer.
- **Uncertain Tax Treatment** — Significant aspects of the tax treatment of the Securities are uncertain, and no assurance can be given that the Internal Revenue Service (the “IRS”) will accept, or that a court will uphold, the tax consequences described in this pricing supplement. We intend to treat the Securities as prepaid, cash-settled financial contracts, with respect to the Index, that are eligible for open transaction treatment for U.S. federal income tax purposes. However, you should note that the IRS and the U.S. Treasury Department have announced a review of the tax treatment of prepaid forward contracts and legislation has been introduced in the United States Congress that would require current accrual of interest income on prepaid forward contracts.
- **Call Feature** — Your Securities may be repurchased on or after June 16, 2011 if the aggregate principal amount of the Securities outstanding is \$5,000,000 (500,000 Securities) or less.

Is this the Right Investment for You?

The Securities may be a suitable investment for you if:

- You seek an investment with a return linked to the performance of the Index.
- You believe the level of the Index will increase by an amount sufficient to offset the aggregate investor fee and to provide you with a satisfactory return on your investment during the term of the Securities.
- You are willing to accept the risk of fluctuations in the level of the Index.

- You do not seek current income from this investment.

The Securities may not be a suitable investment for you if:

- You are not willing to be exposed to fluctuations in the level of the Index.
- You seek a guaranteed return of principal.
- You believe the level of the Index will decrease or will not increase by an amount sufficient to offset the aggregate investor fee during the term of the Securities.
- You prefer the lower risk and therefore accept the potentially lower returns of fixed income investments with comparable maturities and credit ratings.
- You seek current income from your investment.

How Has the Index Performed Historically?

We have provided a table and a graph showing the month-end closing levels of the Index for each month from December 2003 through May 2008.

We have also provided additional graphs comparing the Index to the Dow Jones — AIG Total Return Index from January 1991 through May 2008 using actual historical and hypothetical historical data. You can find this information in the section “The Index — Historical Data” in this Pricing Supplement. We have provided this historical information to help you evaluate the behavior of the Index in recent years. However, past performance is not indicative of how the Index will perform in the future. You should also refer to the section “Risk Factors — The Index has Limited History to Consider for Making an Independent Assessment of its Performance” in this Pricing Supplement.

What Are the Tax Consequences of an Investment in the Securities?

Please refer to “Certain U.S. Federal Income Tax Considerations” in this pricing supplement for a discussion of certain U.S. federal income tax considerations relating to an investment in the Securities.

How Does the Calculation Agent Calculate the Payment on the Securities?

HSBC Securities (USA) Inc. will serve as calculation agent (the “Calculation Agent”) for the Securities. Set forth below is an explanation of the steps the Calculation Agent will take to calculate the payment on the Securities at maturity or upon repurchase by HSBC USA.

Step 1: Calculate the Fee Factor

The fee factor is equal to one minus the aggregate investor fee, which is the product of (i) the annual investor fee and (ii) the number of days elapsed from the inception date to and including the applicable valuation date *divided by* 365. The annual investor fee is equal to 0.75%.

Step 2: Calculate the Index Factor

The index factor on any valuation date, other than the final valuation date, will equal the closing level of the Index on that day *divided by* the initial index level. The index factor on the final valuation date will equal the average of the closing levels of the Index for the five trading days prior to and including the final valuation date *divided by* the initial index level. The initial index level is the closing level of the Index on the inception date and is equal to 2,089.69.

Step 3: Calculate the Payment

You will receive a cash payment at maturity or upon repurchase by HSBC USA, as applicable, equal to the principal amount of your Securities *times* the index factor on the applicable valuation date *times* the fee factor on the applicable valuation date.

Because the investor fee reduces the amount of your return at maturity or upon repurchase by HSBC USA, the level of the Index must increase by an amount sufficient to offset the aggregate investor fee applicable to your Securities in order for you to receive at least the principal amount of your investment at maturity or upon repurchase of your Securities by HSBC USA. If the level of the Index decreases or does not increase sufficiently, you will receive less, and possibly significantly less, than the principal amount of your investment at maturity or upon repurchase of your Securities by HSBC USA.

Hypothetical Examples

The following examples show how the Securities would perform in hypothetical circumstances. We have included two examples in which the Index has increased by approximately 450% at maturity, as well as two examples in which the Index has decreased by approximately 50% at maturity. These examples highlight the behavior of the indicative value in different circumstances. The figures in these examples have been rounded for convenience. Figures for year 15 are as of the final valuation date, and, given the indicated assumptions, a holder would receive a payment at maturity as indicated in column F, according to the indicated formula.

Example 1. Assumptions: This example assumes that the Index has increased by approximately 450%.

Annual Investor Fee	Days	Principal Amount	Initial Index Level
0.75%	365	\$10.00	2,089.69

N = the actual number of days elapsed from the inception date to and including the applicable valuation date. For purposes of the calculation in this table, each year is assumed to have 365 days.

A	B	C	D	E	F	G	H
Year	Index Level	Index Factor	Aggregate Investor Fee	Fee Factor	Indicative Value	Annualized Index Return	Annualized Product Return
A	B	$B/\text{Initial Index Level}$	$.75\% * (N/365)$	$1 - D$	$\text{Principal} * C * E$		
0	2,089.69	1.00	0.00%	100.00%	\$10.00		
1	1,985.21	0.95	0.75%	99.25%	\$9.43	-5.00%	-5.71%
2	1,567.27	0.75	1.50%	98.50%	\$7.39	-13.40%	-14.05%
3	2,361.35	1.13	2.25%	97.75%	\$11.05	4.16%	3.37%
4	3,134.54	1.50	3.00%	97.00%	\$14.55	10.67%	9.83%
5	1,943.41	0.93	3.75%	96.25%	\$8.95	-1.44%	-2.19%
6	2,361.35	1.13	4.50%	95.50%	\$10.79	2.06%	1.28%
7	2,925.57	1.40	5.25%	94.75%	\$13.27	4.92%	4.12%
8	3,656.96	1.75	6.00%	94.00%	\$16.45	7.25%	6.42%
9	3,677.85	1.76	6.75%	93.25%	\$16.41	6.48%	5.66%
10	4,179.38	2.00	7.50%	92.50%	\$18.50	7.18%	6.35%
11	5,224.23	2.50	8.25%	91.75%	\$22.94	8.69%	7.84%
12	5,746.65	2.75	9.00%	91.00%	\$25.03	8.80%	7.94%
13	6,269.07	3.00	9.75%	90.25%	\$27.08	8.82%	7.96%
14	8,881.18	4.25	10.50%	89.50%	\$38.04	10.89%	10.01%
15	11,493.30	5.50	11.25%	88.75%	\$48.81	12.04%	11.15%

Hypothetical Examples

Example 2. Assumptions: This example assumes that the Index has increased by approximately 450%, but at a different rate of increase than in Example 1.

Annual Investor Fee	Days	Principal Amount	Initial Index Level
0.75%	365	\$10.00	2,089.69

N = the actual number of days elapsed from the inception date to and including the applicable valuation date. For purposes of the calculation in this table, each year is assumed to have 365 days.

A	B	C	D	E	F	G	H
Year	Index Level	Index Factor	Aggregate Investor Fee	Fee Factor	Indicative Value	Annualized Index Return	Annualized Product Return
A	B	$B/\text{Initial Index Level}$	$.75\% * (N/365)$	$1 - D$	$\text{Principal} * C * E$		
0	2,089.69	1.00	0.00%	100.00%	\$10.00		
1	1,985.21	0.95	0.75%	99.25%	\$9.43	-5.00%	-5.71%
2	2,068.79	0.99	1.50%	98.50%	\$9.75	-0.50%	-1.25%
3	3,071.84	1.47	2.25%	97.75%	\$14.37	13.70%	12.84%
4	2,089.69	1.00	3.00%	97.00%	\$9.70	0.00%	-0.76%
5	1,838.93	0.88	3.75%	96.25%	\$8.47	-2.52%	-3.27%
6	2,068.79	0.99	4.50%	95.50%	\$9.45	-0.17%	-0.93%
7	3,134.54	1.50	5.25%	94.75%	\$14.21	5.96%	5.15%
8	3,134.54	1.50	6.00%	94.00%	\$14.10	5.20%	4.39%
9	4,179.38	2.00	6.75%	93.25%	\$18.65	8.01%	7.17%
10	5,809.34	2.78	7.50%	92.50%	\$25.72	10.77%	9.91%
11	6,519.83	3.12	8.25%	91.75%	\$28.63	10.90%	10.03%
12	6,269.07	3.00	9.00%	91.00%	\$27.30	9.59%	8.73%
13	6,687.01	3.20	9.75%	90.25%	\$28.88	9.36%	8.50%
14	8,881.18	4.25	10.50%	89.50%	\$38.04	10.89%	10.01%
15	11,493.30	5.50	11.25%	88.75%	\$48.81	12.04%	11.15%

Hypothetical Examples

Example 3. Assumptions: This example assumes that the Index has decreased by approximately 50%.

Annual Investor Fee	Days	Principal Amount	Initial Index Level
0.75%	365	\$10.00	2,089.69

N = the actual number of days elapsed from the inception date to and including the applicable valuation date. For purposes of the calculation in this table, each year is assumed to have 365 days.

A	B	C	D	E	F	G	H
Year	Index Level	Index Factor	Aggregate Investor Fee	Fee Factor	Indicative Value	Annualized Index Return	Annualized Product Return
A	B	$B/\text{Initial Index Level}$	$.75\% * (N/365)$	$1 - D$	$\text{Principal} * C * E$		
0	2,089.69	1.00	0.00%	100.00%	\$10.00		
1	1,985.21	0.95	0.75%	99.25%	\$9.43	-5.00%	-5.71%
2	1,671.75	0.80	1.50%	98.50%	\$7.88	-10.56%	-11.23%
3	2,152.38	1.03	2.25%	97.75%	\$10.07	0.99%	0.23%
4	3,030.05	1.45	3.00%	97.00%	\$14.07	9.73%	8.90%
5	3,907.72	1.87	3.75%	96.25%	\$18.00	13.34%	12.47%
6	4,179.38	2.00	4.50%	95.50%	\$19.10	12.25%	11.39%
7	5,224.23	2.50	5.25%	94.75%	\$23.69	13.99%	13.11%
8	5,746.65	2.75	6.00%	94.00%	\$25.85	13.48%	12.60%
9	4,179.38	2.00	6.75%	93.25%	\$18.65	8.01%	7.17%
10	3,218.12	1.54	7.50%	92.50%	\$14.25	4.41%	3.60%
11	2,570.32	1.23	8.25%	91.75%	\$11.29	1.90%	1.11%
12	3,656.96	1.75	9.00%	91.00%	\$15.93	4.77%	3.95%
13	2,988.26	1.43	9.75%	90.25%	\$12.91	2.79%	1.98%
14	2,068.79	0.99	10.50%	89.50%	\$8.86	-0.07%	-0.86%
15	1,044.85	0.50	11.25%	88.75%	\$4.44	-4.52%	-5.27%

Hypothetical Examples

Example 4. Assumptions: This example assumes that the Index has decreased by approximately 50%, but at a different rate of decrease than in Example 3.

Annual Investor Fee	Days	Principal Amount	Initial Index Level
0.75%	365	\$10.00	2,089.69

N = the actual number of days elapsed from the inception date to and including the applicable valuation date. For purposes of the calculation in this table, each year is assumed to have 365 days.

A	B	C	D	E	F	G	H
Year	Index Level	Index Factor	Aggregate Investor Fee	Fee Factor	Indicative Value	Annualized Index Return	Annualized Product Return
A	B	$B/\text{Initial Index Level}$	$.75\% * (N/365)$	$1 - D$	$\text{Principal} * C * E$		
0	2,089.69	1.00	0.00%	100.00%	\$10.00		
1	1,985.21	0.95	0.75%	99.25%	\$9.43	-5.00%	-5.71%
2	2,089.69	1.00	1.50%	98.50%	\$9.85	0.00%	-0.75%
3	2,444.94	1.17	2.25%	97.75%	\$11.44	5.37%	4.58%
4	3,907.72	1.87	3.00%	97.00%	\$18.14	16.94%	16.05%
5	3,761.44	1.80	3.75%	96.25%	\$17.33	12.47%	11.62%
6	3,740.55	1.79	4.50%	95.50%	\$17.09	10.19%	9.35%
7	2,800.18	1.34	5.25%	94.75%	\$12.70	4.27%	3.47%
8	2,862.88	1.37	6.00%	94.00%	\$12.88	4.01%	3.21%
9	2,507.63	1.20	6.75%	93.25%	\$11.19	2.05%	1.26%
10	2,340.45	1.12	7.50%	92.50%	\$10.36	1.14%	0.35%
11	2,089.69	1.00	8.25%	91.75%	\$9.18	0.00%	-0.78%
12	1,838.93	0.88	9.00%	91.00%	\$8.01	-1.06%	-1.83%
13	1,671.75	0.80	9.75%	90.25%	\$7.22	-1.70%	-2.47%
14	1,504.58	0.72	10.50%	89.50%	\$6.44	-2.32%	-3.09%
15	1,044.85	0.50	11.25%	88.75%	\$4.44	-4.52%	-5.27%

RISK FACTORS

The Securities are senior unsecured obligations of HSBC USA Inc. The Securities are riskier than ordinary unsecured debt securities. The return on the Securities is linked to the performance of the Index. Investing in the Securities is not equivalent to investing directly in the Index Components or the Index itself. See “The Index” below, for more information.

This section describes the most significant risks relating to an investment in the Securities. **We urge you to read the following information about these risks, together with the other information in this pricing supplement and the accompanying prospectus and prospectus supplement before investing in the Securities.**

The Securities Are Not Principal Protected and You May Lose All or a Significant Portion of Your Investment in the Securities

An investment in the Securities is not principal protected and you may receive less, and possibly significantly less, at maturity or upon repurchase than the amount you originally invested. Our cash payment on your Securities at maturity or upon repurchase will be based primarily on any increase or decrease in the level of the Index. You may lose all or a significant amount of your investment in the Securities if the level of the Index decreases substantially.

Even if the Level of the Index at Maturity or upon Repurchase by HSBC USA Exceeds the Initial Index Level, You May Receive Less Than the Principal Amount of Your Securities

Because the investor fee reduces the amount of your return at maturity or upon repurchase by HSBC USA, the level of the Index must increase by an amount sufficient to offset the aggregate investor fee applicable to your Securities in order for you to receive at least the principal amount of your investment at maturity or upon repurchase of your Securities by HSBC USA. If the level of the Index decreases or does not increase sufficiently to offset the impact of the investor fee, you will receive less, and possibly significantly less, than the principal amount of your investment at maturity or upon repurchase of your Securities by HSBC USA.

You Will Not Benefit from Any Increase in the Level of the Index if Such Increase Is Not Reflected in the Level of the Index on the Applicable Valuation Date

Increases in the level of the Index during the term of the Securities but before the applicable valuation date (including the final valuation date) are not considered in the calculation of the payment due to you at maturity or upon repurchase of your Securities. The Calculation Agent will determine the payment amount by comparing the initial index level only with the closing level of the Index on the applicable valuation date (or, in the case of the final valuation date, with the average of the closing levels of the Index on the five trading days prior to and including the final valuation date). No other closing level of the Index will be taken into account.

If the closing level of the Index on the applicable valuation date (or the average of the closing levels on the five trading days prior to and including the final valuation date) does not reflect an increase from the initial index level sufficient to offset the impact of the investor fee between the inception date and the applicable valuation date (including the final valuation date), we will pay you less, and possibly significantly less, than the principal amount of your Securities at maturity or upon repurchase by HSBC USA. This will be true even if the level of the Index as of a particular date or dates prior to the applicable valuation date (including the final valuation date) would have been high enough to offset the impact of the investor fee.

In addition, because the index factor on the final valuation date will equal the average of the closing levels of the Index for the five trading days prior to and including the final valuation date divided by the initial index level, the index factor on the final valuation date could be lower than the closing level of the Index on that day divided by the initial index level.

There Are Restrictions on the Minimum Number of Securities You May Offer to HSBC USA for Repurchase

HSBC USA will repurchase your Securities at your election only if you are offering at least \$2,500,000 stated principal amount of Securities (250,000 Securities) for any single repurchase and you have followed the procedures for repurchase detailed herein. The minimum repurchase amount

of \$2,500,000 stated principal amount of Securities (250,000 Securities) and the procedures involved in the offer of any repurchase represent substantial restrictions on your ability to cause HSBC USA to repurchase your Securities. If you own Securities with an aggregate stated principal amount of less than \$2,500,000, you will not be able to cause HSBC USA to repurchase your Securities. In addition, your offer to HSBC USA to repurchase your Securities is only valid if HSBC USA receives the irrevocable Offer for Repurchase from your broker by no later than 5:00 p.m., New York City time, on the business day immediately preceding the valuation date prior to the applicable repurchase date. If HSBC USA does not receive your Offer for Repurchase by 5:00 p.m., New York City time, on the business day immediately preceding the applicable valuation date, your offer will not be effective and we will not repurchase your Securities on the applicable repurchase date. Also, unless the scheduled repurchase date is postponed due to a market disruption event, the final day on which HSBC USA will repurchase your Securities will be June 1, 2023. As such, should you wish to have HSBC USA repurchase your Securities, your Securities must be offered for repurchase no later than May 25, 2023. A repurchase date is the third business day following the applicable valuation date. See “Specific Terms of Your Security — Repurchase Procedures” for more information.

The daily repurchase feature is intended to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value. There can be no assurance that arbitrageurs will employ the repurchase feature in this manner.

HSBC USA May Repurchase Your Securities at Its Option

We have the right to repurchase your Securities in whole and not in part on or after June 16, 2011, if the aggregate principal amount of the Securities outstanding on or after such date is \$5,000,000 (\$500,000 Securities) or less (such right being commonly known as a “clean-up” call). The amount you may receive upon a repurchase by HSBC USA may be less than the amount you would receive on your investment at maturity or if you had elected to have HSBC USA repurchase your Securities at a time of your choosing. If HSBC USA exercises its right to repurchase your Securities, you will receive a cash payment in an amount equal to the daily repurchase value, which

is the principal amount of your Securities to be repurchased times the index factor on the applicable valuation date times the fee factor on the applicable valuation date. HSBC USA has no obligation to take your interests into account when deciding whether to call the Securities.

The Market Value of the Securities May Be Influenced by Many Unpredictable Factors, Including Volatile Commodities Prices

The market value of your Securities may fluctuate between the date you purchase them and the applicable valuation date. Several factors, many of which are beyond our control, will influence the market value of the Securities. We expect that generally the level of the Index will affect the market value of the Securities more than any other factor. Other factors that may influence the market value of the Securities include:

- the time remaining to the maturity of the Securities;
- supply and demand for the Securities, including inventory positions with any market maker;
- economic, financial, political, regulatory or judicial events that affect the level of the Index or the market price of the Index Components;
- the prevailing rate of interest; and
- the creditworthiness of HSBC USA.

These factors interrelate in complex ways, and the effect of one factor on the market value of your Securities may offset or enhance the effect of another factor. Consequently, you may sustain a significant loss if you sell the Securities in the secondary market.

Suspension or Disruptions of Market Trading in Commodities and Related Futures Markets May Adversely Affect the Value of Your Securities

The commodity futures markets may be subject to temporary distortions or other disruptions due to various factors, including the lack of liquidity in the markets, the participation of speculators and government regulation and intervention. In addition, U.S. futures exchanges have regulations that limit the amount of fluctuation in certain futures contract prices that may occur during a single trading day. These limits are generally

referred to as “daily price fluctuation limits” and the maximum or minimum price of a contract on any given day as a result of these limits is referred to as a “limit price”. Once the limit price has been reached in a particular contract, no trades may be made at a price beyond the limit, or trading may be limited for a set period of time. Limit prices have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at potentially disadvantageous times or prices. These circumstances could adversely affect the value of the Index and, therefore, the value of your Securities.

The Securities Are Not Regulated by the CFTC

Unlike an investment in the Securities, an investment in a collective investment vehicle that invests in futures contracts on behalf of its participants may be regulated as a commodity pool and its operator may be required to be registered with and regulated by the Commodity Futures Trading Commission (the “CFTC”) as a “commodity pool operator” (a “CPO”). Because the Securities are not interests in a commodity pool, the Securities will not be regulated by the CFTC as a commodity pool, HSBC USA will not be registered with the CFTC as a CPO and you will not benefit from the CFTC’s or any non-United States regulatory authority’s regulatory protections afforded to persons who trade in futures contracts or who invest in regulated commodity pools. The Securities do not constitute investments by you or by HSBC USA on your behalf in futures contracts traded on regulated futures exchanges, which may only be transacted through a person registered with the CFTC as a “futures commission merchant” (“FCM”). HSBC USA is not registered with the CFTC as an FCM and you will not benefit from the CFTC’s or any other non-United States regulatory authority’s regulatory protections afforded to persons who trade in futures contracts on a regulated futures exchange through a registered FCM.

The Index Is a Rolling Index

The Index is composed of futures contracts on physical commodities. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts have a set expiration date and normally specify a certain date for delivery of the underlying physical commodity. In the case of the Index, as the exchange-traded futures contracts that comprise the Index approach approximately the second

month before expiration, they are replaced by contracts that have a later expiration. This process is referred to as “rolling”. If the market for these contracts is (putting aside other considerations) in “backwardation”, where the prices are lower in the distant delivery months than in the nearer delivery months, the sale of the nearer delivery month contract would take place at a price that is higher than the price of the distant delivery month contract, thereby creating a positive “roll yield”. Conversely, these markets may trade in “contango.” Contango markets are those in which the prices of contracts are higher in the distant delivery months than in the nearer delivery months. Certain of the commodities included in the Index from time to time in the past traded in contango markets. Contango (or backwardation in the case of a short position) in the commodity markets would result in negative “roll yields” which could adversely affect the value of the Index and, accordingly, decrease the payment you receive at maturity or upon repurchase by HSBC USA.

The Index Level Will Depend, in Part, on the Position of the Commodity Sectors Within the Index

The performance of the Index will depend primarily on the performance of each Index Component and how its corresponding sector is positioned within the Index (or in the case of the softs sector, the position of each Index Component). For instance, assuming all other conditions remain constant, if the grains sector were positioned short, a decrease in the value of the corn futures contract would tend to increase the level of the Index, while an increase in the value of such contract would tend to decrease the level of the Index. Although the position of each sector is determined based on an exponential average of recent price inputs, there can be no assurance that the position determined for each sector will be aligned with the future price movements of its corresponding Index Components. If a commodity sector is out of position in relation to the movements of its corresponding Index Components (e.g., a short-positioned commodity sector experiencing an increase in value of one or more of its Index Components, or a long-positioned commodity sector experiencing a decrease in value of one or more of its Index Components), there could be a negative impact on the level of the Index. This could adversely affect the value of your Securities and the payment you would receive at maturity or upon repurchase by HSBC.

The Index Has Limited History to Consider for Making an Independent Assessment of Its Performance

The payment amount, if any, for each of your Securities is linked to the performance of the Index, which was first calculated as of December 31, 2003. There is no historical Index level information available before this date for you to consider in making an independent investigation of the Index performance. Any data relating to the Index included in this pricing supplement for any date prior to December 31, 2003 is hypothetical historical data. In addition, the performance of the Index over the term of the Securities, as well as the amount payable at maturity or upon repurchase by HSBC USA, may bear little relation to the historical levels of the Index. Changes in the level of the Index will affect the trading price of the Securities and it is impossible to predict whether the level of the Index will rise or fall.

Commodity Prices May Change Unpredictably, Affecting the Level of the Index and the Value of Your Securities in Unforeseeable Ways

Trading in futures contracts on physical commodities, including trading in the Index Components, is speculative and can be extremely volatile. Market prices of the Index Components may fluctuate rapidly based on numerous factors, including: changes in supply and demand relationships (whether actual, perceived, anticipated, unanticipated or unrealized); weather; fluctuations in agricultural output; changes in trade practices; fiscal, monetary and exchange control programs; domestic and foreign political and economic events and policies; disease; pestilence; technological developments; changes in interest rates, whether through governmental action or market movements; and monetary and other governmental policies, action and inaction. The current or "spot" prices of the underlying physical commodities may also affect, in a volatile and inconsistent manner, the prices of the futures contracts in respect of the relevant commodity. These factors may affect the level of the Index and the value of your Securities in varying ways, and different factors may cause the prices of the Index Components, and the volatility of their prices, to move in inconsistent directions at inconsistent rates.

The prices of physical commodities, including the commodities underlying the Index Components, can fluctuate widely due to supply and demand

disruptions in major producing or consuming regions.

The Securities May Not Be a Suitable Investment for You

The Securities may not be a suitable investment for you if you are not willing to be exposed to fluctuations in the level of the Index; you seek a guaranteed return of principal; you believe the level of the Index will decrease or will not increase by an amount sufficient to offset the impact of the investor fee during the term of the Securities; you prefer the lower risk and therefore accept the potentially lower but more predictable returns of fixed income investments with comparable maturities and credit ratings; or you seek current income from your investment.

Changes in Our Credit Ratings May Affect the Market Value of Your Securities

Our credit ratings are an assessment of our ability to pay our obligations, including those on the Securities. Consequently, actual or anticipated changes in our credit ratings may affect the market value of your Securities. However, because the return on your Securities is dependent upon certain factors in addition to our ability to pay our obligations on your Securities, an improvement in our credit ratings will not reduce the other investment risks related to your Securities.

You Will Not Receive Any Payments on the Securities Prior to Maturity or Repurchase or Have Rights in the Exchange-Traded Futures Contracts Constituting the Index Components

You will not receive any periodic interest or other payments on the Securities prior to the stated maturity of the Securities or upon repurchase. As an owner of the Securities, you will not have the rights that investors in the Index Components have. Your Securities will be paid in cash and you will have no right to receive delivery of any of the Index Components or the physical commodities underlying the Index Components.

There May Not Be an Active Trading Market in the Securities; Sales in the Secondary Market May Result in Significant Losses

There is currently no secondary market for the Securities. Although we intend to list the Securities on NYSE Arca, a trading market for your Securities may not develop. Even if a secondary

market does develop, it may not be liquid and may not continue for the term of the Securities. In addition, no assurances can be given as to the approval of the Securities for listing or, if listed, the continuation of the listing during the term of the Securities. We are not required to maintain any listing of the Securities on NYSE Arca or any other exchange.

Trading by HSBC USA and Other Transactions by HSBC USA and/or Its Affiliates in Instruments Linked to the Index or Index Components May Impair the Market Value of the Securities

As described below under “Use of Proceeds and Hedging” in this pricing supplement, we expect to enter into transactions to hedge our obligations under the Securities. Such transactions may involve purchases of the Index Components (including the underlying physical commodities), futures or options on the Index Components or the Index, or other derivative instruments with returns linked to the performance of the Index Components or the Index and we may adjust our hedge positions by, among other things, purchasing or selling any of the foregoing. In addition, some of these hedging activities may be effected through a managed account controlled by AFT, which participates with Standard and Poor’s in the construction, calculation and maintenance of the Index. Although they are not intended to, any of these hedging activities may affect the market price of the Index Components and the level of the Index and, therefore, the market value of the Securities. It is possible that our hedging activities could produce substantial returns for us even though the market value of the Securities declines.

We may also issue other securities or financial or derivative instruments with returns linked or related to changes in the performance of any of the foregoing. By introducing competing products into the marketplace in this manner, we could adversely affect the market value of the Securities.

With respect to any of the activities described above, neither HSBC USA nor any of our hedge counterparties have any obligation to take the needs of any buyer, seller or holder of the Securities into consideration at any time.

The Liquidity of the Market for the Securities May Vary Materially Over Time

As stated on the cover of this pricing supplement, a small portion of the Securities was sold on the inception date, and additional Securities will be offered and sold from time to time through MLPF&S and Nuveen Investments, acting as our agents. Also, the number of Securities outstanding could be reduced at any time due to repurchases of the Securities by HSBC USA as described in this pricing supplement. Accordingly, the liquidity of the market for the Securities could vary materially over the term of the Securities. While you may elect to offer your Securities for repurchase by HSBC USA prior to maturity, such repurchase is subject to the restrictive conditions and procedures described elsewhere in this pricing supplement, including the condition that you must offer at least \$2,500,000 stated principal amount of Securities (250,000 Securities) to HSBC USA at one time for repurchase on any repurchase date.

We or Our Affiliates May Have Economic Interests Adverse to Those of the Holders of the Securities.

HSBC USA and other affiliates of ours expect to engage in trading activities related to the Index Components (including the underlying physical commodities), futures or options on the Index Components or the Index, or other derivative instruments with returns linked to the performance of Index Components or the Index, for their accounts and for other accounts under their management. HSBC USA and these affiliates may also issue or underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments linked or related to the performance of the Index or the Index Components. By introducing competing products into the marketplace in this manner, we or one or more of our affiliates could adversely affect the value of the Securities. To the extent that we or one of our affiliates serves as issuer, agent or underwriter for such securities or financial instruments, our or their interests with respect to such products may be adverse to those of the holders of the Securities. Any of these trading activities could potentially affect the level of the Index and, accordingly, could affect the value of the Securities and the amount payable to you at maturity or upon repurchase, as applicable.

With respect to any of the activities described above, neither HSBC USA nor its affiliates have any obligation to take the needs of any buyer, seller or holder of the Securities into consideration at any time.

The Business Activities of MLPF&S or Nuveen Investments May Create Conflicts of Interest

MLPF&S and its affiliates and Nuveen Investments and its affiliates expect to engage in trading activities related to the Index Components, futures or options on the Index Components or the Index, or other derivative instruments with returns linked to the performance of Index Components or the Index that are not for the account of holders of the Securities or on their behalf. These trading activities may present a conflict between the holders' interest in the Securities and the interests that MLPF&S and its affiliates and Nuveen Investments and its affiliates will have in their proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for their customers and in accounts under their management. These trading activities, if they influence the level of the Index, could be adverse to the interests of the holders of the Securities. Moreover, MLPF&S, Nuveen Investments and their affiliates have published and in the future expect to publish research reports and trading advice with respect to the Index and to some or all of the Index Components. This research and trading advice is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Securities. The research and trading advice should not be viewed as a recommendation or endorsement of the Securities in any way and investors must make their own independent investigation of the merits of this investment. Any of these activities by MLPF&S or its affiliates or by Nuveen Investments or its affiliates may affect the market price of the Index Components and the level of the Index and, therefore, the market value of the Securities. With respect to any of the activities described above, neither MLPF&S and its affiliates nor Nuveen Investments and its affiliates have any obligation to take the needs of any buyer, seller or holder of the Securities into consideration at any time.

Standard & Poor's May, in Its Reasonable Discretion, Discontinue the Index and Public Disclosure of Information Relating to the Index May Change Over Time

Standard & Poor's is not under any obligation to continue to compile and publish the Index and is not required to compile and publish any successor index if the Index is discontinued. If Standard & Poor's discontinues or suspends the compilation or publication of the Index, it may become difficult to determine the market value of the Securities or the amount payable at maturity or upon repurchase by HSBC USA. In the event Standard & Poor's discontinues or suspends the calculation or publication of the Index, the Calculation Agent may designate a successor index selected in its sole discretion. If the Calculation Agent determines in its sole discretion that no successor index comparable to the Index exists, the amount you receive at maturity or upon repurchase by HSBC USA will be determined by the Calculation Agent in its sole discretion. See "Specific Terms of the Securities — Market Disruption Events" and "— Discontinuance or Modification of the Index" in this pricing supplement. You, as an investor in the Securities, should make your own investigation into the Index and Standard & Poor's.

The Policies of Standard & Poor's and AFT and Any Changes Thereto That Affect the Composition and Calculation of the Index Could Affect the Amount Payable on Your Securities and Their Market Value

The policies of Standard & Poor's and AFT concerning the calculation of the level of the Index, additions, deletions or substitutions of Index Components in the Index and the manner in which changes affecting the Index are reflected could affect the level of the Index and, therefore, the amount payable on your Securities at maturity or upon repurchase by HSBC USA and the market value of your Securities prior to maturity. See "The Index," below for a discussion of these policies.

Additional commodity futures contracts may satisfy the eligibility criteria for inclusion in the Index, and the commodity futures contracts currently included in the Index may fail to satisfy such criteria. In addition, Standard & Poor's and AFT may modify the methodology for determining the composition and weighting of the Index, or for calculating the level of the Index. Standard & Poor's may also discontinue or suspend compilation or publication of the Index, in which case it may become difficult

to determine the market value of the Index. Any such changes could adversely affect the value of your Securities.

If events such as these occur, or if the level of the Index is not available or cannot be calculated because of a market disruption event or for any other reason, the Calculation Agent may be required to make a good faith estimate in its reasonable discretion of the level of the Index. The circumstances in which the Calculation Agent will be required to make such a determination are described more fully under “Specific Terms of the Securities — Discontinuation or Modification of the Index,” “ — Market Disruption Events,” and “ — Role of Calculation Agent.”

There Are Potential Conflicts of Interest Between You and the Calculation Agent

HSBC Securities (USA) Inc., our affiliate, will serve as the Calculation Agent. The Calculation Agent will, among other things, determine the amount of the return paid out to you on the Securities at maturity or upon repurchase by HSBC USA. For a more detailed description of the Calculation Agent’s role, see “Specific Terms of the Securities — Role of Calculation Agent” in this pricing supplement.

If Standard & Poor’s were to discontinue or suspend compilation or publication of the Index and Standard & Poor’s does not appoint another entity to calculate and publish the Index, it may become difficult to determine the level of the Index. If events such as these occur, or if the level of the Index is not available or cannot be calculated because of a market disruption event or for any other reason, the Calculation Agent may be required to make a good faith estimate in its reasonable discretion of the level of the Index. The circumstances in which the Calculation Agent will be required to make such a determination are described more fully under “Specific Terms of the Securities — Role of Calculation Agent” in this pricing supplement.

The Calculation Agent will exercise its judgment when performing its functions. For example, the Calculation Agent may have to determine whether a market disruption event affecting the Index has occurred or is continuing on a valuation date, including the final valuation date. This determination may, in turn, depend on the Calculation Agent’s reasonable judgment as to whether the event has materially interfered with

our ability to unwind our hedge positions. Since these determinations by the Calculation Agent may affect the market value of the Securities, the Calculation Agent may have a conflict of interest if it needs to make any such decision.

If a Market Disruption Event Has Occurred or Exists on a Valuation Date, the Calculation Agent Can Postpone the Determination of the Level of the Index or an Index Component and the Maturity Date or a Repurchase Date

The determination of the level of the Index on a valuation date, including the final valuation date, may be postponed if the Calculation Agent reasonably determines that a market disruption event has occurred or is continuing on such valuation date.

If postponement of a valuation date, other than the final valuation date, due to a market disruption event with respect to an Index Component occurs, such postponement will continue until the next trading day on which there is no market disruption event, up to four scheduled trading days. If such a postponement occurs, the level of the Index will be calculated by reference to the values of the Index Components unaffected by the market disruption event on the scheduled valuation date and by reference to the values of the affected Index Components on the first trading day on which no market disruption event occurs or is continuing. If a market disruption event with respect to an Index Component is continuing after four scheduled trading days, the level of the Index for that valuation date will be calculated by reference to the level of the affected Index Component determined (or, if not determinable, estimated) by the Calculation Agent in a manner that is commercially reasonable under the circumstances on the fourth scheduled trading day after the scheduled valuation date. If the valuation date is postponed due to a market disruption event with respect to an Index Component, the repurchase date will also be postponed by an equal number of business days. See “Specific Terms of the Securities — Payment Upon Repurchase.”

The index factor calculated on the final valuation date will equal the average of the closing levels of the Index for the five scheduled trading days immediately prior to and including the final valuation date divided by the initial index level. If a market disruption event with respect to an Index Component occurs or is occurring during this time, the level of the Index for such trading day on

which the market disruption event occurred will be calculated by reference to the values of the Index Components unaffected by the market disruption event on the scheduled trading days during this period and by reference to the values of the affected Index Components on the trading days during this period when there is no market disruption event occurring. If a market disruption event occurs or is occurring on any scheduled trading day during this period, the level of the affected Index Component on such trading day will be the level of the affected Index Component on the next trading day on which no market disruption event occurs or is occurring with respect to such affected Index Component. If a market disruption event occurs or is occurring on the final valuation date, the Calculation Agent will postpone the final valuation date until the next trading day when there is no market disruption event occurring with respect to such affected Index Component, but in no event will the final valuation date be postponed by more than five scheduled trading days. If a market disruption event with respect to an Index Component continues for five scheduled trading days after the scheduled final valuation date, then the level of the Index will be calculated by reference to the value of such affected Index Component for the applicable scheduled trading days on which a market disruption event was occurring, determined (or, if not determinable, estimated) by the Calculation Agent in a manner that is commercially reasonable under the circumstances on the final valuation day, as postponed. If the final valuation date is postponed due to a market disruption event with respect to an Index Component, the maturity date will also be postponed by an equal number of business days up to five business days. See "Specific Terms of the Securities — Payment at Maturity."

The U.S. Federal Income Tax Consequences of the Securities Are Uncertain

No ruling is being requested from the Internal Revenue Service (the "IRS") with respect to the Securities. We cannot assure you that the IRS or any court will agree with the tax treatment described under "Certain U.S. Federal Income Tax Considerations" in this pricing supplement. In addition, you should note that the IRS and the U.S. Treasury Department have announced a review of the tax treatment of prepaid forward contracts and legislation has been introduced in the United States Congress that would require current accrual of interest income on prepaid forward contracts.

COMMODITY FUTURES MARKETS

Futures contracts on commodities are traded on regulated organized futures exchanges, known as "contract markets" in the United States. Commodities and other derivatives on commodities and commodity indices are also traded in the over-the-counter market and on various types of physical and electronic trading facilities and markets. At present, all of the contracts included in the Index are exchange-traded futures contracts. An exchange-traded futures contract provides for the purchase and sale of a specified type and quantity of a commodity or financial instrument during a stated delivery month for a fixed price. A futures contract provides for a specified settlement month in which the cash settlement is made or in which the commodity or financial instrument is to be delivered by the seller (whose position is therefore described as "short") and acquired by the purchaser (whose position is therefore described as "long").

There is no purchase price paid or received on the purchase or sale of a futures contract. Instead, an amount of cash or cash equivalents must be deposited with the broker as "initial margin." This amount varies based on the requirements imposed by the exchange clearing houses, but may be lower than 5% of the value of the contract. This margin deposit provides collateral for the obligations of the parties to the futures contract.

By depositing margin, which may vary in form depending on the exchange, with the clearing house or broker involved, a market participant may be able to earn interest on its margin funds, thereby increasing the total return that it may realize from an investment in a futures contract. The market participant normally makes to, and receives from, the broker subsequent daily payments as the price of the futures contract fluctuates. These payments are called "variation margin" and are made as the existing positions in the futures contract become more or less valuable, a process known as "marking to the market."

At any time prior to the expiration of a futures contract, subject to the availability of a liquid secondary market, a trader may elect to close out its position by taking an opposite position on the exchange on which the trader obtained the position. This operates to terminate the position and fix the trader's profit or loss. Futures contracts are cleared through the facilities of a centralized

clearing house and a brokerage firm, referred to as a “futures commission merchant,” which is a member of the clearing house. The clearing house guarantees the performance of each clearing member that is a party to a futures contract by, in effect, taking the opposite side of the transaction. Clearing houses do not guarantee the performance by clearing members of their obligations to their customers.

Unlike equity securities, futures contracts, by their terms, have stated expirations and, at a specified point in time prior to expiration, trading in a futures contract for the current delivery month will cease. As a result, a market participant wishing to maintain its exposure to a futures contract on a particular commodity with the nearest expiration must close out its position in the expiring contract and establish a new position in the contract for the next delivery month, a process referred to as “rolling.” For example, a market participant with a long position in November light crude oil futures that wishes to maintain a position in the nearest delivery month will, as the November contract nears expiration, sell November futures, which serves to close out the existing long position, and buy December futures. This will “roll” the November position into a December position, and, when the November contract expires, the market participant will still have a long position in the nearest delivery month. Futures exchanges and clearing houses in the United States are subject to regulation by the CFTC, an independent federal agency. Exchanges may adopt rules and take other actions that affect trading, including imposing speculative position limits, maximum price fluctuations, trading halts, suspensions and requiring liquidation of contracts in certain circumstances. Futures markets outside the United States are generally subject to regulation by comparable regulatory authorities. The structure and nature of trading on non-U.S. exchanges, however, may differ from this description.

THE INDEX

All disclosure contained in this pricing supplement regarding the Index, including, without limitation, its make-up, method of calculation and changes in its components has been derived from publicly available sources. The information reflects the policies of Standard & Poor’s and Alpha Financial Technologies, LLC (“AFT”) as stated in these sources and these policies are subject to change at the discretion of Standard & Poor’s and AFT.

Neither HSBC USA nor MLPF&S have independently verified the accuracy or completeness of that information.

General

The Index (Bloomberg symbol: SPTICTR) is constructed, calculated and maintained by Standard & Poor’s, pursuant to a licensing agreement with AFT. AFT’s President, Victor Sperandio, is recognized as offering futures market trading expertise as a commodity trading advisor and has for some time implemented a number of strategies that are designed to profit from futures price trends. The Index is an evolution of these strategies in that it constitutes the intellectual property of AFT, but is constructed, calculated, and maintained by Standard & Poor’s with participation from AFT. The Index is designed to apply a long/short strategy to six commodity sectors comprised of sixteen traditional, physical commodity futures contracts (the “Index Components”). The Index Components are grouped into six sectors and each sector, except the energy sector and softs sector, is represented on either a “long” or “short” basis, depending on recent price trends of that sector. The energy sector is represented on either a “long” or “flat” basis (which is described more fully below). Each Index Component within the softs sector is represented on either a “long” or short” basis separately rather than in the aggregate. With the ability to go either long or short, the Index is designed to capture the economic benefit over long time periods derived from both rising and declining trends within a cross-section of traditional, physical commodities markets.

The Index includes sixteen Index Components, divided by weight as listed below and grouped into six sectors. The sectors are rebalanced monthly and the Index Components are rebalanced annually (except in the case of the softs sector where each Index Component is rebalanced monthly).

The Index is a total return index designed to reflect the performance of a fully collateralized investment in the Index Components. As a “fully collateralized” investment, an investor would have to put up a margin that equals the entire purchase price at the time of the establishment of the futures contract. The clearing house that holds the margin as collateral for the futures contract generally pays interest at U.S. Treasury bill rates on the monies held for investors. As the Index is a total return

Index, the value of the Index Components that the Index tracks will be continually adjusted as if such U.S. Treasury bill return on the value of the entire investment (since the investment is fully collateralized) is reinvested into an additional number of futures contracts. Therefore, the investment in the Index Components will increase over time, based on the imputed interest at the U.S. Treasury bill rate.

The methodology of the Index is designed with a focus on capturing both up and down price trends, while at the same time moderating the volatility of the Index. Index Components are chosen based on fundamental commodity characteristics and liquidity (necessary for an investable model), as opposed to a means for achieving performance per se.

Of the factors considered in determining the Index Components and their weights, liquidity (the volume and size of the notional futures contracts traded) is one of the most important. Liquidity is an indication of both the significance of a particular market and the ability to trade with minimal market impact. All the Index Components are among the most liquid traditional, physical commodity contracts traded in the U.S.

Contracts are limited to those traded on U.S. exchanges in order to minimize any impact due to differences in trading hours, to avoid currency exchange calculations, and to allow for similar closing times and holiday schedules.

The following table lists the futures contracts, exchanges and ticker symbols of each of the Index Components currently included in the Index:

Futures Contract	Exchange	Symbol
Wheat	CBOT	W
Corn	CBOT	C
Soybeans	CBOT	S
Cotton	NYCE	CT
Cocoa	CSCE	CC
Sugar	CSCE	SB
Coffee	CSCE	KC
Live Cattle	CME	LC
Lean Hogs	CME	LH
Copper	COMEX	HG
Gold	COMEX	GC
Silver	COMEX	SI
Heating Oil	NYMEX	HO
Light Crude Oil	NYMEX	CL
RBOB Gasoline	NYMEX	XB
Natural Gas	NYMEX	NG

CBOT: Chicago Board of Trade

CME: Chicago Mercantile Exchange

COMEX: The COMEX Division of the New York Mercantile Exchange

CSCE: Coffee, Sugar and Cocoa Division of the New York Board of Trade

NYCE: Cotton Exchange Division of the New York Board of Trade

NYMEX: New York Mercantile Exchange

Weightings

The Index Components and their weightings as of the initial settlement date are as follows:

Sector	Sector Weight	Component	Component Weight
Energy	37.50%	Heating Oil	6.00%
		Light Crude	17.00%
		Natural Gas	8.50%
		RBOB Gasoline	6.00%
Industrial Metals	10.00%	Copper	10.00%
Precious Metals	10.50%	Gold	7.00%
		Silver	3.50%
Livestock	10.00%	Lean Hogs	4.00%
		Live Cattle	6.00%
Grains	23.00%	Corn	8.00%
		Soybeans	10.00%
		Wheat	5.00%
Softs	9.00%	Cocoa	2.00%
		Coffee	3.00%
		Cotton	2.00%
		Sugar	2.00%

The weightings of the various Index Components are determined on the basis of production. Production is an indication of the significance of a given component to the world economy and of such component's significance within the futures markets themselves.¹ Since there is often no single recognized source for a commodity's production figures, estimates are used in selecting and making allocations.

Rebalancing

Monthly Rebalancing for Sector Weights

The sectors are rebalanced monthly to their fixed weights (and in the case of the softs sector, each Index Component). The rebalance decision date, which is also the date that the position of each sector is determined, is the second to the last business day of the month with an effective date randomly selected from any of the first five business days of the next month. Rebalancing monthly aims to keep the volatility low since otherwise an extended movement in one sector would overweight the Index and potentially lead to significantly higher volatility. An exception to this relates to the energy sector, which, when rebalanced, is set either to "long" or "flat". The energy sector is never to set to "short" on any rebalancing.

Annual Rebalancing of Index Component Weights

Each of the sixteen Index Components is rebalanced annually to reflect the then current commodity conditions. Historically, the Index Component weights have not varied significantly from year to year and it is not anticipated they will do so in the future. Rebalancing the Index Components once annually allows the market a degree of microeconomic influence among the correlated sector components to determine which Index Components are relatively more important within each sector.

Position Determination

Each sector within the Index is either set "long" or "short" on a monthly basis (except for the energy

sector which is set either "long" or "flat" and the softs sector, in which each Index Component is set either "long" or "short" on a monthly basis separately rather than in the aggregate). The rule for the Index regarding long or short positions can be summarized as follows:

Long positions are tracked when a sector's current price input is equal to or greater than an exponential average (an average that gives more importance to recent observations) of the past seven monthly price inputs;

Short positions are tracked when a sector's current price input is less than an exponential average of the past seven monthly price inputs;

Track a flat (zero weight) position for the energy sector when a short position is indicated; in this case, the weight for energy is distributed proportionately to the other five sectors.²

Position is determined on the second to the last business day of the month (the "position determination date" or "PDD") when the monthly percentage change of a sector's price (or in the case of the softs sector, each Index Component's price) is compared to past monthly price changes exponentially weighted to greatest weight to the most recent return and least weight to the return seven months prior. The weighted sum of the percentage changes of all the sector prices equals the daily movement of the Index.

After the market closes on the trade activity date ("TAD"), the active futures contracts that constitute the Index Components are replaced either because (i) a new long/short signal has been generated for a particular sector or Index Component, or (ii) the roll schedule requires rolling into a future dated contract, or both. Therefore, new contracts become active as of the day following the TAD. The TAD is when the contracts are executed and can be any of the first five business days of the next month. If the market for a position closes at limit-up or limit-down, the trade will be executed at the opening of the first day that it opens for trading.

¹ In the case of the Natural Gas component included in the Energy sector, North American rather than world production has been used as the relevant factor due to constraints linked to transporting natural gas internationally.

² When the energy sector tracks a flat position, the remaining sectors are weighted as follows: Industrial Metals (16.00%), Precious Metals (16.80%), Livestock (16.00%), Grains (36.80%) and Softs (14.40%).

Sectors Versus Components

Price input calculations are used to determine the relative long/short positions of the sectors. For the energy, precious metals, livestock, and grain sectors, the price inputs from the respective underlying Index Components are aggregated to determine the long/short position for that sector as a whole. For industrial metals, which has only one Index Component, the price input calculations to determine long/short position are at the Index Component level. Similarly, for the softs sector, since there is no fundamental tie between each of its underlying Index Components (coffee, cocoa, cotton and sugar), the long/short positions of each Index Component are determined separately, rather than in the aggregate, such that the softs sector Index Components could have different long/short positions concurrently.

Energy's Short Exemption

Energy, due to the significant level of its continuous consumption, limited reserves, and oil cartel control is subject to rapid price increases in the event of perceived or actual shortages. For example, although a problem of this magnitude has not occurred historically, if the Index were capable of shorting the energy sector and a catastrophe occurred which caused Light Crude prices to surge dramatically while the energy Sector allocation was set to short, the Index would lose a significant portion of its value on the Light Crude position alone. Because no other sector is subject to the same continuous demand with supply and concentration risk, the energy sector is never positioned short in the Index.

Contract Maintenance

The Index is designed to capture futures contract price trends and futures contracts have limited durations. Consequently, in order for the Index to be calculated on an ongoing basis, it must change (or roll) from tracking contracts that are approaching expiration to tracking new contracts. Currently, each contract has three to four roll

periods each year and its own "roll pattern" based on historical liquidity. In rolling the Index futures contracts from an expiring contract to the next contract, contracts are rolled over from the current contract to the next contract beginning with the TAD for the month that is two months before the current contract matures.

The risk of aberrational liquidity or pricing around the maturity date of a commodity futures contract is greater than in the case of other futures contracts because (among other factors) a number of market participants take delivery of the underlying commodities. Spot markets in commodities occasionally have delivery problems, related to, for example, weather conditions disrupting transportation of cattle to a delivery point. Such a delay could cause a price spike in the spot market, while later-dated futures contracts are little changed. The Index avoids delivery issues by owning contracts that are outside of nearby delivery.

S&P Commodity Trends Indicator Oversight Committee

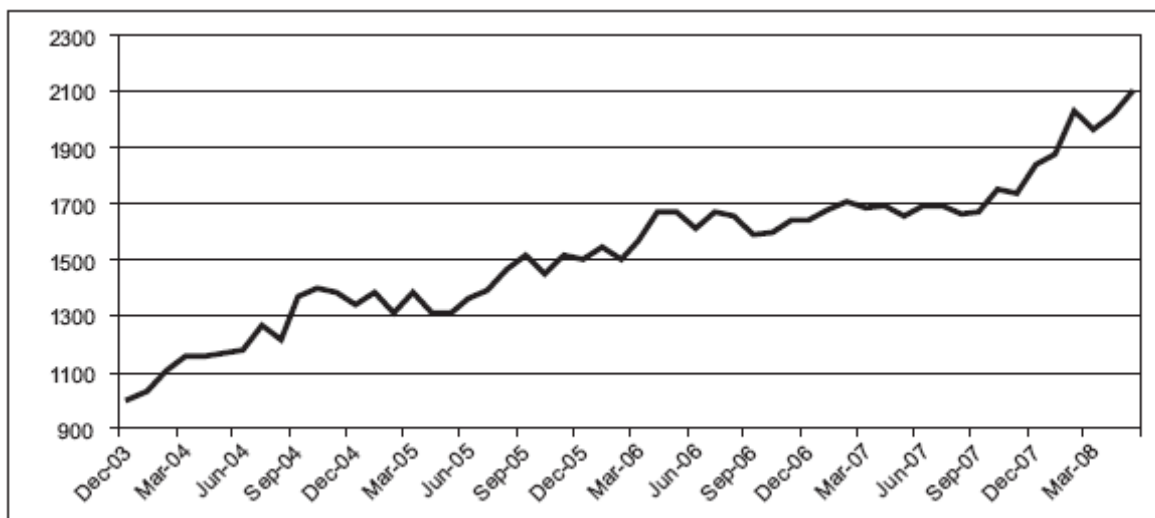
In order to provide for the smooth functioning of the Index, the S&P Commodity Trends Indicator Oversight Committee (the "Oversight Committee"), which consists of individuals from S&P and AFT, oversees the Index and makes decisions that cannot be systematized or that occur on an ad hoc basis, with the goal of maintaining liquidity and low volatility in the Index. The Oversight Committee implements the methodology of the Index or determines new policies if market conditions warrant change. For example, an exchange might substantially change the contract terms or even discontinue trading a component contract. In such cases, the Oversight Committee would determine any Index Component or weighting changes, including the addition or deletion of Index Components. The Oversight Committee does not, however, have the power to use discretion to affect performance of the Index.

Historical Data

The following table sets forth the month-end closing levels of the Index for each month from December 2003 through May 2008. This historical data on the Index is not necessarily indicative of the future performance of the Index or what the value of the Securities may be. Any historical upward or downward trend in the level of the Index during any period set forth below is not an indication that the Index is more or less likely to increase or decrease at any time during the term of the Securities.

	2003	2004	2005	2006	2007	2008
January		1,033.69	1,380.72	1,545.14	1,674.74	1,872.75
February		1,105.30	1,311.27	1,497.45	1,706.13	2,032.18
March		1,159.24	1,380.35	1,570.24	1,686.02	1,960.73
April		1,154.57	1,310.49	1,668.85	1,694.94	2,016.21
May		1,175.46	1,312.96	1,668.17	1,654.63	2,095.76
June		1,266.85	1,361.49	1,609.38	1,692.38	
July		1,217.34	1,393.81	1,673.02	1,691.06	
August		1,368.51	1,464.75	1,656.68	1,659.65	
September		1,395.80	1,516.37	1,589.19	1,667.64	
October		1,380.56	1,449.84	1,596.87	1,748.05	
November		1,336.20	1,517.18	1,640.23	1,733.06	
December	1,000	1,033.69	1,500.35	1,639.37	1,841.52	

SPTICTR Index

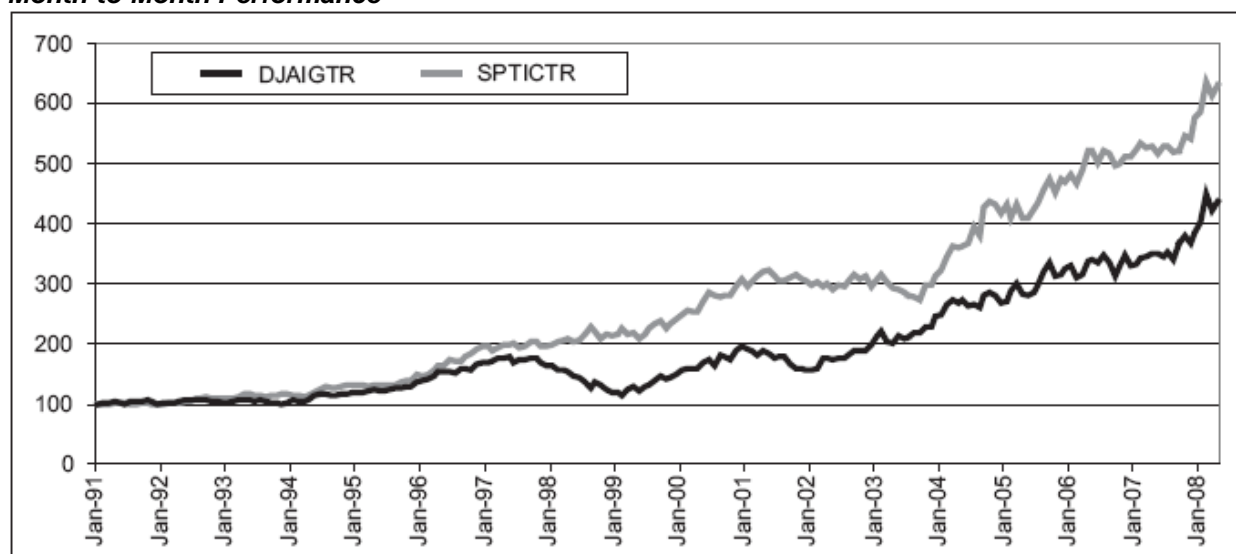


We have also provided below comparisons of the performance of the Index and the Dow Jones — AIG Commodity Index Total Return (Bloomberg symbol “DJAIGTR”) (the “DJAIG Index”) using hypothetical month-end closing levels of the Index for each month from January 1991 through November 2003³ and

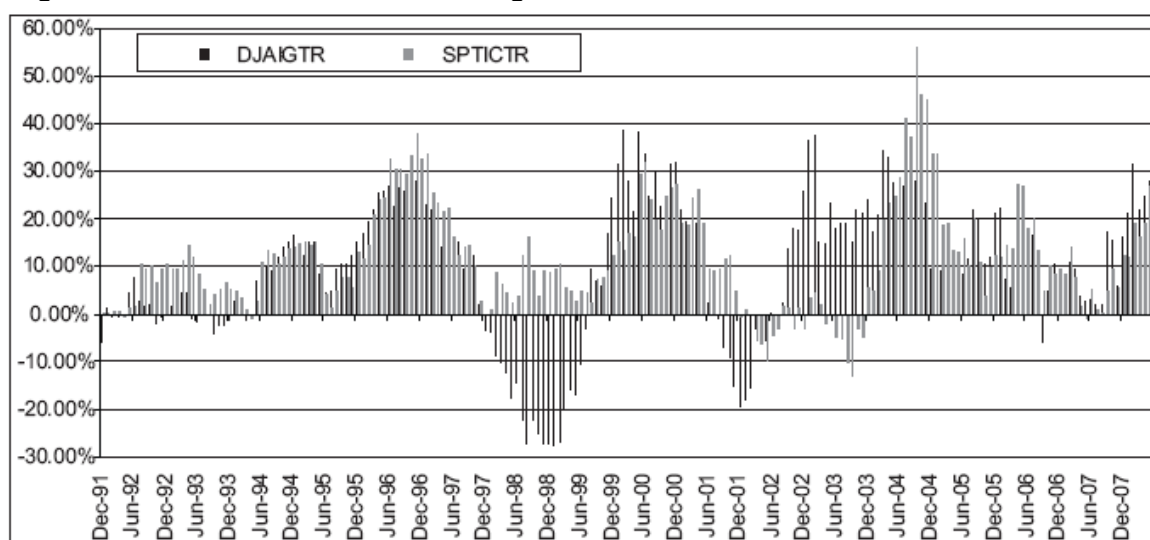
³ Performance of the Index prior to December 2003 is based on back tested results that do not represent the results of concurrent calculation but are achieved instead through retroactive application of a methodology that was developed with the benefit of hindsight. In addition, the methodology used to calculate the data prior to December 2003 differs from the current methodology used to calculate the Index. For instance, the methodology used to calculate the performance prior to December 2003 1) used a September soybean contract as compared to Index's November soybean contract, 2) used an October cotton contract as opposed to the Index's December cotton contract 3) used the last business day of the month for the TAD while the Index's TAD could be on any of the first five business days of the next month 4) used monthly compounding of U.S. Treasury bill interest to compute total return as opposed to the Index's quarterly compounding of the U.S. Treasury bill interest and 5) incorporated minor changes

the actual month-end closing levels of the Index from December 2003 through May 2008. The first graph presents the comparative performance of the indices over the period set forth above on a month-to-month basis and the second and third graphs present this same data for each rolling 12-month period. While the second graph presents the rolling 12-month data on a chronological basis, the third graph presents the rolling 12-month data in order of the best performing 12-month period of the DJAIG Index to the worst performing 12-month period of the DJAIG Index. We believe that these comparisons are useful to inform you how the Index has performed as compared to the DJAIG Index. Each index has been rebased to 100 as of January 31, 1991. The historical levels of the Index and the DJAIG Index do not give an indication of future performance of the Index or that the relationship between the past performance of the Index relative to the DJAIG Index will continue in the future. There can be no assurance that the future performance of the Index will result in holders of the Securities receiving a positive return on their investment.

Month-to-Month Performance

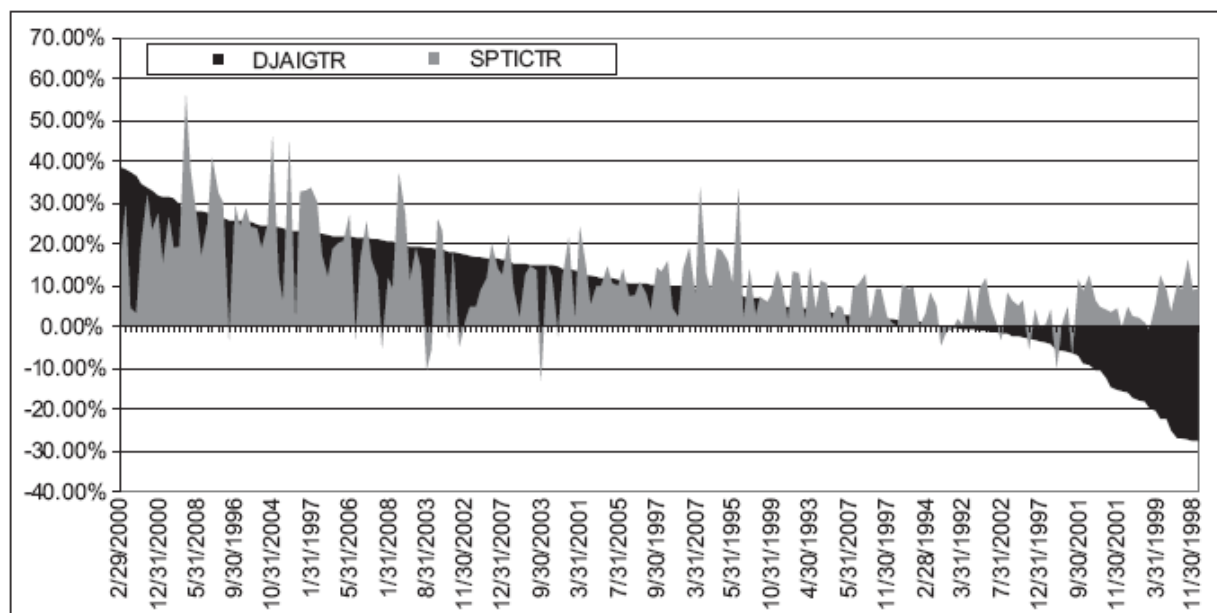


Rolling 12-Month Performance — Chronological Order



to the Index Component composition to accommodate market changes; specifically, before May 1991 natural gas was not included as an Index Component.

Rolling 12-Month Performance — Best 12-Month Period of the DJAIG Index to Worst 12-Month Period



License Agreement

Standard & Poor's does not guarantee the accuracy and/or the completeness of the Index or any data included in the Index. Standard & Poor's makes no warranty, express or implied, as to results to be obtained by the Calculation Agent, the holders of the Securities or any other person or entity from the use of the Index or any data included in the Index in connection with the rights licensed under the license agreement described in this pricing supplement or for any other use. Standard & Poor's makes no express or implied warranties, and hereby expressly disclaims all warranties of merchantability or fitness for a particular purpose with respect to the Index or any data included in the Index. Without limiting any of the above information, in no event shall Standard & Poor's have any liability for any special, punitive, indirect or consequential damage; including lost profits, even if notified of the possibility of these damages.

Standard & Poor's and HSBC USA have entered into a non-exclusive license agreement providing for the license to HSBC USA, in exchange for a fee, of the right to use indices owned and published by Standard & Poor's in connection with some securities, including the Securities. The license agreement between Standard & Poor's and HSBC USA provides that the following

language must be stated in this pricing supplement:

"The Securities are not sponsored, endorsed, sold or promoted by S&P. S&P makes no representation or warranty, express or implied, to the holders of the Securities or any member of the public regarding the advisability of investing in securities generally or in the Securities particularly or the ability of the Index to track general stock market performance. S&P's only relationship to HSBC USA (other than transactions entered into in the ordinary course of business) is the licensing of certain service marks and trade names of S&P and of the Index which is determined, composed and calculated by S&P without regard to HSBC USA or the Securities. S&P has no obligation to take the needs of HSBC USA or the holders of the Securities into consideration in determining, composing or calculating the Index. S&P is not responsible for and has not participated in the determination of the timing of the sale of the Securities, prices at which the Securities are to initially be sold, or quantities of the Securities to be issued or in the determination or calculation of the equation by which the Securities are to be converted into cash. S&P has no obligation or liability in connection with the administration, marketing or trading of the Securities."

VALUATION OF THE SECURITIES

The market value of the Securities will be affected by several factors, many of which are beyond our control. We expect that generally the level of the Index on any day will affect the market value of the Securities more than any other factor. Other factors that may influence the market value of the Securities include, but are not limited to, supply and demand for the Securities, the volatility of the Index, the market price of the Index Components, prevailing rates of interest, the volatility of commodities prices, economic, financial, political, regulatory or judicial events that affect the level of the Index, the general interest rate environment, as well as the perceived creditworthiness of HSBC USA. See "Risk Factors" in this pricing supplement for a discussion of the factors that may influence the market value of the Securities prior to maturity.

Indicative Value

An intraday "indicative value," which is meant to approximate the intrinsic economic value of the Securities, will be published under the Bloomberg symbol LSCIV. **The actual trading price of the Securities may vary significantly from their indicative value.** In addition, the Calculation Agent expects to calculate and publish the closing indicative value of your Securities on each trading day. In connection with your Securities, we use the term "indicative value" to refer to the value at a given time determined based on the following equation:

Indicative Value = Stated Principal Amount per Security X (Current Index Level / Initial Index Level) X Current Fee Factor

where:

Stated Principal Amount per Security = \$10;

Current Index Level = The most recent published closing level of the Index available;

Initial Index Level = 2,089.69, the closing level of the Index on the inception date; and

Current Fee Factor = The most recent daily calculation of the fee factor with respect to your Securities, determined as described above (which, during any trading day, will be the fee factor determined on the preceding calendar day).

The indicative value calculation will be provided for reference purposes only. It is not intended as a price or quotation, or as an offer or solicitation for the purchase, sale or termination of your Securities, nor will it reflect hedging or transaction costs, credit considerations, market liquidity or bid-offer spreads. The actual trading price of the Securities may vary significantly from their indicative value.

As discussed in "Specific Terms of the Securities — Payment Upon Repurchase," you may, subject to certain restrictions, choose to offer your Securities for repurchase by HSBC USA on any business day during the term of the Securities beginning on June 17, 2008 and ending on May 25, 2023. If you elect to offer your Securities to HSBC USA for repurchase, you must offer at least \$2,500,000 stated principal amount of Securities (250,000 Securities) at one time for repurchase by HSBC USA. In addition, we have the right to repurchase the Securities in whole but not in part on or after June 16, 2011, if, on or after June 16, 2011, the aggregate principal amount of Securities outstanding is \$5,000,000 (500,000 Securities) or less (such right being commonly known as a "clean-up" call). If your Securities are repurchased (either at your election or ours), on the corresponding repurchase date, you will receive a cash payment on such date in an amount equal to the daily repurchase value, which is the principal amount of your Securities *times* the index factor on the relevant valuation date *times* the fee factor on the relevant valuation date. The last date on which HSBC USA will repurchase your Securities will be June 1, 2023. As such, should you wish to have HSBC USA repurchase your Securities, your Securities must be offered for repurchase no later than May 25, 2023. The daily repurchase value is intended to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the repurchase feature in this manner.

SPECIFIC TERMS OF THE SECURITIES

In this section, references to "holders" mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company or another depository. Owners of beneficial interests in the Securities should read the section

entitled "Description of Notes" in the accompanying prospectus supplement.

The accompanying prospectus and prospectus supplement contain a detailed summary of additional provisions of the Securities and of the senior indenture, dated as of March 31, 2006, between HSBC USA and Deutsche Bank Trust Company Americas, as trustee, under which the Securities will be issued (the "indenture"). This is the same indenture under which we issued notes relating to Registration Statement No. 333-158385. You should read all the provisions of the accompanying prospectus and prospectus supplement, including information incorporated by reference, and the indenture.

Please note that the information about the price to the public and the proceeds to HSBC USA on the front cover of this pricing supplement relates only to the initial sale of the Securities. If you have purchased the Securities after the initial sale, information about the price and date of sale to you will be provided in a separate confirmation of sale.

Coupon

We will not make any coupon payments during the term of the Securities.

Denomination

We will offer the Securities in denominations of \$10 stated principal amount.

Payment at Maturity

If you hold your Securities to maturity, you will receive a cash payment at maturity that is linked to the percentage change in the level of the Index from the inception date to the level calculated on the final valuation date. Your cash payment at maturity will be equal to the principal amount of Securities you then hold *times* the index factor calculated on the final valuation date *times* the fee factor on the final valuation date.

The index factor calculated on the final valuation date will equal the average of the closing levels of the Index for the five trading days immediately prior to and including the final valuation date (the "calculation period") *divided by* the initial index level. The initial index level is the closing level of the Index on the inception date and is equal to 2,089.69.

If a market disruption event with respect to an Index Component occurs and is occurring during the calculation period, the level of the Index will be calculated by reference to the values of the Index Components unaffected by the market disruption event on the scheduled trading days during the calculation period and by reference to the values of the affected Index Components on the trading days during the calculation period when there is no market disruption event occurring. If a market disruption event occurs or is occurring on any scheduled trading day during the calculation period, the value of the affected Index Component on such trading day will be the value of the affected Index Component on the next trading day on which no market disruption event occurs or is occurring with respect to such affected Index Component. If a market disruption event occurs or is occurring on the final valuation date, the Calculation Agent will postpone the final valuation date until the next trading day when there is no market disruption event occurring with respect to such affected Index Component, but in no event will the final valuation date be postponed by more than five scheduled trading days. If a market disruption event with respect to an Index Component continues for five scheduled trading days after the scheduled final valuation date, then the level of the Index will be calculated by reference to the value of such affected Index Component for the applicable scheduled trading days on which a market disruption event was occurring, determined (or, if not determinable, estimated) by the Calculation Agent in a manner that is commercially reasonable under the circumstances on the final valuation day, as postponed. If the final valuation date is postponed due to a market disruption event as described above, the maturity date will also be postponed by an equal number of business days up to five business days.

The fee factor is equal to one minus the aggregate investor fee, which is the product of (i) the annual investor fee and (ii) the number of days elapsed from the inception date to and including the final valuation date *divided by* 365. The annual investor fee is equal to 0.75%.

If the maturity date stated on the cover of this pricing supplement is not a business day, the maturity date will be the next following business day. In the event that payment at maturity is deferred beyond the stated maturity date as provided herein, no interest or other amount will

accrue or be payable with respect to that deferred payment.

Payment upon Repurchase

Prior to maturity, you may, subject to certain restrictions, choose to offer your Securities for repurchase by HSBC USA on any business day during the term of the Securities, beginning on June 17, 2008. If you choose to offer your Securities for repurchase, you must offer at least \$2,500,000 stated principal amount of Securities (250,000 Securities) to HSBC USA for repurchase on any repurchase date. If you offer at least \$2,500,000 stated principal amount of Securities (250,000 Securities) to HSBC USA for repurchase and fulfill the repurchase procedures described below for a repurchase date, HSBC USA will be obligated to repurchase your Securities. In addition, we have the right to repurchase the Securities in whole but not in part on or after June 16, 2011, if, on or after June 16, 2011, the aggregate principal amount of Securities outstanding is \$5,000,000 (500,000 Securities) or less. If your Securities are repurchased (either at your election or ours), on the corresponding repurchase date, you will receive a cash payment in an amount equal to the daily repurchase value, which is the principal amount of the Securities you offered for repurchase *times* the index factor on the applicable valuation date *times* the fee factor on the applicable valuation date.

The index factor on the applicable valuation date is the closing level of the Index on that day *divided by* the initial index level. The initial index level is the closing level of the Index on the inception date and is equal to 2,089.69.

The fee factor is equal to one minus the aggregate investor fee, which is the product of (i) the annual investor fee and (ii) the number of days elapsed from the inception date to and including the applicable valuation date *divided by* 365. The annual investor fee is equal to 0.75%.

A valuation date is each trading day from June 18, 2008 to June 12, 2023 (which is referred to as the final valuation date) inclusive, unless the Calculation Agent reasonably determines that a market disruption event has occurred or is continuing on that day with respect to an Index Component. A valuation date may be postponed due to a market disruption event with respect to an Index Component up to four scheduled trading days. If a market disruption event with respect to

an Index Component occurs, the level of the Index with respect to such repurchase date will be calculated by reference to the values of the unaffected Index Components on the valuation date and by reference to the values of the affected Index Components on the first trading day after the scheduled valuation date on which no market disruption event occurs or is continuing, up to four scheduled trading days after the scheduled valuation date. If a market disruption event with respect to an Index Component is continuing after four scheduled trading days, the level of the Index for such repurchase date will be calculated by reference to the value of the affected Index Component determined (or, if not determinable, estimated) by the Calculation Agent in a manner that is commercially reasonable under the circumstances on the fourth scheduled trading day after the scheduled valuation date, which shall be such valuation date, as postponed. If the valuation date is postponed due to a market disruption event with respect to an Index Component, the repurchase date will also be postponed by an equal number of business days.

A repurchase date is the third business day following a valuation date. Unless the scheduled repurchase date is postponed due to a market disruption event as described above, the final day on which HSBC USA will repurchase your Securities will be June 1, 2023. As such, should you wish to have HSBC USA repurchase your Securities, your Securities must be offered for repurchase no later than May 25, 2023.

In the event that payment upon repurchase by HSBC USA is deferred beyond the original repurchase date as provided herein, no interest or other amount will accrue or be payable with respect to that deferred payment.

Repurchase Procedures

The valuation date applicable to any repurchase, whether at your option or the option of HSBC USA, shall be the business day immediately following the business day on which either you deliver the repurchase offer to HSBC USA or on which we deliver a call notice to DTC.

The repurchase date will be the third business day following the applicable repurchase date.

Repurchase at Your Option

You may, subject to the minimum repurchase amount described above, elect to offer your Securities to HSBC USA for repurchase on any business day during the term of the Securities, beginning on June 17, 2008. If you wish to offer your Securities to HSBC USA for repurchase, you and your broker must follow the following procedures:

- your broker must deliver a completed irrevocable Offer for Repurchase, a form of which is attached as Annex A to this pricing supplement, to HSBC USA by 5:00 p.m., New York City time, on the business day immediately preceding the valuation date prior to the applicable repurchase date. One portion of the Offer for Repurchase must be completed by you as beneficial owner of the Securities and the other portion must be completed by your broker. You must offer \$2,500,000 principal amount or more of your Securities (250,000 Securities) for repurchase by HSBC USA on any repurchase date. HSBC USA must acknowledge receipt from your broker in order for your offer to be effective;
- your broker must book a delivery vs. payment trade, facing HSBC USA, with respect to your Securities on the applicable valuation date at a price equal to the applicable daily repurchase value; and
- your broker must cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m., New York City time, on the applicable repurchase date (the third business day following the valuation date).

Different brokers and DTC participants may have different deadlines for accepting instructions from their customers. Accordingly, you should consult the brokerage firm or other DTC participant through which you own your interest in the Securities in respect of such deadlines. If HSBC USA does not receive the irrevocable Offer for Repurchase from your broker or DTC participant by 5:00 p.m., New York City time, on the business day immediately preceding the applicable valuation date, your offer will not be effective and we will not accept your offer to us to repurchase your Securities on the applicable repurchase date. Any repurchase instructions which we receive in

accordance with the procedures described above will be irrevocable.

Repurchase at Our Option

To call the Securities for repurchase, we will deliver an irrevocable call notice to DTC (the holder of the global note). We will have the option to deliver such notice at any time on or after June 16, 2011, if on or after such date the aggregate principal amount of Securities outstanding is \$5,000,000 (500,000 Securities) or less. Any Securities previously repurchased by us at your option will be cancelled on the relevant repurchase date. Consequently, as of such repurchase date, the repurchased Securities will no longer be considered outstanding Securities for purposes of determining whether we have the ability to exercise our repurchase right.

Market Disruption Events

As set forth under “ — Payment at Maturity” and “ — Payment Upon Repurchase” above, the Calculation Agent will determine the level of the Index on each valuation date, including the final valuation date. As described above, a valuation date may be postponed and thus the determination of the level of the Index may be postponed if the Calculation Agent reasonably determines that, on a valuation date, a market disruption event has occurred or is continuing.

Any of the following will be a market disruption event as determined by the Calculation Agent:

- any material limitation, suspension or disruption in the trading of any Index Component which results in a failure by the trading facility on which the relevant contract is traded to report a daily contract reference price (the price of the relevant contract that is used as a reference or benchmark by market participants);
- the daily contract reference price for any Index Component is a “limit price”, which means that the daily contract reference price for such contract has increased or decreased from the previous day’s daily contract reference price by the maximum amount permitted under the applicable rules or procedures of the relevant trading facility;
- if in the future, such markets become relevant to the calculation or hedging of the Index, any

suspension of or material limitation on trading on the primary exchanges that trade options contracts or futures contracts related to an Index Component as determined by the Calculation Agent (without taking into account any extended or after-hours trading session), whether by reason of movements in price otherwise exceeding levels permitted by the relevant exchange or otherwise, in option contracts or futures contracts related to the Index, or any successor index;

- failure of the applicable trading facility or other price source to announce or publish the daily contract reference price for one or more Index Components; or
- any other event, if the Calculation Agent reasonably determines, after consultation with HSBC USA and the hedge counterparties and agreement among such parties, that the event materially interferes with our hedge counterparties' ability to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described below under "Use of Proceeds and Hedging" in this pricing supplement.

For the purpose of the first bullet of this section above, the following events will **not** be market disruption events:

- a limitation on the hours in a trading day and/or numbers of days of trading on a trading facility on which any Index Component is traded, but only if the limitation results from an announced change in the regular business hours of the relevant facility; or
- decision by the relevant trading facility to permanently discontinue trading in any Index Component.

A suspension of or material limitation on trading on the relevant trading facility will not include any time when that facility is closed for trading under ordinary circumstances, and any limitations on trading during significant market fluctuations under NYSE Rule 80B, or any applicable rule or regulation enacted or promulgated by the NYSE or any other self regulatory organization or the Securities and Exchange Commission of similar scope as determined by the Calculation Agent, will be considered "material."

Default Amount on Acceleration

For the purpose of determining whether the holders of our Notes, Series 1 (the "notes"), of which the Securities are a part, are entitled to take any action under the indenture, we will treat the stated principal amount of each Security outstanding as the principal amount of that Security. Although the terms of the Securities may differ from those of the other notes, holders of specified percentages in principal amount of all notes, together in some cases with other series of our debt securities, will be able to take action affecting all the notes, including the Securities. This action may involve changing some of the terms that apply to the notes, accelerating the maturity of the notes (in accordance with the acceleration provisions set forth in the accompanying prospectus) after a default or waiving some of our obligations under the indenture.

In case an event of default (as defined in the accompanying prospectus) with respect to any Securities shall have occurred and be continuing, the amount declared due and payable upon any acceleration of the Securities will be determined by the Calculation Agent and will equal, for each Security you then hold, the daily repurchase value determined by the Calculation Agent on the next valuation date.

Further Issuances

We may, from time to time, without notice to or the consent of the holders of the Securities, create and issue additional securities having the same terms and conditions as the Securities offered by this pricing supplement, and ranking on an equal basis with the Securities in all respects. If there is substantial demand for the Securities, we may issue additional Securities frequently. Such additional Securities will be consolidated and form a single series with the Securities.

Discontinuation or Modification of the Index

If Standard & Poor's reasonably determines that it is necessary to discontinue publication of the Index and Standard & Poor's or any other person or entity calculates and publishes an index that the Calculation Agent, after consultation with HSBC USA, reasonably determines is comparable to the Index and approves as a successor index, then the Calculation Agent will determine the level of the Index on the applicable valuation date and the

amount payable at maturity or upon repurchase by HSBC USA by reference to such successor index for the period following the discontinuation of the Index.

If the Calculation Agent reasonably determines that the publication of the Index is discontinued and that there is no successor index, the Calculation Agent, after consultation with HSBC USA, will determine the amount payable by a computation methodology that the Calculation Agent determines will as closely as reasonably possible replicate the Index.

If the Calculation Agent reasonably determines that the Index, the Index Components or the method of calculating the Index has been changed at any time in any significant respect, whether the change is made by Standard & Poor's under its existing policies or following a modification of those policies, is due to the publication of a successor index, is due to events affecting one or more of the Index Components, or is due to any other reason — then the Calculation Agent, after consultation with HSBC USA, will be permitted (but not required) to make such adjustments to the Index or method of calculating the Index as it reasonably believes are appropriate to ensure that the level of the Index used to determine the amount payable on the maturity date or upon repurchase by HSBC USA replicates as fully as possible the economic character of the Index.

All determinations and adjustments to be made by the Calculation Agent with respect to the level of the Index and the amount payable at maturity or upon repurchase by HSBC USA or otherwise relating to the level of the Index may be made in the Calculation Agent's reasonable discretion. The Calculation Agent shall make all determinations and adjustments such that, to the greatest extent possible, the fundamental economic terms of the Index are equivalent to those immediately prior to the event requiring or permitting such determinations or adjustments. See "Risk Factors" in this pricing supplement for a discussion of certain conflicts of interest which may arise with respect to the Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity will be made to accounts designated by you and approved by us, or at the office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that

office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Role of Calculation Agent

HSBC Securities (USA) Inc., an affiliate of ours, will serve as the Calculation Agent. The Calculation Agent will, in its reasonable discretion, make all determinations regarding the value of the Securities, including at maturity or upon repurchase by HSBC USA, market disruption events (see " — Market Disruption Events"), business days, trading days, the fee factor, the index factor, the default amount, the initial index level, the final index level, the closing level of the Index on any valuation date, the maturity date, repurchase dates, the amount payable in respect of your Securities at maturity or upon repurchase by HSBC USA and any other calculations or determinations to be made by the Calculation Agent as specified herein. Absent manifest error, all determinations of the Calculation Agent will be final and binding on you and us, without any liability on the part of the Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any of the above determinations by the Calculation Agent.

CLEARANCE AND SETTLEMENT

DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

USE OF PROCEEDS AND HEDGING

We intend to use the net proceeds from this offering for our general corporate purposes, which may include the refinancing of our existing indebtedness. We may also use some or all of the net proceeds from this offering to hedge our obligations under the Securities.

One or more of our affiliates before and following the issuance of the Securities may acquire or dispose of the Index Components, or listed or over-the-counter options contracts in, or other derivatives or synthetic instruments related to, the Index or the Index Components to hedge our obligations under the Securities. In the course of pursuing such a hedging strategy, the price at

which such positions may be acquired or disposed of may be a factor in determining the levels of the Index. Although we and our affiliates have no reason to believe that our or their hedging activities will have a material impact on the level of the Index, there can be no assurance that the level of the Index will not be affected.

From time to time after issuance and prior to the maturity of any Securities, depending on market conditions (including the level of the Index), in connection with hedging certain of the risks associated with the Securities, we expect that one or more of our affiliates will increase or decrease their initial hedging positions using dynamic hedging techniques and may take long or short positions in listed or over-the-counter options contracts in, or other derivative or synthetic instruments related to, the Index, or the Index Components. In addition, we or one or more of our affiliates may take positions in other types of appropriate financial instruments that may become available in the future. To the extent that we or one or more of our affiliates have a hedge position in the Index or Index Components, we or one or more of our affiliates may liquidate a portion of those holdings on or before the final valuation date. Depending, among other things, on future market conditions, the aggregate amount and the composition of such positions are likely to vary over time. Our or our affiliates' hedging activities will not be limited to any particular securities exchange or market.

The hedging activity discussed above may adversely affect the level of the Index and, as a consequence, the market value of the Securities and the amount payable at maturity or upon repurchase by HSBC USA. See "Risk Factors" in this pricing supplement for a discussion of possible adverse effects related to our hedging activities.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes certain U.S. federal income tax consequences of owning and disposing of Securities that may be relevant to holders of Securities that acquire their Securities from us as part of the original issuance of the Securities. This discussion applies only to holders that hold their securities as capital assets within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"). Further, this discussion does not address all of the U.S. federal

income tax consequences that may be relevant to you in light of your individual circumstances or if you are subject to special rules, such as if you are a:

- financial institution,
- mutual fund,
- tax-exempt organization,
- insurance company,
- dealer in securities or foreign currencies,
- person (including traders in securities) using a mark-to-market method of accounting,
- person who holds securities as a hedge or as part of a straddle with another position, constructive sale, conversion transaction or other integrated transaction, or
- an entity that is treated as a partnership for U.S. federal income tax purposes.

The discussion is based upon the Code, law, regulations, rulings and decisions in effect as of the date of this pricing supplement, all of which are subject to change, possibly with retroactive effect. Tax consequences under state, local and foreign laws are not addressed herein. No ruling from the U.S. Internal Revenue Service (the "IRS") has been or will be sought as to the U.S. federal income tax consequences of the ownership and disposition of Securities, and the following discussion is not binding on the IRS.

For purposes of this discussion, the term "U.S. holder" means (1) a person who is a citizen or resident of the United States, (2) a corporation created or organized in or under the laws of the United States or any state thereof or the district of Columbia, (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (4) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) such trust has in effect a valid election to be treated as a domestic trust for U.S. federal income tax purposes. If a partnership holds Securities, the U.S. federal income tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership

holding Securities, you should consult your tax advisor regarding the tax consequences to you from the partnership's purchase, ownership and disposition of the Securities.

You should consult your tax advisor as to the specific tax consequences to you of owning and disposing of Securities, including the application of federal, state, local and foreign income and other tax laws based on your particular facts and circumstances.

U.S. Holders Generally

The treatment of the Securities for U.S. federal income tax purposes is uncertain. We intend to treat the Securities as prepaid, cash-settled financial contracts, with respect to the Index, that are eligible for open transaction treatment for U.S. federal income tax purposes. In the absence of an administrative or judicial ruling to the contrary, we and, by purchasing the Securities, you agree to treat your Securities for all tax purposes in accordance with such characterization. If your Securities are so treated, and subject to the discussion in the next paragraph, you should recognize capital gain or loss upon the maturity of your Securities (or upon your sale, exchange or other disposition of your Securities prior to their maturity) in an amount equal to the difference between the amount realized at such time and your tax basis in the Securities. Your tax basis in your Securities should generally be equal to the price you paid for the Securities. Capital gain of a noncorporate U.S. holder is generally subject to tax at a maximum rate of 15% if the property is held for more than one year.

The tax treatment described above is not free from doubt, and it is possible that the IRS may seek to characterize your Securities in a manner that results in tax consequences to you that are different from those described above. For example, the IRS could assert that each reconstitution or rebalancing (collectively, "Rebalancing") of the Index constitutes a taxable event to you. If the IRS were to prevail in treating each Rebalancing of the Index as a taxable event, you would recognize capital gain and, possibly, loss on the Securities on the date of each Rebalancing to the extent of the difference between the fair market value of the Securities and your adjusted basis in the Securities at that time. Such gain or loss generally would be short-term capital gain or loss. Other characterizations of the Securities also may be possible, under

which the timing and character of income could differ substantially from the description above. For example, if the IRS were successful in characterizing the Securities as indebtedness for U.S. federal income tax purposes, among other consequences, you would be required to include in income on an economic accrual basis over the term of the Securities an amount of interest that is based upon the yield at which we would issue a non-contingent, fixed-rate debt instrument with other terms and conditions similar to the Securities (even though the Securities do not provide coupon payments). In addition, any gain on the sale or redemption of the Securities would be ordinary interest income (rather than capital gain).

You should consult your tax advisor as to the tax consequences of such characterization and any possible alternative characterizations of your Securities for U.S. federal income tax purposes.

Non-U.S. Holders Generally

In the case of a holder of the Securities that is not a U.S. holder and has no connection with the United States other than holding its Security (a "non-U.S. holder"), payments made with respect to the Securities will not be subject to U.S. withholding tax, provided that such non-U.S. holder complies with applicable certification requirements. Any capital gain realized upon the sale or other disposition of the Securities by a non-U.S. holder will generally not be subject to U.S. federal income tax if (i) such gain is not effectively connected with a U.S. trade or business of such non-U.S. holder and (ii) in the case of an individual, such individual is not present in the United States for 183 days or more in the taxable year of the sale or other disposition of the Securities.

IRS Notice on Certain Financial Transactions

On December 7, 2007, the IRS and the U.S. Treasury Department issued Notice 2008-2, in which they stated that they are considering issuing new regulations or other guidance on whether holders of an instrument such as the Securities should be required to accrue income during the term of the instrument. The IRS and U.S. Treasury Department also requested taxpayer comments on whether, (a) the holder of an instrument such as the Securities should be required to accrue income during its term (e.g., under a mark-to-market, accrual or other methodology), (b) income

and gain on such an instrument should be ordinary or capital, and (c) foreign holders should be subject to withholding tax on any deemed income accrual.

Accordingly, it is possible that regulations or other guidance may be issued that would require holders of the Securities to recognize income in respect of the Securities prior to receipt of any payments thereunder or sale thereof. Any regulations or other guidance that may be issued could result in income and gain (either at maturity or upon sale) in respect of the Securities being treated as ordinary income. It is also possible that a non-U.S. holder of the Securities could be subject to U.S. withholding tax in respect of the Securities under such regulations or other guidance. It is not possible to determine whether such regulations or other guidance will apply to the Securities (possibly on a retroactive basis). Prospective investors are urged to consult their tax advisors regarding Notice 2008-2 and its possible impact on them.

Possible Legislation on Prepaid Forwards

On December 19, 2007, Representative Richard Neal introduced a tax bill (the "Bill") before the House Ways and Means Committee that would apply to "prepaid derivative contracts" acquired after the date of enactment of the Bill.

The Bill, if enacted would apply to certain derivative financial contracts with a term of more than one year, where there is no substantial likelihood that the taxpayer will be required to pay any additional amount thereunder, and would require the holder of such a contract to include as interest income each year in respect of such contract an amount determined by reference to the monthly federal short-term rate determined under Code Section 1274(d). A holder's tax basis in such contract would be increased by the amount so included. Any gain (either at maturity or upon sale) with respect to such contract would be treated as long-term capital gain if the contract is a capital asset in the hands of the holder and such holder has held the contract for more than one year. Any loss would be treated as ordinary loss to the extent of prior interest accruals.

While the Bill, if enacted, would not apply to the Securities (due to its prospective effective date), it is not possible to predict whether any tax legislation that may ultimately be enacted will apply to the Securities (possibly on a retroactive

basis). Prospective investors are urged to consult their tax advisors regarding the Bill and any future tax legislation that may apply to their Securities.

Backup Withholding and Information Reporting

A holder of the Securities may be subject to information reporting and to backup withholding with respect to certain amounts paid to the holder unless such holder provides a correct taxpayer identification number (or other proof of an applicable exemption) and otherwise complies with applicable requirements of the backup withholding rules.

SUPPLEMENTAL PLAN OF DISTRIBUTION

MLPF&S and Nuveen Investments, acting as our agents, sold a portion of the Securities, on the inception date directly to investors and to dealers acting as principals at 100% of their stated principal amount. After the inception date, additional Securities will be offered and sold from time to time, at prevailing prices at the time of sale, through MLPF&S and Nuveen Investments, acting as our agents, to investors and to dealers acting as principals for resale to investors. We will receive proceeds equal to 100% of the offering price of Securities sold after the inception date. We will deliver Securities against payment therefor on a date that is greater than three business days following the date of sale of any Securities. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three business days, unless parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to transact in Securities that are to be issued more than three business days after the related trade date will be required to specify alternative settlement arrangements to prevent a failed settlement.

MLPF&S and each dealer in the initial and any subsequent distribution are expected to charge normal commissions for the purchase of the Securities.

Broker-dealers may make a market in the Securities, although none of them is obligated to do so and any of them may stop doing so at any time without notice. This prospectus (for the purposes of this section, such term includes this pricing supplement and the accompanying prospectus supplement and prospectus) may be used by such dealers in connection with market-

making transactions. In these transactions, dealers may resell a Security covered by this prospectus that they acquire from other holders after the original offering and sale of the Securities, or they may sell a Security covered by this prospectus in short sale transactions.

Broker-dealers and other persons are cautioned that some of their activities may result in their being deemed participants in the distribution of the Securities in a manner that would render them statutory underwriters and subject them to the prospectus delivery and liability provisions of the Securities Act. Among other activities, broker-dealers and other persons may make short sales of the Securities and may cover such short positions by borrowing Securities from us or our affiliates or by purchasing Securities from us or our affiliates subject to our obligation to repurchase such Securities at a later date. As a result of these activities, these market participants may be deemed statutory underwriters. If these activities are commenced, they may be discontinued at any time. A determination of whether a particular market participant is an underwriter must take into account all the facts and circumstances pertaining to the activities of the participant in the particular case, and the example mentioned above should not be considered a complete description of all the activities that would lead to designation as an underwriter and subject a market participant to the prospectus-delivery and liability provisions of the Securities Act. This prospectus will be deemed to cover any short sales of Securities by market participants who cover their short positions with Securities borrowed or acquired from us or our affiliates in the manner described above.

HSBC USA has retained MLPF&S and Nuveen Investments, each a FINRA member, to provide certain services relating to the distribution of the Securities. MLPF&S and its affiliates and Nuveen Investments will be paid a fee for their services (including the licensing fee described below), from the investor fee, equal to 0.40% per annum. HSBC USA also has entered into a license agreement with MLPF&S pursuant to which MLPF&S has licensed HSBC USA to use certain of its intellectual property in connection with the Securities. In connection with this license agreement, MLPF&S will be paid a licensing fee, from the investor fee, equal to 0.15% per annum.

The amount of the fees that represent underwriting compensation will not exceed a total of 8% of the proceeds to us from the Securities.

From time to time, MLPF&S and its affiliates have, and in the future may, engage in transactions with and perform services for us for which they have been, and may be, paid customary fees.

EMPLOYEE RETIREMENT INCOME SECURITY ACT

A fiduciary of a pension, profit-sharing or other employee benefit plan (a "plan") subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), should consider the fiduciary standards of ERISA in the context of the plan's particular circumstances before authorizing an investment in the Securities. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code (the "Code").

Section 406 of ERISA and Section 4975 of the Code prohibit plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Internal Revenue Code (also "plans"), from engaging in certain transactions involving "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code ("parties in interest") with respect to the plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) ("non-ERISA arrangements") are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws ("similar laws").

The acquisition of the Securities by a plan with respect to which we or certain of our affiliates is or

becomes a party in interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those Securities are acquired pursuant to and in accordance with an applicable exemption. The U.S. Department of Labor has issued five prohibited transaction class exemptions, or "PTCEs", that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the Securities. These exemptions are:

- PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;
- PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;
- PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;
- PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and
- PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Internal Revenue Code may also provide such exemptive relief, if required. Such Sections provide an exemption for certain arm's-length transactions with a person that is a party in interest solely by reason of providing services to plans or being an affiliate of such a service provider (the "Service Provider Exemption").

Any purchaser or holder of Securities or any interest therein (and any fiduciary causing such purchaser or holder to acquire or hold such Securities) will be deemed to have represented by the purchase and holding of the Securities that it either (1) is not a plan and is not purchasing the Securities on behalf of or with "plan assets" of any plan or (2) the purchase, holding and disposition (including repurchase by HSBC USA) of the Securities is and will be eligible for the exemptive relief available under any of the PTCEs listed above, the Service Provider Exemption or another applicable exemption. In addition, any purchaser or holder of Securities or any interest therein which is a non-ERISA arrangement will be deemed to have represented by its purchase and holding of the Securities that its purchase, holding and disposition (including repurchase by HSBC USA) of the Securities will not violate the provisions of any similar law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing Securities on behalf of or with "plan assets" of any plan or non-ERISA arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the Service Provider Exemption or any other applicable exemption, or the potential consequences of any purchase or holding under similar laws, as applicable. If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to invest in Securities, you should consult your legal counsel.

LEGAL MATTERS

Sidley Austin LLP has acted as special counsel to the agents.

ANNEX A

FORM OF OFFER FOR REPURCHASE

PART A: TO BE COMPLETED BY THE BENEFICIAL OWNER

Dated: _____
[insert date]

HSBC USA Inc. ("HSBC USA")
Email: ETN.Notes.Group@us.hsbc.com

Re: ELEMENTSSM Linked to the S&P Commodity Trends Indicator — Total Return due June 16, 2023
issued by HSBC USA Inc. (the "ELEMENTS")

Ladies and Gentlemen:

The undersigned beneficial owner hereby irrevocably offers to HSBC USA the right to repurchase the ELEMENTS, as described in the Pricing Supplement dated April 9, 2009, (the "Pricing Supplement") in the amounts and on the date set forth below.

Name of beneficial holder: _____
[insert name of beneficial owner]

Stated principal amount of ELEMENTS offered for repurchase (You must offer at least 250,000 ELEMENTS (\$2,500,000 stated principal amount) for repurchase at one time for your offer to be valid.):

[insert principal amount of ELEMENTS offered for repurchase by HSBC USA]

Applicable valuation date: _____, 20____

Applicable repurchase date: _____, 20____
[insert a date that is three business days following the applicable valuation date]

Contact Name: _____
[insert the name of a person or entity to be contacted with respect to this Offer for Repurchase]

Telephone #: _____
[insert the telephone number at which the contact person or entity can be reached]

My ELEMENTS are held in the following DTC Participant's Account (*the following information is available from the broker through which you hold your ELEMENTS*):

Name:
DTC Account Number (and any relevant sub-account):
Contact Name:
Telephone Number:

Acknowledgement: In addition to any other requirements specified in the Pricing Supplement being satisfied, I acknowledge that the ELEMENTS specified above will not be repurchased unless (i) this Offer for Repurchase, as completed and signed by the DTC Participant through which my ELEMENTS are held (the "DTC Participant"), is delivered to HSBC USA by 5:00 p.m., New York City time, on the business day immediately preceding the applicable valuation date, (ii) the DTC Participant has booked a "delivery vs. payment" ("DVP") trade on the applicable valuation date facing HSBC USA and (iii) the DTC Participant instructs DTC to deliver the DVP trade to HSBC USA as booked for settlement via DTC at or prior to 10:00 a.m., New York City time, on the applicable repurchase date.

The undersigned acknowledges that HSBC USA will not be responsible for any failure by the DTC Participant through which such undersigned's ELEMENTS are held to fulfill the requirements for repurchase set forth above.

[Beneficial Holder]

PART B OF THIS NOTICE IS TO BE COMPLETED BY THE DTC PARTICIPANT IN WHOSE ACCOUNT THE ELEMENTS ARE HELD AND DELIVERED TO HSBC USA BY 5:00 P.M., NEW YORK CITY TIME, ON THE BUSINESS DAY IMMEDIATELY PRECEDING THE APPLICABLE VALUATION DATE

BROKER'S CONFIRMATION OF REPURCHASE

[PART B: TO BE COMPLETED BY BROKER]

Dated: _____
[insert date]

HSBC USA Inc. ("HSBC USA")

Re: ELEMENTSSM Linked to the S&P Commodity Trends Indicator — Total Return due June 16, 2023
issued by HSBC USA Inc. (the "ELEMENTS")

Ladies and Gentlemen:

The undersigned holder of ELEMENTSSM Linked to the S&P Commodity Trends Indicator — Total Return due June 16, 2023 issued by HSBC USA Inc., CUSIP No. 4042EP 602 (the "ELEMENTS") hereby irrevocably offers to HSBC USA the right to repurchase, on the Repurchase Date of _____, with respect to the number of the ELEMENTS indicated below as described in the Pricing Supplement dated April 9, 2009 relating to the ELEMENTS (the "Pricing Supplement"). Terms not defined herein have the meanings given to such terms in the Pricing Supplement.

The undersigned certifies to you that it will (i) book a delivery vs. payment trade, facing HSBC USA (DTC #2393), on the valuation date with respect to the stated principal amount of ELEMENTS specified below at a price per ELEMENT equal to the repurchase value and (ii) deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m., New York City time, on the repurchase date.

Very truly yours,
[NAME OF DTC PARTICIPANT HOLDER]

Contact Name:
Title:
Telephone:
Fax:
E-mail:

Stated principal amount of ELEMENTS offered for repurchase (You must offer at least 250,000 ELEMENTS (\$2,500,000 stated principal amount) for repurchase at one time for your offer to be valid.):

DTC # (and any relevant sub-account):

HSBC USA Inc.

Prospectus Supplement

Notes, Series 1

We may offer from time to time notes that may pay a rate of interest during the term of the notes and at maturity will pay an amount in cash, securities, commodities, other property or a combination thereof. The specific terms of any such notes that we offer will be included in the applicable pricing supplement. If any terms described in the applicable pricing supplement are inconsistent with those described herein or in the accompanying prospectus, the terms described in the applicable pricing supplement will supersede. The notes will have the following general terms:

- **Payment at Maturity**
The applicable pricing supplement will specify the amount that you will receive on the maturity date.
- **Interest Rate and Interest Payments**
The notes may have a fixed or floating interest rate or may pay no interest, in each case as specified in the applicable pricing supplement. Any interest on the notes will be paid on the dates set forth in the applicable pricing supplement.
- **Ranking**
The notes will be our direct unsecured obligations and will rank on a parity with all of our other unsecured and unsubordinated debt, except such obligations as are preferred by operation of law.
- **Reference Asset**
The principal, interest or any other amounts payable on the notes may be based on price movements in, performance of or other events relating to one or more particular securities, currencies, interest rates, consumer prices, intangibles, goods, articles or commodities, indices or baskets comprised of any of those instruments or measures, or other measures or instruments, including the occurrence or nonoccurrence of any event or circumstance, or a combination thereof.
- **Maturity**
The applicable pricing supplement will specify the maturity date.
- **Denominations**
Unless otherwise stated in the applicable pricing supplement, the notes will be issued in minimum denominations of \$1,000 (or the specified currency equivalent), increased in multiples of \$1,000 (or the specified currency equivalent); provided, however, that the minimum purchase for any purchaser domiciled in a member state of the European Union shall be \$100,000 (or the specified currency equivalent).
- **Currencies**
The applicable pricing supplement will specify whether the notes will be denominated in U.S. dollars or some other currency.
- **Exchangeable**
The notes may be optionally or mandatorily exchangeable for securities of an entity that is affiliated or not affiliated with us, for a basket or index of those securities, or for the cash value of those securities in each case, as specified in the applicable pricing supplement.
- **Other Terms**
As specified under “Description of the Notes” and in the attached pricing supplement.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. SEE “RISK FACTORS” BEGINNING ON PAGE S-3.

Unless otherwise specified in the applicable pricing supplement, the notes will not be listed on any securities exchange.

The notes are not deposits or other obligations of a bank and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency. The notes are not secured.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these notes or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

HSBC Securities (USA) Inc. has agreed to use reasonable efforts to solicit offers to purchase these notes as our agent to the extent it is named in the applicable pricing supplement. Certain other agents to be named in the applicable pricing supplement may also be used to solicit such offers on a reasonable efforts basis. The agents may also purchase these notes as principal at prices to be agreed upon at the time of sale. The agents may resell any notes they purchase as principal at prevailing market prices, or at other prices, as the agents determine.

In this prospectus supplement, “us,” “we,” “our” and “HSBC USA” refer to HSBC USA Inc.

HSBC Securities (USA) Inc.
April 9, 2009

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RISK FACTORS

You will be subject to significant risks not associated with conventional fixed-rate or floating-rate debt securities. Prospective purchasers of the notes should understand the risks of investing in the notes and should reach their own investment decision, only after careful consideration, with their advisors, of the suitability of the notes in light of their particular financial circumstances, the following risk factors and the other information included or incorporated by reference in the applicable pricing supplement, this prospectus supplement and the accompanying prospectus. **Please note that this Risk Factors section has various subcomponents addressing certain additional risk factors relating to specific categories of Reference Assets. For example, certain additional risk factors relating to Reference Assets comprised of one or more equity securities can be found in the section “—Additional Risks Relating to Notes with an Equity Security or Equity Index as the Reference Asset.”** We have no control over a number of matters, including economic, financial, regulatory, geographic, judicial and political events, that are important in determining the existence, magnitude, and longevity of these risks and their influence on the value of, or the payments made on, the notes. You should not purchase the notes unless you understand and can bear these investment risks.

Risks Relating to All Note Issuances.

Unless you are guaranteed the return of principal or a minimum return you may lose your entire investment.

Unless you are guaranteed the return of principal or a minimum guaranteed return under the applicable pricing supplement, there can be no assurance of the receipt of any amount at maturity. The payment at maturity is based on changes in the value of the instruments comprising the Reference Asset, which fluctuate and cannot be predicted. Although historical data with respect to the Reference Asset may be available, the historical performance of the Reference Asset or any of the instruments comprising the Reference Asset should not be taken as an indication of future performance. No assurance can be given, and none is intended to be given, that any return will be achieved on the notes.

There may not be any secondary market for your notes.

Upon issuance, the notes will not have an established trading market. We cannot assure you that a trading market for the notes will develop or, if one develops, that it will be maintained. Although we may apply to list certain issuances of notes on a national securities exchange or the NASDAQ Stock Market, we are under no obligation to do so. In addition, in the event that we apply for listing, we may not meet the requirements for listing. We do not expect to announce, prior to the pricing of the notes, whether we will meet such requirements. Even if there is a secondary market, it may not provide significant liquidity. While we anticipate that the agent will act as a market maker for the notes, the agent is not required to do so. If the notes are not listed on any securities exchange and the agent were to cease acting as a market maker, it is likely that there would be no secondary market for the notes. You therefore must be willing and able to hold the notes until maturity.

You may be required to pay fees in connection with your investment in the notes.

You may be required to pay an additional amount per note (as specified in the applicable pricing supplement) as a commission for services rendered by any of our agents in connection with your initial purchase of the notes. In addition, to the extent you request that our agent execute a secondary market-making transaction for any of your notes (and the agent agrees to do so), we and our agents may receive a fee in connection with such secondary market-making transaction in addition to any bid-ask spread. To the extent that the applicable pricing supplement allows you to redeem the notes prior to maturity, you may be required to pay a fee in connection with your early redemption of the notes. As a consequence of these fees, you may receive, by executing a market-making transaction or an early redemption, less than the full performance of the Reference Asset.

Investors' yield may be lower than the yield on a standard debt security of comparable maturity.

Periodic payments of interest on the notes, if any, may be lower than interest payments you would receive by investing in a conventional fixed-rate or floating-rate debt security having the same maturity date and issuance date

as the notes. The effective yield to maturity of the notes may be less than that which would be payable on such a conventional fixed-rate or floating-rate debt security. Even considering a guaranteed minimum return or principal protection, if either is specified in the applicable pricing supplement, any such return at maturity may not compensate the holder for any opportunity cost implied by inflation and other factors relating to the time value of money.

Price or other movements in the instrument or instruments comprising the Reference Asset are unpredictable.

Price or other movements in the instrument or instruments comprising the Reference Asset are unpredictable and volatile, and are influenced by complex and interrelated political, economic, financial, regulatory, geographic, judicial and other factors that can affect the markets in which the relevant instrument or instruments are traded and/or the particular instrument or instruments. As a result, it is impossible to predict whether the prices or levels of the instrument or instruments comprising the Reference Asset will rise or fall during the term of the notes. During the term of the notes, the price of the instrument or instruments comprising the Reference Asset may decrease below the initial level. We cannot guarantee that the price of the instrument or instruments comprising the Reference Asset will rise or fall over the life of the notes or, if the price of the instrument or instruments comprising the Reference Asset does rise or fall, what the level will be on the date or dates that the performance of the notes is determined.

The historical or pro forma performance of the Reference Asset is not an indication of future performance.

The historical or pro forma performance of the instrument or instruments comprising the Reference Asset, which may be included in the applicable pricing supplement, should not be taken as an indication of the future performance of the instrument or instruments comprising the Reference Asset. It is impossible to predict whether the level of the Reference Asset will fall or rise over the term of the notes. The trading level or price of the Reference Asset will be influenced by the complex and interrelated economic, financial, regulatory, geographic, judicial, political and other factors that can affect the trading markets on which the instrument or instruments comprising the Reference Asset are traded and/or the value of the notes.

You must rely on your own evaluation of the merits of an investment in the notes.

In connection with your purchase of the notes, we urge you to consult your own financial, tax and legal advisors as to the risks entailed by an investment in notes and to investigate the Reference Asset and not rely on our views in any respect. You should make such investigation as you deem appropriate as to the merits of an investment in the notes.

The price at which you will be able to sell your notes prior to maturity will depend on a number of factors, and may be substantially less than the amount you had originally invested.

If you wish to liquidate your investment in the notes prior to maturity, your only alternative would be to sell the notes. At that time, there may be an illiquid market for your notes or no market at all. Even if you were able to sell your notes, there are many factors outside of our control that may affect the value that you could realize from such a sale. We believe that the value of your notes will be affected by the value and volatility of the instrument or instruments comprising the Reference Asset, whether or not the trading level or price of the Reference Asset is greater than or equal to the initial level, changes in interest rates, the supply of and demand for the notes and a number of other factors. Some of these factors are interrelated in complex ways; as a result, the effect of any one factor may be offset or magnified by the effect of another factor. The price, if any, at which you will be able to sell your notes prior to maturity may be substantially less than the amount you originally invested if, at such time, the trading level or price of the Reference Asset is less than, equal to or not sufficiently above the initial level. The following paragraphs describe the manner in which we expect the trading value of the notes will be affected in the event of a change in a specific factor, assuming all other conditions remain constant.

- *Reference Asset performance.* We expect that the value of the notes prior to maturity will depend substantially on the relationship between the trading level or price of the Reference Asset and its initial level. If you decide to sell your notes when the trading level or price differs from the initial level, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that

trading level or price because of expectations that the trading level or price will continue to fluctuate until the date or dates that the performance of the notes is determined.

- *Volatility of the Reference Asset.* Volatility is the term used to describe the size and frequency of market fluctuations. If the volatility of the Reference Asset increases or decreases, the trading value of the notes may be adversely affected.
- *Interest rates.* We expect that the trading value of the notes will be affected by changes in interest rates. In general, if interest rates increase, the value of the notes may decrease, and if interest rates decrease, the value of the notes may increase. Interest rates also may affect the economy and, in turn, the value of the Reference Asset, which would affect the value of the notes.
- *Our credit ratings, financial condition and results of operations.* Actual or anticipated changes in our current credit ratings, currently Aa3 by Moody's Investor Service, Inc. and AA- by Standard & Poor's Rating Services, as well as our financial condition or results of operations may significantly affect the trading value of the notes. However, because the return on the notes is dependent upon factors in addition to our ability to pay our obligations under the notes, such as the trading level or price of the Reference Asset, an improvement in our credit ratings, financial condition or results of operations is not expected to have a positive effect on the trading value of the notes.
- *Time remaining to maturity.* A "time premium" results from expectations concerning the value of the Reference Asset during the period prior to the maturity of the notes. As the time remaining to the maturity of the notes decreases, this time premium will likely decrease, potentially adversely affecting the trading value of the notes. As the time remaining to maturity decreases, the trading value of the notes may be less sensitive to the price volatility of the instrument or instruments comprising the Reference Asset.
- *Dividend yield, if any.* The value of the notes also may be affected by the dividend yields, if any, on the instrument or instruments comprising the Reference Asset. In general, because the payment at maturity does not incorporate the value of dividend payments, an increase in dividend yields is likely to reduce the trading value of the notes. Conversely, a decrease in dividend yields is likely to increase the trading value of the notes.
- *Events affecting or involving the Reference Asset.* Economic, financial, regulatory, geographic, judicial, political and other developments that affect the level of the instruments comprising a Reference Asset, and real or anticipated changes in those factors, also may affect the trading value of the notes. For example, earnings results of the instrument or instruments comprising a Reference Asset that is or relates to one or more equity securities, and real or anticipated changes in those conditions or results, may affect the trading value of the notes. Reference Assets relating to equity securities also may be affected by mergers and acquisitions, which can contribute to volatility of the Reference Asset. As a result of a merger or acquisition involving the Reference Asset, the Reference Asset may be replaced with a surviving or acquiring entity's securities. The surviving or acquiring entity's securities may not have the same characteristics as the company or companies previously comprising the Reference Asset.
- *Agent's commission and cost of hedging.* The original issue price of the notes includes the agent's commission and the cost of hedging our obligations under the notes. Such cost includes our affiliates' expected cost of providing such hedge and the profit our affiliate expects to realize in consideration for assuming the risks inherent in providing such hedge. As a result, assuming no change in market conditions or any other relevant factors, the price, if any, at which the agent will be willing to purchase notes from you in secondary market transactions will likely be lower than the original issue price. In addition, any such prices may differ from values determined by pricing models used by the agent as a result of such compensation or other transaction costs.

We want you to understand that the effect of one of the factors specified above, such as an increase in interest rates, may offset some or all of any change in the value of the notes attributable to another factor, such as an increase in the value of the Reference Asset.

The notes are not insured against loss by any third parties; you can depend only on our earnings and assets for payment and interest, if any, on the notes.

The notes will be solely our obligations, and no other entity will have any obligation, contingent or otherwise, to make any payments in respect of the notes. In addition, because we are a holding company whose primary assets consist of shares of stock or other equity interests in our subsidiaries, almost all of our income is derived from those subsidiaries. Our subsidiaries will have no obligation to pay any amount in respect of the notes or to make any funds available for payment of the notes. Accordingly, we will be dependent on dividends and other distributions or loans from our subsidiaries to generate the funds necessary to meet our obligations with respect to the notes, including the payment of principal and any interest. The notes also will be effectively subordinated to the claims of creditors of our subsidiaries with respect to their assets. If funds from dividends, other distributions or loans from our subsidiaries are not adequate, we may be unable to make payments of principal or interest, if any, in respect of the notes and you could lose all or a part of your investment.

We may choose to redeem the notes when prevailing interest rates or the return on your investment are relatively low.

If your notes are redeemable at our option, this means that we have the right, without your consent, to redeem or “call” all or a portion of your notes at any time, or at a specific point in time, as specified in the applicable pricing supplement. This does not mean that you have a similar right to require us to repay your notes. Where such a redemption right exists, you may not be able to reinvest the redemption proceeds in a comparable security with a similar maturity, including those of HSBC USA, at an effective interest rate or with an effective return as high as the interest rate or return on the notes being redeemed. Any such redemption right of ours also may adversely impact your ability to sell your notes, and/or the price at which you could sell your notes, as the redemption date approaches. You should consult your own financial and legal advisors as to the risks of an investment in redeemable notes.

The instrument or instruments comprising the Reference Asset may trade more frequently than the notes trade in a secondary market, if any.

The hours of trading for the notes may not conform to the hours during which the instrument or instruments comprising the Reference Asset are traded. To the extent that U.S. markets are closed while foreign markets remain open, significant movements may take place in the levels of the instrument or instruments comprising the Reference Asset that will not be reflected immediately in the price of the notes. In addition, there may not be any systematic reporting of last-sale or similar information for the Reference Asset. The absence of last-sale or similar information and the limited availability of quotations would make it difficult for many investors to obtain timely, accurate data about the state of the market for the Reference Asset.

The calculation agent may postpone the determination of the amount you receive in respect of the notes if a market disruption event occurs on any date or dates on which the performance of the notes is determined.

Any date or dates on which the performance of the notes is to be determined may be postponed if the calculation agent determines that a market disruption event has occurred or is continuing on that date. If a postponement occurs, the calculation agent will follow the procedures prescribed in the applicable pricing supplement. You will not be entitled to compensation from us or the calculation agent for any loss suffered as a result of the occurrence of a market disruption event or any resulting delay in payment or any change in the level of the Reference Asset after the originally scheduled date or dates on which the performance of the notes was to be determined. If so provided in the applicable pricing supplement, should the market disruption event continue for a certain period of time, the performance of the Reference Asset, and hence the notes, may be determined by the calculation agent based upon its good faith estimate.

The amount you receive at maturity may be delayed or reduced upon the occurrence of an event of default.

If the calculation agent determines that the notes have become immediately due and payable following an Event of Default (as defined in the prospectus) with respect to the notes, you may not be entitled to the entire principal amount of the notes, but only to that portion of the principal amount specified in the applicable pricing supplement,

together with accrued but unpaid interest, if any. For more information, see “Description of Debt Securities — Events of Default” and “— Events of Default; Defaults” in the prospectus.

The calculation agent could be us or one of our affiliates and the calculation agent may have an adverse economic interest.

The calculation agent will make certain determinations and judgments in connection with various calculations in connection with the notes and determining whether a market disruption event has occurred. You should refer to “Description of Notes.” Because the calculation agent could be us or one of our affiliates, the calculation agent may have economic interests that are adverse to the interests of the note holders. The calculation agent is obligated to carry out its duties and functions as calculation agent in good faith and using its reasonable judgment.

Trading and other transactions by us or our affiliates could affect the trading level or price and/or level of the Reference Asset, the trading value of the notes or the amount you may receive at maturity.

In connection with our normal business practices or in connection with hedging our obligations under the notes, we and our affiliates may from time to time buy or sell the instrument or instruments comprising a Reference Asset, similar instruments, other securities of an issuer of an instrument comprising a Reference Asset or derivative instruments relating to such an instrument or instruments. These trading activities may occur in our proprietary accounts, in facilitating transactions, including block trades, for our other customers and in accounts under our management. These trading activities also could affect the price of an instrument comprising any Reference Asset in a manner that would decrease the trading value of the notes prior to maturity or the amount you would receive at maturity. To the extent that we or any of our affiliates have a hedge position in an instrument or instruments comprising the Reference Asset, or in a derivative or synthetic instrument related to such an instrument, we or any of our affiliates may liquidate a portion of such holdings at or about the time of the maturity of the notes. This liquidation activity may affect the amount payable at maturity in a manner that would be adverse to your investment in the notes. Depending on, among other things, future market conditions, the aggregate amount and the composition of such hedge positions are likely to vary over time.

In addition, we or any of our affiliates may purchase or otherwise acquire a long or short position in the notes. We or any of our affiliates may hold or resell any such position in the notes.

Research reports and other transactions may create conflicts of interest between you and us.

We or one or more of our affiliates have published, and may in the future publish, research reports relating to the instrument or instruments comprising certain Reference Assets or to the issuers of certain such instruments. The views expressed in this research may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the notes. Any of these activities may affect the trading level or price of an instrument comprising the Reference Asset and, therefore, the value of the notes. Moreover, other professionals who deal in these markets may at any time have views that differ significantly from ours. In connection with your purchase of the notes, you should investigate the Reference Asset and not rely on our views with respect to future movements in the Reference Asset.

We or any of our affiliates also may issue, underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments with returns indexed to the instrument or instruments comprising the Reference Asset. By introducing competing products into the marketplace in this manner, we or our affiliates could adversely affect the value of the notes.

We and our affiliates, at present or in the future, may engage in business relating to the sponsor or issuer of any instrument or instruments comprising the Reference Asset, including making loans to, equity investments in, or providing investment banking, asset management or other advisory services to such a sponsor or issuer. In connection with these activities, we may receive information pertinent to the Reference Asset that we will not divulge to you.

We cannot control actions by the sponsors or issuers of the instrument or instruments comprising the Reference Asset.

Actions by any sponsor or issuer of the instrument or instruments comprising the Reference Asset may have an adverse effect on the trading level or price of any instrument comprising the Reference Asset and therefore on the value of the notes. No sponsor or issuer will be involved with the administration, marketing or trading of the notes and no sponsor or issuer will have any obligations with respect to the amounts to be paid to you on any applicable interest payment date or on the maturity date, or to consider your interests as an owner of notes when it takes any actions that might affect the value of the notes. No sponsor or issuer will receive any of the proceeds of any note offering and no sponsor or issuer will be responsible for, or have participated in, the determination of the timing of, prices for, or quantities of, the notes to be issued.

We will not be affiliated with any sponsor or issuer of any instrument or instruments comprising the Reference Asset (except for the licensing arrangements, if any, discussed in the applicable pricing supplement), and we have no ability to control or predict their actions, including any errors in information disclosed by them or any discontinuance by them of such disclosure. However, we may currently, or in the future, engage in business with such sponsors or issuers. Neither we, nor any of our affiliates, including the agent, assumes any responsibility for the adequacy or accuracy of any publicly available information about the sponsor or issuer of any instrument or instruments comprising the Reference Asset, whether such information is contained in the pricing supplement or otherwise. You should make your own investigation into the Reference Asset and the sponsor or issuer of any instrument or instruments comprising the Reference Asset.

You have no recourse to the sponsor or issuer of any instrument or instruments comprising the Reference Asset.

Your investment in the notes will not give you any rights against any sponsor or issuer, including any sponsor or issuer that may determine or publish the level of any instrument or instruments comprising the Reference Asset. The notes are not sponsored, endorsed, sold or promoted by the sponsor or issuer of any instrument or instruments comprising the Reference Asset.

Changes in methodology of the sponsor or issuer of certain Reference Assets or changes in laws or regulations, may affect the value of and payment, if any, on the notes prior to maturity and the amount you receive at maturity.

The sponsor or issuer of certain Reference Assets may have the ability from time to time to change any of its rules or bylaws or historical practices and procedures or take emergency action under its rules, any of which could affect the trading level or price of the instrument or instruments comprising the Reference Asset. Any such change which causes a decrease in such trading level or price could adversely affect the level or price of the Reference Asset and the value of the notes.

In addition, the level or price of a Reference Asset could be adversely affected by the promulgation of new laws or regulations or by the reinterpretation of existing laws or regulations (including, without limitation, those relating to taxes and duties on any Reference Asset) by one or more governments, governmental agencies or instrumentalities, courts or other official bodies. Any such event could adversely affect the level of the Reference Asset and, correspondingly, could adversely affect the value of the notes.

The sponsor may change the instruments comprising the Reference Assets that are indices in a way that adversely affects the Reference Asset level and consequently the value of the notes.

The sponsor of Reference Assets that are indices can add, delete or substitute the instruments comprising the Reference Asset or make other methodological changes that could adversely change the level of the Reference Asset and the value of the notes. You should realize that changes in the instrument or instruments comprising the Reference Asset may affect the Reference Asset, as a newly added instrument or instruments may perform significantly better or worse than the instrument or instruments it replaces.

Any discontinuance or suspension of calculation or publication of the trading levels or prices of the instrument or instruments comprising the Reference Asset may adversely affect the trading value of the notes and the amount you will receive at maturity.

If the calculation or publication of the trading levels or prices of the instrument or instruments comprising the Reference Asset is discontinued or suspended, it may become difficult to determine the trading value of the notes or, if such discontinuance or suspension is continuing on the observation date, the amount you will receive at maturity.

Reference Assets comprised of an instrument or instruments traded in a foreign market may contain additional risks.

The prices and performance of instruments or securities traded in foreign markets may be affected by political, economic, financial, social or other factors in the relevant foreign market. In addition, recent or future changes in governmental, economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions, and possible fluctuations in the rate of exchange between currencies, are factors that could adversely affect the foreign securities markets. Moreover, the relevant foreign economy may differ favorably or unfavorably from that of the United States.

Time differences between the domestic and foreign markets and New York City may create discrepancies in the trading level or price of the notes if the Reference Assets are comprised of instruments that primarily trade on foreign markets.

In the event that the instrument or instruments comprising a Reference Asset trade primarily on a foreign market, time differences between the domestic and foreign markets may result in discrepancies between the level of the instrument or instruments comprising the Reference Asset and the value of the notes. To the extent that U.S. markets are closed while markets for the instrument or instruments comprising the Reference Asset remain open, significant price or rate movements may take place in the instrument or instruments comprising the Reference Asset that will not be reflected immediately in the value of the notes. In addition, there may be periods when the relevant foreign markets are closed for trading, causing the level of the Reference Asset to remain unchanged for multiple trading days in New York City.

The material U.S. federal income tax consequences of an investment in some types of notes are uncertain.

There is no direct legal authority as to the proper tax treatment of some types of notes, and therefore significant aspects of the tax treatment of some types of notes are uncertain, as to both the timing and character of income and gain in respect of your note. The applicable pricing supplement will provide further detailed information as to the tax treatment of your notes. We urge you to consult your tax advisor as to the tax consequences of your investment in a note. For a more complete discussion of the U.S. federal income tax consequences of your investment in a note, please see the discussion under “Certain U.S. Federal Income Tax Considerations.”

Additional Risks Relating to Notes With an Equity Security or Equity Index as the Reference Asset.

Equity market risks may affect the trading value of the notes and the amount you will receive at maturity.

If the Reference Asset is an equity security or an equity index, we expect that the Reference Asset will fluctuate in accordance with changes in the financial condition of the relevant issuer(s), the value of common stocks generally and other factors. The financial condition of the issuer(s) of the Reference Asset may become impaired or the general condition of the equity market may deteriorate, either of which may cause a decrease in the value of the Reference Asset and, thereby affect the value of the notes. Common stocks are susceptible to general equity market fluctuations and to volatile increases and decreases in value, as market confidence in and perceptions regarding the instrument or instruments comprising a Reference Asset change. Investor perceptions regarding the issuer of a security comprising a Reference Asset are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic, and banking crises. The value of the Reference Asset may be expected to fluctuate until the maturity date.

You have no rights in the property, nor shareholder rights in any securities of any issuer of the instrument or instruments comprising the Reference Asset.

Investing in the notes will not make you a holder of the instrument or instruments comprising the Reference Asset. Neither you nor any other holder or owner of the notes will have any voting rights, any right to receive dividends or other distributions or any other rights with respect to any property or securities of the issuer or issuers of the instrument or instruments comprising the Reference Asset.

The notes may be affected by certain corporate events and you will have limited antidilution protection.

Following certain corporate events relating to underlying Reference Assets consisting of equity securities, such as a stock-for-stock merger where the underlying company is not the surviving entity, you may receive at maturity, cash or a number of shares of the common stock of a successor corporation to the underlying company, based on the closing price of such successor's common stock. The occurrence of such corporate events and the consequent adjustments may materially and adversely affect the value of the notes. We describe the specific corporate events that can lead to these adjustments in the applicable pricing supplement. The calculation agent for the notes may adjust the amount payable at maturity by adjusting the initial level of the Reference Asset for certain events affecting the Reference Asset, such as stock splits and stock dividends and certain other corporate events involving an underlying company. However, the calculation agent is not required to make an adjustment for every corporate event that can affect the Reference Asset. If an event occurs that is perceived by the market to dilute or concentrate the Reference Asset but that does not require the calculation agent to adjust the amount of the Reference Asset payable at maturity, the value of the notes and the amount payable at maturity may be materially and adversely affected. You should refer to "Description of Notes—Calculation Agent and Calculations" in this prospectus supplement for a description of the items that the calculation agent is responsible for determining.

Payments at maturity will not reflect dividends on the Reference Asset.

Payments at maturity do not reflect the payment of dividends on the instrument or instruments comprising the Reference Asset. Therefore, the yield derived from an investment in the notes will not be the same as if you had purchased the instrument or instruments comprising the Reference Asset and held it or them for a similar period.

We obtained the information about the sponsor or issuers of the Reference Asset from public filings.

We have derived all information in the applicable pricing supplement about the sponsor or issuers of the instrument or instruments comprising the Reference Asset from publicly available documents. We have not participated and will not participate in the preparation of any of those documents. Nor have we made or will we make any "due diligence" investigation or any inquiry with respect to the sponsor or issuers of the instrument or instruments comprising the Reference Asset in connection with the offering of the notes. We do not make any representation that any publicly available document or any other publicly available information about the sponsor or issuers of the instrument or instruments comprising the Reference Asset is accurate or complete. Furthermore, we do not know whether all events occurring before the date of the applicable pricing supplement, including events that would affect the accuracy or completeness of the publicly available documents referred to above or the trading level or price of the instruments comprising the Reference Asset, have been publicly disclosed. Subsequent disclosure of any events of this kind or the disclosure of or failure to disclose material future events concerning the sponsor or issuers of the instrument or instruments comprising the Reference Asset could affect the value you will receive at maturity and, therefore, the market value of the notes.

Your return may be affected by factors affecting foreign securities markets.

The Reference Asset may be a security or securities issued by foreign companies (or an index relating to such securities) and may be denominated in a foreign currency. Investors should be aware that investments in Reference Assets linked to the value of foreign securities (or an index relating to such securities) might involve particular risks. The foreign securities comprising or relating to a Reference Asset may have less liquidity and could be more volatile than many of the securities traded in U.S. or other longer-established securities markets. Direct or indirect government intervention to stabilize the relevant foreign securities markets, as well as cross shareholdings in foreign companies, may affect trading levels or prices and volumes in those markets. Also, there is generally less publicly

available information about foreign companies than about those U.S. companies that are subject to the reporting requirements of the SEC; and foreign companies often are subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies. The other special risks associated with foreign securities may include, but are not necessarily limited to: less liquidity and smaller market capitalizations; less rigorous regulation of securities markets; different accounting and disclosure standards; governmental interference; currency fluctuations; higher inflation; and social, economic and political uncertainties.

These factors may adversely affect the performance of the Reference Asset and, as a result, the trading value of the notes and the amount you will receive at maturity.

Additional Risks Relating to Notes With a Reference Asset That Is a Commodity or a Contract or Index Relating Thereto.

Prices of commodities are highly volatile.

Commodities prices are highly volatile and are affected by numerous factors in addition to economic activity. These include political events, weather, labor activity, direct government intervention, such as embargos, and supply disruptions in major producing or consuming regions. Such events tend to affect prices worldwide, regardless of the location of the event. Market expectations about these events and speculative activity also cause prices to fluctuate.

Certain rapidly developing countries are oversized users of commodities.

The price of any instrument or instruments comprising the Reference Asset can fluctuate widely due to supply and demand disruptions in major producing or consuming regions. In particular, recent growth in industrial production and gross domestic product has made China, India and other rapidly developing countries oversized users of commodities and has increased the extent to which the price of commodities relies on the Chinese, Indian and certain other markets. Political, economic and other developments that affect China, India and other developing countries will affect the value of each instrument or instruments comprising the Reference Asset and, thus, the value of the notes. Because the commodities represented by the instrument or instruments comprising the Reference Asset are produced in a limited number of countries and are controlled by a small number of producers, political, economic and supply related events in such countries could have a disproportionate impact on the prices of the instrument or instruments comprising the Reference Asset.

Suspensions or disruptions of market trading in the commodity markets and related futures may adversely affect the amount you will receive at maturity and/or the market value of the notes.

The commodity markets are subject to temporary distortions or other disruptions due to various factors, including a lack of liquidity in the markets, the participation of speculators and potential government regulation and intervention. In addition, U.S. futures exchanges and some foreign futures exchanges have regulations that limit the amount of fluctuation in futures contract prices that may occur during a single business day. These limits are generally referred to as “daily price fluctuation limits” and the maximum or minimum price of a contract on any given day as a result of these limits is referred to as a “limit price.” Once the limit price has been reached in a particular contract, no trades may be made at a different price. Limit prices may have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices.

You may not have any rights to receive the Reference Asset.

Investing in the notes will not make you a holder of any commodity, currency or futures contract relating to a Reference Asset. If the Reference Asset is not an equity security, the notes will be paid solely in cash, and you will have no right to receive delivery of any commodity, currency or futures contract relating to a Reference Asset.

Lack of regulation.

The net proceeds to be received by us from the sale of notes relating to one or more commodities (or an index thereon) will not be used to purchase or sell any commodity futures contracts or options on futures contracts for your benefit. An investment in the notes thus does not constitute either an investment in futures contracts, options on

futures contracts or in a collective investment vehicle that trades in these futures contracts (i.e., the notes will not constitute a direct or indirect investment by you in the futures contracts), and you will not benefit from the regulatory protections of the Commodity Futures Trading Commission. We are not registered with the Commodity Futures Trading Commission as a futures commission merchant and you will not benefit from the Commodity Futures Trading Commission's or any other non United States regulatory authority's regulatory protections afforded to persons who trade in futures contracts on a regulated futures exchange through a registered futures commission merchant. Unlike an investment in the notes, an investment in a collective investment vehicle that invests in futures contracts on behalf of its participants may be subject to regulation as a commodity pool and its operator may be required to be registered with and regulated by the Commodity Futures Trading Commission as a commodity pool operator, or qualify for an exemption from the registration requirement. Because the notes will not be interests in a commodity pool, the notes will not be regulated by the Commodity Futures Trading Commission as a commodity pool, we will not be registered with the Commodity Futures Trading Commission as a commodity pool operator, and you will not benefit from the Commodity Futures Trading Commission's or any non U.S. regulatory authority's regulatory protections afforded to persons who invest in regulated commodity pools.

Risks relating to trading of the instrument or instruments comprising a Reference Asset on international futures exchanges.

Certain foreign futures exchanges operate in a manner more closely analogous to the over-the-counter physical commodity markets than to the regulated futures markets, and certain features of U.S. futures markets are not present. For example, there may not be any daily price limits which would otherwise restrict the extent of daily fluctuations in the prices of the respective contracts. In a declining market, therefore, it is possible that prices would continue to decline without limitation within a trading day or over a period of trading days.

Additional Risks Relating to Notes That Are Denominated In or Indexed to a Foreign Currency or With a Reference Asset That Is a Foreign Currency or a Contract or Index Relating Thereto.

Changes in foreign exchange rates and foreign exchange controls could result in a substantial loss to you.

An investment in notes that are denominated in a specified currency other than U.S. dollars, or that have principal and/or any interest payments indexed to a specified currency, entails significant risks that are not associated with a similar investment in a security denominated in U.S. dollars. Risks include, without limitation, the possibility of significant changes in rates of exchange between the U.S. dollar and the relevant foreign currencies or composite currencies and the possibility of the imposition or modification of foreign exchange controls by either the United States or foreign governments. These risks generally depend on factors over which we have no control, such as economic and political events or the supply of and demand for the relevant currencies. In recent years, rates of exchange between the U.S. dollar and certain foreign currencies have been highly volatile and volatility between U.S. and foreign currencies could occur in the future. If a note is non-U.S. dollar denominated, depreciation of the specified currency against the U.S. dollar could result in a decrease in the effective yield of the note below its coupon rate, and in certain circumstances could result in a loss to the investor on a U.S. dollar basis.

Governments have imposed, and may in the future impose, exchange controls that could affect exchange rates, as well as the availability of a specified foreign currency for making payments with respect to a non-U.S. dollar denominated note. There can be no assurance that exchange controls will not restrict or prohibit payments in any such currency or currency unit. Even if there are no actual exchange controls, it is possible that the specified currency for any particular note would not be available to make payments when due. In that event, we will repay such note in U.S. dollars on the basis of the most recently available exchange rate.

If the Reference Asset is comprised of one or more foreign currencies (or an index thereon), the notes relating thereto may be subject to foreign exchange risk.

The price relationship between two different currencies may be highly volatile and varies based on a number of interrelated factors, including the supply and demand for each currency, political, economic, legal, financial, accounting and tax matters and other actions that we cannot control. Relevant factors include, among other things, the possibility that exchange controls could be imposed or modified, the possible imposition of other regulatory controls or taxes, the overall growth and performance of the local economies, the trade and current account balance

between the relevant countries, market interventions by the central banks, inflation, interest rate levels, the performance of the global stock markets, the stability of the relevant governments and banking systems, wars, natural disasters and other foreseeable and unforeseeable events. In addition, the value of a currency may be affected by the operation of, and the identity of persons and entities trading on, interbank and interdealer foreign exchange markets.

The liquidity, trading value and amount you receive at maturity could be affected by the actions of the relevant sovereign governments.

Exchange rates of most economically developed nations are “floating,” meaning the rate is permitted to fluctuate in value. However, governments, from time to time, may not allow their currencies to float freely in response to economic forces. Moreover, governments, including that of the United States, use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments also may issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing notes relating to one or more foreign currencies is that their liquidity, their trading value and the amount you will receive at maturity could be affected by the actions of sovereign governments which could change or interfere with currency valuation and the movement of currencies across borders. There will be no adjustment or change in the terms of such notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of the issuance of a replacement currency or in the event of any other development affecting the relevant currencies.

The unavailability of foreign currencies could result in a substantial loss to you.

Banks may not offer non U.S. dollar denominated checking or savings account facilities in the United States. Accordingly, payments on non U.S. dollar denominated notes will be made from an account with a bank located in the country issuing the specified currency. As a result, you may have difficulty converting or be unable to convert such specified currencies into U.S. dollars on a timely basis or at all.

Additional Risks Relating to Notes With a Reference Asset That Is a Floating Interest Rate, an Index Containing Floating Interest Rates or Based in Part on a Floating Interest Rate.

You may receive a lesser amount of interest or no interest at all in the future.

Because the Reference Asset will be comprised of or based in part on a floating interest rate, there will be significant risks not associated with a conventional fixed-rate debt security. These risks include fluctuation of the applicable interest rate and the possibility that, in the future, you will receive a lesser amount of interest than the interest rate in effect at the time you purchase the notes or no interest at all. We have no control over a number of matters that may affect interest rates, including economic, financial and political events that are important in determining the existence, magnitude and longevity of these risks and their results.

The interest rate may be below the rate otherwise payable on similar notes with a floating interest rate issued by us or another issuer with the same credit rating.

Because the Reference Asset will be comprised of or based in part on a floating interest rate, you may receive a rate of interest that is less than the rate of interest on debt securities with the same maturity issued by us or an issuer with the same credit rating.

The terms of the notes may not require payment of interest or return of a portion or all your principal in certain circumstances.

The notes may have fixed or floating interest rates that accrue only if a particular index property falls within a particular range of values (a “range note”) or if it is higher or lower than a specified amount. You should consider the risk that the interest rate accrual provisions applicable to these notes, as specified in the applicable product supplement or pricing supplement, may result in no interest or less interest being payable on the notes than on a conventional fixed rate debt security issued by us at the same time and with the same maturity. For example, a range

note may provide that if the relevant index for that range note is less than the range minimum or is more than the range maximum on one or more business days during the applicable period (which may be for the entire term of the note), no interest will accrue during the period.

In addition, the interest rate applicable to notes linked to an index such as the consumer price index may be linked to period-over-period changes in the level of the index for the relevant index measurement period. If the index does not increase (or decrease, as specified in the applicable pricing supplement) during the relevant measurement period, you may not receive any interest payments for the applicable interest period.

The interest rate on the notes could be zero.

We have no control over the fluctuations in the levels of the Reference Assets. If the interest payments depend on a formula that uses the Reference Asset as a variable, certain values of the Reference Asset may result in a calculation that equals zero. In that case, no interest may accrue for the related interest payment period.

Additional Risks Relating to Notes With a Reference Asset That Is the Consumer Price Index (the “CPI”) or Contains the CPI or Is Based in Part on the CPI.

The interest rate on the notes could be zero.

The terms of the notes differ from those of ordinary debt securities in that interest on the notes is linked to changes in the level of the CPI. We have no control over fluctuations in the value of the CPI, and such fluctuations may result in no interest accruing on the notes for any given interest payment period.

The interest rate on the notes may be below the rate otherwise payable on debt securities with similar maturities issued by us or another issuer with a similar credit rating.

If there are only minimal increases, no changes or decreases in the monthly CPI measured period over period (as specified in the applicable pricing supplement), the interest rate on the notes may be less than the rate on debt securities with the same maturity issued by us (or an issuer with the same security rating). We have no control over fluctuations in the value of the CPI.

The CPI may be discontinued; the manner in which the CPI is calculated may change in the future.

There can be no assurances that the CPI will not be discontinued or that the Bureau of Labor Statistics of the U.S. Labor Department will not change the method by which it calculates the CPI. Changes in the way the CPI is calculated could reduce the level of the CPI and lower the interest payments with respect to the notes. Accordingly, the amount of interest, if any, payable on the notes, and therefore the value of the notes, may be significantly reduced. We have no control over the way the CPI is calculated. If the CPI is substantially altered, a substitute index may be employed to calculate the interest payable on the notes, and that substitution may adversely affect the value of the notes.

The historical levels of the CPI are not an indication of the future levels of the CPI.

The historical levels of the CPI are not an indication of the future levels of the CPI during the term of the notes. In the past, the CPI has experienced periods of volatility and such volatility may occur in the future. Fluctuations and trends in the CPI that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur in the future.

The interest payments on the notes that will be affected by changes in the CPI. Such changes may be significant. Changes in the CPI are a function of the changes in specified consumer prices over time, which result from the interaction of many factors over which we have no control.

Additional Risks Relating to Notes Which Contain a Multiplier.

Changes in the levels, values and prices of the Reference Asset will be intensified by the multiplier.

If the principal, interest or any other amounts payable on the notes is dependent on a multiplier, movements in the levels, values and prices of the Reference Asset during each interest payment period will be intensified. As a result, small changes in any Reference Asset are expected to have a greater effect on the value of the notes than on the value of notes without a multiplier.

Additional Risks Relating to Notes With a Maximum Limitation, Maximum Rate, Ceiling or Cap.

Your gain, if any, on the notes at maturity will be limited to the maximum limitation, maximum rate, ceiling or cap.

Your payment at maturity is based on the return of the Reference Asset, which if positive, may be subject to the maximum limitation, maximum rate, ceiling or cap (collectively referred to herein as a “maximum interest rate”). In the event that the maximum interest rate is applicable, the maximum payment at maturity for each note will be limited to the sum of (i) the principal amount of the note and (ii) the product of the principal amount of the note multiplied by the maximum interest rate, regardless of the positive percentage increase of the Reference Asset over the maximum interest rate.

Additional Risks Relating to Certain Notes With More Than One Instrument Comprising the Reference Asset.

The Reference Asset may not be a recognized market index and may not accurately reflect global market performance.

The Reference Asset may not be a recognized market index and may be created solely for purposes of the offering of the notes and calculated solely during the term of the notes. In such an instance, the level of the Reference Asset and, therefore, its performance will not be published as a separate index during the term of the notes.

Risks associated with the Reference Asset may adversely affect the price of the notes.

Because the notes may be linked to changes in the values of a limited number of instruments, the Reference Assets may be less diversified than funds or portfolios investing in broader markets and, therefore, could experience greater volatility. An investment in such notes may carry risks similar to a concentrated investment in a limited number of industries or sectors.

The instruments comprising the Reference Asset may not move in tandem; and gains in one such instrument may be offset by declines in another such instrument.

Price movements in the instruments comprising the Reference Assets may not move in tandem with each other. At a time when the price of one or more of such instruments increases, the price of one or more of the other such instruments may decrease. Therefore, increases in the value of one or more of the instruments comprising the Reference Asset may be moderated, or wholly offset, by lesser increases or decrease in the value of one or more of the other instruments comprising the Reference Asset.

The Reference Asset may be highly concentrated in one or more industries or economic sectors.

The notes are subject to the risk of an investment in the Reference Asset, which may be highly concentrated in securities or other instruments representing a particular economic sector. These include the risks of movements in the prices or levels of assets in these sectors, including the prices or levels of securities or other instruments comprising the Reference Asset. If the Reference Asset is concentrated in an industry or group of industries or a particular economic sector, the value of the notes will be impacted by price movements in that sector.

Please note, this prospectus supplement, the attached prospectus and the applicable pricing supplement do not describe all the risks of an investment in the notes. We urge you to consult your own financial and legal advisors as to the risks entailed by an investment in the notes.

PRICING SUPPLEMENT

The pricing supplement for each offering of notes will contain the specific information and terms for that offering. The pricing supplement also may add, update or change information contained in this prospectus supplement and the accompanying prospectus. *If any information in the pricing supplement is inconsistent with this prospectus supplement, you should rely on the information in the pricing supplement.* We also may prepare free writing prospectuses that describe particular issuances of notes. Any free writing prospectus should also be read in connection with this prospectus supplement and the accompanying prospectus. For purposes of this prospectus supplement, any references to an applicable pricing supplement also may refer to a free writing prospectus, unless the context otherwise requires. It is important that you consider all of the information in the pricing supplement, this prospectus supplement and the prospectus when making your investment decision.

Terms Specified in Pricing Supplement. A pricing supplement will specify the following terms of any issuance of notes to the extent applicable:

- the initial public offering price if other than 100%,
- Reference Asset,
- aggregate principal amount,
- pricing date,
- original issue date,
- observation date(s),
- maturity date and any terms related to any extension of the maturity date not otherwise set forth in this prospectus supplement,
- agent's discount,
- coupon rate, if any,
- interest payment dates, if any,
- initial level,
- closing level,
- minimum return, if any,
- payment at maturity,
- CUSIP,
- the currency in which the notes will be denominated and currency in which the interest will be payable if not U.S. dollars,
- and any other applicable terms.

DESCRIPTION OF NOTES

You should carefully read the general terms and provisions of our debt securities in "Description of Debt Securities" in the accompanying prospectus. This section supplements that description. The applicable pricing supplement will specify the particular terms for each issuance of notes and may supplement, modify or replace any of the information in this section and in "Description of Debt Securities" in the accompanying prospectus. Please note that the information about the price to the public and net proceeds to us on the front cover of the applicable pricing supplement relates only to the initial sale of the notes. If you have purchased the notes in a purchase/resale transaction after the initial sale, information about the price and date of sale to you will be provided in a separate confirmation of sale.

Ranking

The notes will constitute direct unsecured obligations of HSBC USA and will rank on a parity with all of the other unsecured and unsubordinated indebtedness of HSBC USA, present and future, except such obligations as are

preferred by operation of law. The notes will be issued under a senior debt indenture (the “Senior Indenture”), dated as of March 31, 2006, by and between HSBC USA and Deutsche Bank Trust Company Americas, as trustee and paying agent.

The notes are not deposit liabilities of HSBC USA and are not insured by the United States Federal Deposit Insurance Corporation or any other governmental agency of the United States or any other jurisdiction.

Denominations

The notes will be issued in minimum denominations of \$1,000 (or the specified currency equivalent), increased in multiples of \$1,000 (or the specified currency equivalent); provided, however, that the minimum purchase for any purchaser domiciled in a member state of the European Union shall be \$100,000.

Definitions

We have defined some of the terms that we use frequently in this prospectus supplement below:

A “business day” means any day, other than a Saturday or Sunday, (i) that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close (a) for all notes, in the City of New York or (b) for notes denominated in a specified currency other than U.S. dollars or euro, in the principal financial center of the country of the specified currency; (ii) for LIBOR notes only, a London banking day (as defined below); and (iii) for EURIBOR notes or notes denominated in euro, a day that is also a TARGET Settlement Day.

“Clearstream, Luxembourg” means Clearstream Banking, societe anonyme.

“Depository” means The Depository Trust Company, New York, New York.

“Euroclear operator” means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

An “interest payment date” for any note means a date on which, under the terms of that note, regularly scheduled interest is payable.

“London banking day” means any day on which dealings in deposits in the relevant index currency are transacted in the London interbank market.

The “record date” for any interest payment date is the date 15 calendar days prior to that interest payment date, whether or not that date is a business day, unless another date is specified in the applicable pricing supplement.

“TARGET Settlement Day” means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System (“TARGET”) is open. References in this prospectus supplement to “U.S. dollar,” or “U.S.\$” or “\$” are to the currency of the United States of America.

Payment at Maturity

The amount that you will receive on the maturity date and its calculation, along with illustrative examples, will be described in the applicable pricing supplement.

Forms of Notes

We will offer the notes on a continuing basis and will issue notes only in fully registered form either as book-entry notes or as certificated notes. References to “holders” mean those who own notes registered in their own names, on the books that we or the trustee maintain for this purpose, but not those who own beneficial interests in notes registered in street name or in notes issued in book-entry form through one or more depositaries.

Book-Entry Notes. For notes in book-entry form, we will issue one or more global note certificates representing the entire issue of notes. Except as set forth in the prospectus under “Book-Entry Procedures,” you may not exchange book-entry notes or interests in book-entry notes for certificated notes.

Each global note certificate representing book-entry notes will be deposited with, or on behalf of, the Depositary and registered in the name of the Depositary or nominee of the Depositary. These certificates name the Depositary or its nominee as the owner of the notes. The Depositary maintains a computerized system that will reflect the interests held by its participants in the global notes. An investor's beneficial interest will be reflected in the records of the Depositary's direct or indirect participants through an account maintained by the investor with its broker/dealer, bank, trust company or other representative. A further description of the Depositary's procedures for global notes representing book-entry notes is set forth in the prospectus under "Book-Entry Procedures." The Depositary has confirmed to us, the agents and the trustee that it intends to follow these procedures.

Certificated Notes. If we issue notes in certificated form, the certificate will name the investor or the investor's nominee as the owner of the note. The person named in the note register will be considered the owner of the note for all purposes. For example, if we need to ask the holders of the notes to vote on a proposed amendment to the notes, the person named in the note register will be asked to cast any vote regarding that note. If you have chosen to have some other entity hold the certificates for you, that entity will be considered the owner of your note in our records and will be entitled to cast the vote regarding your note. You may not exchange certificated notes for book-entry notes or interests in book-entry notes.

Interest and Principal Payments

Payments, Exchanges and Transfers. Holders may present notes for payment of principal, premium, if any, and interest, if any, register the transfer of the notes and exchange the notes at the corporate offices of HSBC Bank USA, National Association or at Deutsche Bank Trust Company Americas, 60 Wall Street, 27th Floor, New York, New York 10005, as our current agent for payment, transfer and exchange of the notes. We refer to Deutsche Bank Trust Company Americas, acting in this capacity, as the paying agent. However, beneficial owners of notes represented by global notes may transfer and exchange their notes only in the manner and to the extent set forth under "Book-Entry Procedures" in the prospectus.

We will not be required to:

- register the transfer or exchange of any note if the holder has exercised the holder's right, if any, to require us to repurchase the note, in whole or in part, except the portion of the note not required to be repurchased;
- register the transfer or exchange of notes to be redeemed for a period of 15 calendar days preceding the mailing of the relevant notice of redemption; or
- register the transfer or exchange of any registered note selected for redemption in whole or in part, except the unredeemed or unpaid portion of that registered note being redeemed in part.

No service charge will be made for any registration or transfer or exchange of notes, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the registration of transfer or exchange of notes.

Although we anticipate making payments of principal, premium, if any, and interest, if any, on most notes in U.S. dollars, some notes may be payable in foreign currencies as specified in the applicable pricing supplement. Currently, few facilities exist in the United States to convert between U.S. dollars and foreign currencies. In addition, most U.S. banks do not offer non-U.S. dollar denominated checking or savings account facilities. Accordingly, unless alternative arrangements are made, we will pay principal, premium, if any, and interest, if any, on notes that are payable in a foreign currency to an account at a bank outside the United States, which, in the case of a note payable in euro, will be made by credit or transfer to a euro account specified by the payee in a country for which the euro is the lawful currency.

Recipients of Interest Payments. The paying agent will pay interest on the interest payment date to the person in whose name the note is registered at the close of business on the applicable record date. However, upon maturity, redemption or repayment, the paying agent will pay any interest due to the person to whom it pays the principal of the note. The paying agent will make the payment of interest on the date of maturity, redemption or repayment, whether or not that date is an interest payment date. The paying agent will make the initial interest payment on a note on the first interest payment date falling after the date of issuance, unless the date of issuance is less than 15

calendar days before an interest payment date. In that case, the paying agent will pay interest on the next succeeding interest payment date to the holder of record on the record date corresponding to the succeeding interest payment date.

Book-Entry Notes. The paying agent will make payments of principal, premium, if any, and interest, if any, to the account of the Depositary, as holder of book-entry notes, by wire transfer of immediately available funds. We expect that the Depositary, upon receipt of any payment, will immediately credit its participants' accounts in amounts proportionate to their respective beneficial interests in the book-entry notes as shown on the records of the Depositary. We also expect that payments by the Depositary's participants to owners of beneficial interests in the book-entry notes will be governed by standing customer instructions and customary practices and will be the responsibility of those participants.

Certificated Notes. Except as indicated below for payments of interest at maturity, redemption or repayment, the paying agent will make U.S. dollar payments of interest either:

- by check mailed to the address of the person entitled to payment as shown on the note register; or
- for a holder of at least \$10,000,000 in aggregate principal amount of certificated notes having the same interest payment date, by wire transfer of immediately available funds, if the holder has given written notice to the paying agent not later than 15 calendar days prior to the applicable interest payment date. U.S. dollar payments of principal, premium, if any, and interest, if any, upon maturity, redemption or repayment on a note will be made in immediately available funds against presentation and surrender of the note.

Payment Procedures for Book-Entry Notes Denominated in a Foreign Currency. Book-entry notes payable in a specified currency other than U.S. dollars will provide that a beneficial owner of interests in those notes may elect to receive all or a portion of the payments of principal, premium, if any, or interest, if any, in U.S. dollars. In those cases, the Depositary will elect to receive all payments with respect to the beneficial owner's interest in the notes in U.S. dollars, unless the beneficial owner takes the following steps:

- The beneficial owner must give complete instructions to the direct or indirect participant through which it holds the book-entry notes of its election to receive those payments in the specified currency other than U.S. dollars by wire transfer to an account specified by the beneficial owner with a bank located outside the United States. In the case of a note payable in euro, the account must be a euro account in a country for which the euro is the lawful currency.
- The participant must notify the Depositary of the beneficial owner's election on or prior to the third business day after the applicable record date, for payments of interest, and on or prior to the twelfth business day prior to the maturity date or any redemption or repayment date, for payment of principal or premium.
- The Depositary will notify the paying agent of the beneficial owner's election on or prior to the fifth business day after the applicable record date, for payments of interest, and on or prior to the tenth business day prior to the maturity date or any redemption or repayment date, for payment of principal or premium.

Beneficial owners should consult their participants in order to ascertain the deadline for giving instructions to participants in order to ensure that timely notice will be delivered to the Depositary.

Payment Procedures for Certificated Notes Denominated in a Foreign Currency. For certificated notes payable in a specified currency other than U.S. dollars, the notes may provide that the holder may elect to receive all or a portion of the payments on those notes in U.S. dollars. To do so, the holder must send a written request to the paying agent:

- for payments of interest, on or prior to the fifth business day after the applicable record date; or
- for payments of principal or premium, at least ten business days prior to the maturity date or any redemption or repayment date.

To revoke this election for all or a portion of the payments on the certificated notes, the holder must send written notice to the paying agent at least five business days prior to the applicable record date, for payment of interest; or at least ten calendar days prior to the maturity date or any redemption or repayment date, for payments of principal. If the holder does not elect to be paid in U.S. dollars, the paying agent will pay the principal, premium, if any, or interest, if any, on the certificated notes:

- by wire transfer of immediately available funds in the specified currency to the holder's account at a bank located outside the United States, and in the case of a note payable in euro, in a country for which the euro is the lawful currency, if the paying agent has received the holder's written wire transfer instructions not less than 15 calendar days prior to the applicable payment date; or
- by check payable in the specified currency mailed to the address of the person entitled to payment that is specified in the note register, if the holder has not provided wire instructions. However, the paying agent will pay only the principal of the certificated notes, any premium and interest, if any, due at maturity, or on any redemption or repayment date, upon surrender of the certificated notes at the office or agency of the paying agent.

Determination of Exchange Rate for Payments in U.S. Dollars for Notes Denominated in a Foreign Currency. The exchange rate agent identified in the relevant pricing supplement will convert the specified currency into U.S. dollars for holders who elect to receive payments in U.S. dollars and for beneficial owners of book-entry notes that do not follow the procedures we have described immediately above. The conversion will be based on the highest bid quotation in the City of New York received by the exchange rate agent at approximately 11:00 a.m., New York City time, on the second business day preceding the applicable payment date from three recognized foreign exchange dealers for the purchase by the quoting dealer:

- of the specified currency for U.S. dollars for settlement on the payment date;
- in the aggregate amount of the specified currency payable to those holders or beneficial owners of notes; and
- at which the applicable dealer commits to execute a contract.

One of the dealers providing quotations may be the exchange rate agent unless the exchange rate agent is our affiliate. If those bid quotations are not available, payments will be made in the specified currency. The holders or beneficial owners of notes will pay all currency exchange costs by deductions from the amounts payable on the notes.

Unavailability of Foreign Currency. The relevant specified currency may not be available to us for making payments of principal of, premium, if any, or interest, if any, on any note. This could occur due to the imposition of exchange controls or other circumstances beyond our control or if the specified currency is no longer used by the government of the country issuing that currency or by public institutions within the international banking community for the settlement of transactions. If the specified currency is unavailable, we may satisfy our obligations to holders of the notes by making those payments on the date of payment in U.S. dollars on the basis of the noon dollar buying rate in the City of New York for cable transfers of the currency or currencies in which a payment on any note was to be made, published by the Federal Reserve Bank of New York, which we refer to as the "market exchange rate." If that rate of exchange is not then available or is not published for a particular payment currency, the market exchange rate will be based on the highest bid quotation in the City of New York received by the exchange rate agent at approximately 11:00 a.m., New York City time, on the second business day preceding the applicable payment date from three recognized foreign exchange dealers for the purchase by the quoting dealer:

- of the specified currency for U.S. dollars for settlement on the payment date;
- in the aggregate amount of the specified currency payable to those holders or beneficial owners of notes; and
- at which the applicable dealer commits to execute a contract.

One of the dealers providing quotations may be the exchange rate agent unless the exchange rate agent is our affiliate. If those bid quotations are not available, the exchange rate agent will determine the market exchange rate at its sole discretion.

These provisions do not apply in the event that a specified currency is unavailable because it has been replaced by the euro. If the euro has been substituted for a specified currency, we may at our option, or will, if required by applicable law, without the consent of the holders of the affected notes, pay the principal of, premium, if any, or interest, if any, on any note denominated in the specified currency in euro instead of the specified currency, in conformity with legally applicable measures taken pursuant to, or by virtue of, the treaty establishing the European Community, as amended by the Treaty on European Union. Any payment made in U.S. dollars or in euro as described above where the required payment is in an unavailable specified currency will not constitute an event of default.

Fixed-Rate Notes

Each fixed-rate note will bear interest from the date of issuance at the annual rate stated on its face until the principal is paid or made available for payment.

How Interest Is Calculated. Interest on fixed-rate notes will be computed on the basis of a 360-day year of twelve 30-day months.

How Interest Accrues. Interest on fixed-rate notes will accrue from and including the most recent interest payment date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from and including the issue date or any other date specified in a pricing supplement on which interest begins to accrue. Interest will accrue to but excluding the next interest payment date, or, if earlier, the date on which the principal has been paid or duly made available for payment, except as described below under “— If a Payment Date Is Not a Business Day.”

When Interest Is Paid. Payments of interest on fixed-rate notes will be made on the interest payment dates specified in the applicable pricing supplement. However, if the first interest payment date is less than 15 days after the date of issuance, interest will not be paid on the first interest payment date, but will be paid on the second interest payment date.

Amount of Interest Payable. Interest payments for fixed-rate notes will include accrued interest from and including the date of issue or from and including the last date in respect of which interest has been paid, as the case may be, to but excluding the relevant interest payment date, maturity date or date of earlier redemption or repayment, as the case may be.

If a Payment Date Is Not a Business Day. If any scheduled interest payment date is not a business day, we will pay interest on the next business day, but interest on that payment will not accrue during the period from and after the scheduled interest payment date. If the scheduled maturity date or date of redemption or repayment is not a business day, we may pay interest, if any, and principal and premium, if any, on the next succeeding business day, but interest on that payment will not accrue during the period from and after the scheduled maturity date or date of redemption or repayment.

Floating-Rate Notes

Each floating-rate note will mature on the date specified in the applicable pricing supplement and will bear interest at a floating rate determined by reference to an interest rate or interest rate formula, which we refer to as the “base rate.” The base rate may be one or more of the following (each as defined herein):

- the CD rate,
- the CMS rate,
- the CMT rate,

- the commercial paper rate,
- the CPI,
- the eleventh district cost of funds rate,
- EURIBOR,
- the federal funds (effective) rate,
- the federal funds (open) rate,
- LIBOR,
- the prime rate,
- the treasury rate, or
- any other rate or interest rate formula specified in the applicable pricing supplement and in the floating-rate note.

Formula for Interest Rates. The interest rate on each floating-rate note will be calculated by reference to:

- the specified base rate based on the index maturity,
- plus or minus the spread, if any, and/or
- multiplied by the spread multiplier, if any.

For any floating-rate note, “index maturity” means the period of maturity of the instrument or obligation from which the base rate is calculated and will be specified in the applicable pricing supplement. The “spread” is the number of basis points (one one-hundredth of a percentage point) specified in the applicable pricing supplement to be added to or subtracted from the base rate for a floating-rate note. The “spread multiplier” is the percentage specified in the applicable pricing supplement to be applied to the base rate for a floating-rate note. The interest rate on any inverse floating-rate note will also be calculated by reference to a fixed rate.

Limitations on Interest Rate. If set forth in the applicable pricing supplement, a floating-rate note may also have either or both of the following limitations on the interest rate:

- a maximum limitation (or “ceiling” or “cap”) on the rate of interest which may accrue during any interest period, which we refer to as the “maximum interest rate”; and/or
- a minimum limitation (or “floor”) on the rate of interest that may accrue during any interest period, which we refer to as the “minimum interest rate.”

In addition, the interest rate on a floating-rate note may not be higher than the maximum rate permitted by New York law, as that rate may be modified by United States law of general application. Under current New York law, the maximum rate of interest, subject to some exceptions, for any loan in an amount less than \$250,000 is 16% and for any loan in the amount of \$250,000 or more but less than \$2,500,000 is 25% per annum on a simple interest basis. These limits do not apply to loans of \$2,500,000 or more.

How Floating Interest Rates Are Reset. The interest rate in effect from the date of issue to the first interest reset date for a floating-rate note will be the initial interest rate specified in the applicable pricing supplement. We refer to this rate as the “initial interest rate.” The interest rate on each floating-rate note may be reset daily, weekly, monthly, quarterly, semiannually or annually, as provided in the applicable pricing supplement. This period is the “interest reset period” and the first day of each interest reset period is the “interest reset date.”

Unless otherwise specified in the applicable pricing supplement, if an interest reset date for any floating rate note falls on a day that is not a business day, it will be postponed to the following business day, except that, in the case of (i) a LIBOR note, (ii) EURIBOR note or (iii) a federal funds rate note, if that business day is in the next calendar month, the interest reset date will instead be the immediately preceding business day. If an auction of direct obligations of U.S. Treasury bills falls on a day that is an interest reset date for treasury rate notes, the interest reset date will be the immediately following business day.

The rate of interest that goes into effect on any interest reset date will be determined by the calculation agent by reference to a particular date called an “interest determination date”. Unless otherwise specified in the applicable pricing supplement:

- For federal funds (open) rate notes, the interest determination date relating to a particular interest reset date will be the same day as the interest reset date.
- For prime rate notes and federal funds (effective) rate notes, the interest determination date relating to a particular interest reset date will be the first business day preceding the interest reset date.
- For commercial paper rate notes, CD rate notes, CMS rate notes, CMT rate notes and EURIBOR notes, the interest determination date relating to a particular interest reset date will be the second business day preceding the interest reset date.
- For LIBOR notes, the interest determination date relating to a particular interest reset date will be the second London banking day before the interest reset date, unless the index currency is pounds sterling, in which case the interest determination date will be the interest reset date.
- For treasury rate notes, the interest determination date for a particular interest reset date will be the day of the week in which the interest reset date falls on which treasury securities would normally be auctioned. Treasury securities are normally sold at auction on Monday of each week unless that day is a legal holiday. In that case the auction is normally held on the following Tuesday, except that the auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is held on the preceding Friday, that Friday will be the treasury rate interest determination date pertaining to the interest reset date falling in the next week.
- For eleventh district cost of funds rate notes, the interest determination date relating to a particular interest reset date will be the last working day, in the first calendar month before that interest reset date, on which the Federal Home Loan Bank of San Francisco publishes the monthly average cost of funds paid by a member institutions of the Eleventh Federal Home Loan Bank District for the second calendar month before that interest reset date.

The interest rate in effect for the ten calendar days immediately prior to maturity, redemption or repayment will be the one in effect on the tenth calendar day preceding the maturity, redemption or repayment date. In the detailed descriptions of the various base rates which follow, the “calculation date” pertaining to an interest determination date means the earlier of (i) the tenth calendar day after that interest determination date, or, if that day is not a business day, the next succeeding business day, and (ii) the business day immediately preceding the applicable interest payment date or maturity date or, for any principal amount to be redeemed or repaid, any redemption or repayment date.

How Interest Is Calculated. Interest on floating-rate notes will accrue from and including the most recent interest payment date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from and including the issue date or any other date specified in a pricing supplement on which interest begins to accrue. Interest will accrue to but excluding the next interest payment date or, if earlier, the date on which the principal has been paid or duly made available for payment, except as described below under “—If a Payment Date Is Not a Business Day.” The applicable pricing supplement will specify a calculation agent for any issue of floating-rate notes. Upon the request of the holder of any floating-rate note, the calculation agent will provide the interest rate then in effect and, if determined, the interest rate that will become effective on the next interest reset date for that floating-rate note.

For a floating-rate note, accrued interest will be calculated by multiplying the principal amount of the floating-rate note by an accrued interest factor. Unless otherwise specified in the applicable pricing supplement, this accrued interest factor will be computed by adding the interest factors calculated for each day in the period for which interest is being paid. The interest factor for each day is computed by dividing the interest rate applicable to that day: by 360 in the case of CD rate notes, CMS rate notes, commercial paper rate notes, eleventh district cost of funds rate notes, EURIBOR notes, federal funds rate notes, prime rate notes, and LIBOR notes (except for LIBOR notes denominated in pounds sterling); and by 365 (or the actual number of days in the year) in the case of CMT rate notes, treasury rate notes, and LIBOR notes denominated in pounds sterling.

For these calculations, the interest rate in effect on any interest reset date will be the applicable rate as reset on that date. The interest rate applicable to any other day is the interest rate from the immediately preceding interest reset date or, if none, the initial interest rate.

All percentages used in or resulting from any calculation of the rate of interest on a floating-rate note will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005% rounded up to 0.00001%), and all U.S. dollar amounts used in or resulting from these calculations on floating-rate notes will be rounded to the nearest cent (with one-half cent rounded upward). All Japanese Yen amounts used in or resulting from these calculations will be rounded downward to the next lower whole Japanese Yen amount. All amounts denominated in any other currency used in or resulting from these calculations will be rounded to the nearest two decimal places in that currency with 0.005 rounded upward to 0.01.

When Interest Is Paid. We will pay interest on floating-rate notes on the interest payment dates specified in the applicable pricing supplement. However, if the first interest payment date is less than 15 days after the date of issuance, interest will not be paid on the first interest payment date, but will be paid on the second interest payment date.

If a Payment Date Is Not a Business Day. If any scheduled interest payment date, other than the maturity date or any earlier redemption or repayment date, for any floating-rate note falls on a day that is not a business day, it will be postponed to the following business day, except that, in the case of a LIBOR note, if that business day would fall in the next calendar month, the interest payment date will be the immediately preceding business day. If the scheduled maturity date or any earlier redemption or repayment date of a floating-rate note falls on a day that is not a business day, the payment of principal, premium, if any, and interest, if any, will be made on the next succeeding business day, but interest on that payment will not accrue during the period from and after the maturity, redemption or repayment date.

CD Rate Notes

CD rate notes will bear interest at the interest rates specified in the CD rate notes and in the applicable pricing supplement. Those interest rates will be based on the CD rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

Unless otherwise set forth in the applicable pricing supplement, the “CD rate” means, for any interest determination date, the rate on that date for negotiable U.S. dollar certificates of deposit having the index maturity specified in the applicable pricing supplement as published by the Board of Governors of the Federal Reserve System in “Statistical Release H.15(519), Selected Interest Rates”, or any successor publication of the Board of Governors of the Federal Reserve System (“H.15(519)”) under the heading “CDs (Secondary Market)”. The following procedures will be followed if the CD rate cannot be determined as described above:

- If the above rate is not published in H.15(519) by 3:00 p.m., New York City time, on the interest determination date, the CD rate will be the rate on that interest determination date set forth in the daily update of H.15(519), available through the world wide website of the Board of Governors of the Federal Reserve System, or any successor site or publication, which is commonly referred to as the “H.15 Daily Update”, for the interest determination date for certificates of deposit having the index maturity specified in the applicable pricing supplement, under the caption “CDs (Secondary Market).”
- If the above rate is not yet published in either H.15(519) or the H.15 Daily Update by 3:00 p.m., New York City time, on the interest determination date, the calculation agent will determine the CD rate to be the

arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on that interest determination date of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York, which may include the agent and its affiliates, selected by the calculation agent, after consultation with us, for negotiable U.S. dollar certificates of deposit of major U.S. money center banks of the highest credit standing in the market for negotiable certificates of deposit with a remaining maturity closest to the index maturity specified in the applicable pricing supplement in an amount that is representative for a single transaction in that market at that time.

- If the dealers selected by the calculation agent are not quoting as set forth above, the CD rate for that interest determination date will remain the CD rate for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

CMS Rate Notes

CMS rate notes will bear interest at the interest rates specified in the CMS rate notes and in the applicable pricing supplement. That interest rate will be based on the CMS rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

Unless otherwise set forth in the applicable pricing supplement, the “CMS rate” means, on any day during an interest payment period, the rate for U.S. dollar swaps with a maturity for a specified number of years as provided in the applicable pricing supplement, expressed as a percentage, which such rate appears on Reuters screen “ISDAFIX1” page as of 11:00 a.m., New York City time, on the related interest determination date. The following procedures will be used if the CMS rate cannot be determined as described above:

- If that information is no longer displayed on the relevant page, or if not displayed by 11:00 a.m., New York City time, on the applicable interest determination date, then the CMS rate will be a percentage determined on the basis of the mid-market, semi-annual swap rate quotations provided by five leading swap dealers in the New York City interbank market at approximately 11:00 a.m., New York City time, on the applicable interest determination date. For this purpose, the semi-annual swap rate means the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. dollar interest rate swap transaction with a term equal to the maturity of the notes designated in the applicable pricing supplement commencing on that interest determination date with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to “LIBOR Moneyline Telerate” with a maturity of three months. The calculation agent will select the five swap dealers after consultation with us and will request the principal New York City office of each of those dealers to provide a quotation of its rate. If at least three quotations are provided, the CMS rate for that interest determination date will be the arithmetic mean of the quotations, eliminating the highest and lowest quotations or, in the event of equality, one of the highest and one of the lowest quotations.
- If fewer than three leading swap dealers selected by the calculation agent are providing quotations as described above, the CMS rate will remain the CMS rate in effect on that interest determination date or, if that interest determination date is the first interest determination date, the CMS rate will be the initial interest rate.

CMT Rate Notes

CMT rate notes will bear interest at the interest rates specified in the CMT rate notes and in the applicable pricing supplement. That interest rate will be based on the CMT rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

Unless otherwise set forth in the applicable pricing supplement, the “CMT rate” means, for any interest determination date, the rate as set forth in H.15(519) (as defined below), under the caption “Treasury constant maturities”, for:

- the rate on that interest determination date, if the Designated CMT Telerate page (as defined below) is 7051; and

- the week or the month, as applicable, ended immediately preceding the week or month in which the related interest determination date occurs, if the Designated CMT Telerate page is 7052.

The following procedures will be followed if the CMT rate cannot be determined as described above:

- If the CMT rate is not displayed on the relevant page by 3:30 p.m., New York City time on the related interest determination date, then the CMT rate will be a percentage equal to the yield for U.S. Treasury securities at “constant maturity” for the Designated CMT Maturity Index on the related interest determination date as set forth in H.15(519) under the caption “Treasury constant maturities”.
- If the applicable rate described above does not appear in H.15(519) then the CMT rate on the related interest determination date will be the rate for the Designated CMT Maturity Index as may then be published by either the Board of Governors of the Federal Reserve System or the U.S. Department of the Treasury that the calculation agent determines to be comparable to the rate formerly displayed on the Designated CMT Telerate page and published in the relevant H.15(519).
- If on the related interest determination date, neither the Board of Governors of the Federal Reserve System nor the U.S. Department of the Treasury publishes a yield on U.S. Treasury securities at a “constant maturity” for the Designated CMT Maturity Index, the CMT rate on the related interest determination date will be calculated by the calculation agent and will be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on the related interest determination date, of three leading primary U.S. government securities dealers in New York City. The calculation agent will select five such securities dealers, and will eliminate the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest), for U.S. Treasury securities with an original maturity equal to the Designated CMT Maturity Index, a remaining term to maturity of no more than one year shorter than that Designated CMT Maturity Index and in a principal amount equal to the Representative Amount. If two bid prices with an original maturity as described above have remaining terms to maturity equally close to the Designated CMT Maturity Index, the quotes for the U.S. Treasury security with the shorter remaining term to maturity will be used. The “Representative Amount” means an amount equal to the outstanding principal amount of the notes.
- If fewer than five but more than two such prices are provided as requested, the CMT rate for the related interest determination date will be based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of those quotations will be eliminated.
- If the calculation agent cannot obtain three U.S. Treasury securities quotations of the kind requested in the prior two paragraphs, the calculation agent will determine the CMT rate to be the yield to maturity based on the arithmetic mean of the secondary market bid prices for U.S. Treasury securities, at approximately 3:30 p.m., New York City time, on the related interest determination date of three leading primary U.S. government securities dealers in New York City. In selecting these bid prices, the calculation agent will request quotations from at least five of those securities dealers and will disregard the highest quotation (or if there is equality, one of the highest) and the lowest quotation (or if there is equality, one of the lowest) for U.S. Treasury securities with an original maturity greater than the Designated CMT Maturity Index, a remaining term to maturity closest to the Designated CMT Maturity Index and in a Representative Amount. If two U.S. Treasury securities with an original maturity longer than the Designated CMT Maturity Index have remaining terms to maturity that are equally close to the Designated CMT Maturity Index, the calculation agent will obtain quotations for the U.S. Treasury security with the shorter remaining term to maturity.
- If fewer than five but more than two of the leading primary U.S. government securities dealers provide quotes as described in the prior paragraph, then the CMT rate will be based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of those quotations will be eliminated.
- If fewer than three leading primary U.S. government securities reference dealers selected by the calculation agent provide quotes as described above, the CMT rate will be determined by the calculation agent.

“Designated CMT Telerate page” means the display on Moneyline Telerate, or any successor service, on the page designated in the applicable pricing supplement or any other page as may replace that page on that service for the purpose of displaying Treasury Constant Maturities as reported in H.15(519). If no page is specified in the applicable pricing supplement the Designated CMT Telerate page will be 7052, for the most recent week.

“H.15(519)” means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System, available through the world-wide-web site of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/H15/> or any successor site or publication. We make no representation or warranty as to the accuracy or completeness of the information displayed on that website, and that information is not incorporated by reference herein and should not be considered a part of this prospectus supplement.

“Designated CMT Maturity Index” means the original period to maturity of the U.S. Treasury securities, which is either 1, 2, 3, 5, 7, 10, 20 or 30 years, specified in the applicable pricing supplement for which the CMT rate will be calculated. If no maturity is specified in the applicable pricing supplement the Designated CMT Maturity Index will be two years.

Commercial Paper Rate Notes

Commercial paper rate notes will bear interest at the interest rates specified in the commercial paper rate notes and in the applicable pricing supplement. Those interest rates will be based on the commercial paper rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

Unless otherwise set forth in the applicable pricing supplement, the “commercial paper rate” means, for any interest determination date, the money market yield, calculated as described below, of the rate on that date for commercial paper having the index maturity specified in the applicable pricing supplement, as that rate is published in H.15(519), under the heading “Commercial Paper—Nonfinancial”. The following procedures will be followed if the commercial paper rate cannot be determined as described above:

- If the above rate is not published by 3:00 p.m., New York City time, on the interest determination date, then the commercial paper rate will be the money market yield of the rate on that interest determination date for commercial paper of the index maturity specified in the applicable pricing supplement as published in the H.15 Daily Update or another recognized electronic source used for the purpose of displaying the applicable rate, under the heading “Commercial Paper—Nonfinancial.”
- If by 3:00 p.m., New York City time, on that interest determination date the rate is not yet published in either H.15(519) or the H.15 Daily Update, then the calculation agent will determine the commercial paper rate to be the money market yield of the arithmetic mean of the offered rates as of 11:00 a.m., New York City time, on that interest determination date of three leading dealers of U.S. dollar commercial paper in The City of New York, which may include the agent and its affiliates, selected by the calculation agent, after consultation with us, for commercial paper of the index maturity specified in the applicable pricing supplement, placed for an industrial issuer whose bond rating is “AA” or the equivalent by a nationally recognized rating agency.
- If fewer than three dealers selected by the calculation agent are quoting offered rates as set forth above, the commercial paper rate for that interest determination date will remain the commercial paper rate for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

The “money market yield” will be a yield calculated in accordance with the following formula:

$$\text{money market yield} = \frac{(D \times 360)}{360 - (D \times M)} \times 100$$

where, “D” refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal and “M” refers to the actual number of days in the interest payment period for which interest is being calculated.

Consumer Price Index Notes

Consumer Price Index notes will bear interest at the interest rates specified in the Consumer Price Index notes and in the applicable pricing supplement. That interest rate will be based on the Consumer Price Index and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

Unless otherwise set forth in the applicable pricing supplement, the “Consumer Price Index” or “CPI” means, for any interest determination date, the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers, published monthly by the Bureau of Labor Statistics of the U.S. Department of Labor (the “Bureau of Labor Statistics”) and reported on the Bloomberg page “CPURNSA” or any successor thereto. The Bureau of Labor Statistics makes the majority of its consumer price index data and press releases publicly available immediately at the time of release. This material may be accessed electronically by means of the Bureau of Labor Statistics’ home page on the Internet at <http://www.bls.gov>. The Consumer Price Index for a particular month is published during the following month. The Consumer Price Index is a measure of the average change in consumer prices over time for a fixed market basket of goods and services, including food, clothing, shelter, fuels, transportation, charges for doctors and dentists services, and drugs. User fees (such as water and sewer service) and sales and excise taxes paid by the consumer are included in determining consumer prices. Income taxes and investment items such as stocks, bonds and life insurance are not included. The Consumer Price Index includes expenditures by urban wage earners and clerical workers, professional, managerial and technical workers, the self-employed, short-term workers, the unemployed, retirees and others not in the labor force. In calculating the Consumer Price Index, price changes for the various items are averaged together with weights that represent their importance in the spending of urban households in the United States. The contents of the market basket of goods and services and the weights assigned to the various items are updated periodically by the Bureau of Labor Statistics to take into account changes in consumer expenditure patterns.

The Consumer Price Index is expressed in relative terms in relation to a time base reference period for which the level is set at 100.0. The time base reference period is the 1982–1984 average. Because the Consumer Price Index for the period from 1982–1984 is 100, an increase in the price of the fixed market basket of goods and services of 16.5% from that period would be shown as 116.5%. If the Bureau of Labor Statistics rebases the Consumer Price Index when the notes are outstanding, the calculation agent will continue to calculate inflation using 1982–1984 as the base reference period for so long as the current Consumer Price Index continues to be published. Any conversion by the Bureau of Labor Statistics to a new reference base will not affect the measurement of the percent changes in a given index series from one time period to another, except for rounding differences. Rebased might affect the published “headline” number often quoted in the financial press, but the inflation calculation for the notes should not be adversely affected by any rebasing because the Consumer Price Index based on 1982–1984 will be calculated using the percentage changes of the rebased Consumer Price Index.

The Bureau of Labor Statistics has made technical and methodological changes to the Consumer Price Index, and is likely to continue to do so. Examples of recent methodological changes include:

- the use of regression models to adjust for improvements in the quality of various goods (televisions, personal computers, etc.);
- the introduction of geometric averages to account for consumer substitution within the consumer price index categories; and
- changing the housing/shelter formula to increase rental equivalence estimation.

Similar changes in the future could affect the level of the Consumer Price Index and alter the interest payable on the notes and, therefore, the value of the notes.

The following procedures will be followed if the Consumer Price Index cannot be determined as described above:

- If the Consumer Price Index is not reported on Bloomberg page CPURNSA for a particular month by 3:00 PM on the interest determination date, but has otherwise been published by the Bureau of Labor Statistics, the calculation agent will determine the Consumer Price Index as published by the Bureau of Labor Statistics for that month using any other source as the calculation agent deems appropriate.
- If the Consumer Price Index is rebased to a different year or period, the base reference period will continue to be the 1982-1984 reference period as long as the 1982-1984 Consumer Price Index continues to be published.
- If the Consumer Price Index for the reference month is subsequently revised by the Bureau of Labor Statistics, the calculation agent will continue to use the Consumer Price Index initially published by the Bureau of Labor Statistics on the interest reset date.
- If, while the notes are outstanding, the Consumer Price Index is discontinued or substantially altered, as determined by the calculation agent, the applicable substitute index for the notes will be that chosen by the Secretary of the Treasury for the Department of Treasury's Inflation-Linked Treasuries as described at 62 Federal Register 846-874 (January 6, 1997). If none of those securities are outstanding, the calculation agent will determine a substitute index for the notes in accordance with general market practice at the time.

Eleventh District Cost of Funds Notes

Eleventh district cost of funds rate notes will bear interest at the interest rates specified in the eleventh district cost of funds rate notes and in the applicable pricing supplement. Those interest rates will be based on the eleventh district cost of funds rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

Unless otherwise set forth in the applicable pricing supplement, the "eleventh district cost of funds rate" means, for any interest determination date, the rate on the applicable interest determination date equal to the monthly weighted average cost of funds for the calendar month preceding the interest determination date as displayed under the caption "Eleventh District" on Telerate page 7058. "Telerate page 7058" means the display page designated as page 7058 on Moneyline Telerate, or any successor service or page, for the purpose of displaying the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District. The following procedures will be followed if the eleventh district cost of funds rate cannot be determined as described above:

- If the above rate is not displayed by 3:00 p.m., New York City time, on the interest determination date for the applicable interest determination date, the eleventh district cost of funds rate will be the eleventh district cost of funds rate index on the applicable interest determination date.
- If the Federal Home Loan Bank of San Francisco fails to announce the rate for the calendar month next preceding the applicable interest determination date, then the eleventh district cost of funds rate for the new interest reset period will be the same as for the immediately preceding period. If there was no such interest reset period, the eleventh district cost of funds rate index will be the initial interest rate.

The "eleventh district cost of funds rate index" means the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District that the Federal Home Loan Bank of San Francisco most recently announced as the cost of funds for the calendar month immediately preceding the date of the announcement.

EURIBOR Notes

EURIBOR notes will bear interest at the interest rates specified in the EURIBOR notes and in the applicable pricing supplement. Those interest rates will be based on the EURIBOR and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

Unless otherwise set forth in the applicable pricing supplement, “EURIBOR” means, for any interest determination date, the rate for deposits in euros as sponsored, calculated and published jointly by the European Banking Federation and ACI—The Financial Market Association, or any company established by the joint sponsors for purposes of establishing, compiling and publishing those rates, for the index maturity specified in the applicable pricing supplement as that rate appears on the display on Moneyline Telerate, or any successor service, on page 248 or any other page as may replace page 248 on that service, which is commonly referred to as “Telerate page 248”, as of 11:00 a.m., Brussels time. The following procedures will be followed if the rate cannot be determined as described above:

- If the above rate does not appear on Telerate page 248 as of 11:00 a.m., Brussels time, the calculation agent will request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market, as selected by the calculation agent, after consultation with us, to provide the calculation agent with its offered rate for deposits in euros, at approximately 11:00 a.m., Brussels time, on the interest determination date, to prime banks in the Euro-zone interbank market for the index maturity specified in the applicable pricing supplement commencing on the applicable interest reset date, and in a principal amount not less than the equivalent of US\$1 million in euro that is representative of a single transaction in euro, in that market at that time. If two or more quotations are provided, EURIBOR will be the arithmetic mean of those quotations.
- If fewer than two quotations are provided as described above, EURIBOR will be the arithmetic mean of the rates quoted by four major banks in the Euro-zone interbank market, as selected by the calculation agent, after consultation with us, at approximately 11:00 a.m., Brussels time, on the applicable interest reset date for loans in euro to leading European banks for a period of time equivalent to the index maturity specified in the applicable pricing supplement commencing on that interest reset date in a principal amount not less than the equivalent of US\$1 million in euro that is representative of a single transaction in euro, in that market at that time.
- If fewer than three banks so selected by the calculation agent are quoting as set forth above, EURIBOR for that interest determination date will remain EURIBOR for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

“Euro-zone” means the region comprising member states of the European Union that have adopted the single currency in accordance with the relevant treaty of the European Union, as amended.

Federal Funds (Effective) Rate Notes

Federal funds (effective) rate notes will bear interest at the interest rates specified in the federal funds (effective) rate notes and in the applicable pricing supplement. Those interest rates will be based on the federal funds (effective) rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

Unless otherwise set forth in the applicable pricing supplement, the “federal funds (effective) rate” means, for any interest determination date, the rate on that date for federal funds as published in H.15(519) under the heading “Federal Funds (Effective)” as displayed on Moneyline Telerate, or any successor service, on page 120 or any other page as may replace the applicable page on that service, which is commonly referred to as “Telerate Page 120.” The following procedures will be followed if the federal funds (effective) rate cannot be determined as described above:

- If the above rate does not appear on Telerate page 120 or is not yet published by 3:00 p.m., New York City time, on the calculation date, the federal funds (effective) rate will be the rate on that interest determination date as published in the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the heading “Federal Funds (Effective)”
- If the above rate is not yet published in either H.15(519) or the H.15 Daily Update by 3:00 p.m., New York City time, on the calculation date, the calculation agent will determine the federal funds (effective) rate to be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar federal funds by each of three leading brokers of U.S. dollar federal funds transactions in the City of New York, which may include

the agent and its affiliates, selected by the calculation agent, after consultation with us, prior to 9:00 a.m., New York City time, on that interest determination date.

- If fewer than three brokers selected by the calculation agent are quoting as set forth above, the federal funds rate for that interest determination date will remain the federal funds (effective) rate for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

Federal Funds (Open) Rate Notes

Federal funds (open) rate notes will bear interest at the interest rates specified in the federal funds (open) rate notes and in the applicable pricing supplement. Those interest rates will be based on the federal funds (open) rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

Unless otherwise set forth in the applicable pricing supplement, the “federal funds (open) rate” means, for any interest determination date, the rate on that date for federal funds as published in H.15(519) under the heading “Federal Funds” and opposite the caption “Open,” as displayed on Moneyline Telerate, or any successor service, on page 5 or any other page as may replace the applicable page on that service, which is commonly referred to as “Telerate Page 5.” The following procedures will be followed if the federal funds (open) rate cannot be determined as described above:

- If the above rate does not appear on Telerate page 5 or is not yet published by 3:00 p.m., New York City time, on the interest determination date, the federal funds (open) rate will be the rate on that interest determination date as published on Bloomberg, or other recognized electronic source used for the purpose of displaying the applicable rate, on FEDSPREB Index.
- If the above rate is not yet published on either Telerate page 5 or FEDSPREB Index on Bloomberg by 3:00 p.m., New York City time, on the interest determination date, the calculation agent will determine the federal funds (open) rate to be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar federal funds by each of three leading brokers of U.S. dollar federal funds transactions in The City of New York, which may include the agent and its affiliates, selected by the calculation agent, after consultation with us, prior to 9:00 a.m., New York City time, on that interest determination date.
- If fewer than three brokers selected by the calculation agent are quoting as set forth above, the federal funds rate for that interest determination date will remain the federal funds (open) rate for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

LIBOR Notes

LIBOR notes will bear interest at the interest rates specified in the LIBOR notes and in the applicable pricing supplement. That interest rate will be based on London Interbank Offered Rate, which is commonly referred to as “LIBOR,” and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any. The calculation agent will determine “LIBOR” for each interest determination date as follows:

- As of the interest determination date, LIBOR will be either:
 - if “LIBOR Reuters” is specified in the applicable pricing supplement, the arithmetic mean of the offered rates for deposits in the index currency having the index maturity designated in the applicable pricing supplement, commencing on the second London banking day immediately following that interest determination date, that appear on the Designated LIBOR Page, as defined below, as of 11:00 a.m., London time, on that interest determination date, if at least two offered rates appear on the Designated LIBOR Page; except that if the specified Designated LIBOR Page, by its terms provides only for a single rate, that single rate will be used; or

- if “LIBOR Telerate” is specified in the applicable pricing supplement, the rate for deposits in the index currency having the index maturity designated in the applicable pricing supplement, commencing on the second London banking day immediately following that interest determination date or, if pounds sterling is the index currency, commencing on that interest determination date, that appears on the Designated LIBOR Page at approximately 11:00 a.m., London time, on that interest determination date.
- If (i) fewer than two offered rates appear and “LIBOR Reuters” is specified in the applicable pricing supplement, or (ii) no rate appears and the applicable pricing supplement specifies either (a) “LIBOR Telerate” or (b) “LIBOR Reuters” and the Designated LIBOR Page by its terms provides only for a single rate, then the calculation agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the calculation agent after consultation with us, to provide the calculation agent with its offered quotation for deposits in the index currency for the period of the index maturity specified in the applicable pricing supplement commencing on the second London banking day immediately following the interest determination date or, if pounds sterling is the index currency, commencing on that interest determination date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that interest determination date and in a principal amount that is representative of a single transaction in that index currency in that market at that time.
- If at least two quotations are provided, LIBOR determined on that interest determination date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, LIBOR will be determined for the applicable interest reset date as the arithmetic mean of the rates quoted at approximately 11:00 a.m., London time, or some other time specified in the applicable pricing supplement, in the applicable principal financial center for the country of the index currency on that interest reset date, by three major banks in that principal financial center selected by the calculation agent, after consultation with us, for loans in the index currency to leading European banks, having the index maturity specified in the applicable pricing supplement and in a principal amount that is representative of a single transaction in that index currency in that market at that time.
- If the banks so selected by the calculation agent are not quoting as set forth above, LIBOR for that interest determination date will remain LIBOR for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

The “index currency” means the currency specified in the applicable pricing supplement as the currency for which LIBOR will be calculated, or, if the euro is substituted for that currency, the index currency will be the euro. If that currency is not specified in the applicable pricing supplement, the index currency will be U.S. dollars.

“Designated LIBOR Page” means either (i) if “LIBOR Reuters” is designated in the applicable pricing supplement, the display on the Reuters Monitor Money Rates Service for the purpose of displaying the London interbank rates of major banks for the applicable index currency or its designated successor, or (ii) if “LIBOR Telerate” is designated in the applicable pricing supplement, the display on Moneyline Telerate, or any successor service, on the page specified in the applicable pricing supplement, or any other page as may replace that page on that service, for the purpose of displaying the London interbank rates of major banks for the applicable index currency.

If neither LIBOR Reuters nor LIBOR Telerate is specified in the applicable pricing supplement, LIBOR for the applicable index currency will be determined as if LIBOR Telerate were specified, and, if the U.S. dollar is the index currency, as if Page 3750, had been specified.

Prime Rate Notes

Prime rate notes will bear interest at the interest rates specified in the prime rate notes and in the applicable pricing supplement. Those interest rates will be based on the prime rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

Unless otherwise set forth in the applicable pricing supplement, the “prime rate” means, for any interest determination date, the rate on that date as published in H.15(519) under the heading “Bank Prime Loan”. The following procedures will be followed if the prime rate cannot be determined as described above:

- If the above rate is not published by 3:00 p.m., New York City time, on the interest determination date, then the prime rate will be the rate on that interest determination date as published in H.15 Daily Update under the heading “Bank Prime Loan.”
- If the rate is not published in either H.15(519) or the H.15 Daily Update by 3:00 p.m., New York City time, on the interest determination date, then the calculation agent will determine the prime rate to be the arithmetic mean of the rates of interest publicly announced by each of the various banks that appear on the Reuters screen USPRIME 1 page, as defined below, as each such bank’s prime rate or base lending rate as in effect for that interest determination date.
- If fewer than four rates appear on the Reuters screen USPRIME 1 page by 3:00 p.m., New York City time, for that interest determination date, the calculation agent will determine the prime rate to be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on that interest determination date by at least three major banks in The City of New York, which may include affiliates of the agent, selected by the calculation agent, after consultation with us.
- If fewer than three banks selected by the calculation agent are quoting as set forth above, the prime rate for that interest determination date will remain the prime rate for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

“Reuters screen USPRIME 1 page” means the display designated as page “USPRIME 1” on the Reuters Monitor Money Rates Service, or any successor service, or any other page as may replace the USPRIME 1 page on that service for the purpose of displaying prime rates or base lending rates of major U.S. banks.

Treasury Rate Notes

Treasury rate notes will bear interest at the interest rates specified in the treasury rate notes and in the applicable pricing supplement. Those interest rates will be based on the treasury rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

Unless otherwise set forth in the applicable pricing supplement, the “Treasury rate” means:

- the rate for the auction held on the applicable interest determination date, which we refer to as the “auction”, of direct obligations of the United States, which are commonly referred to as “Treasury Bills”, having the index maturity specified in the applicable pricing supplement as that rate appears under the caption “Investment Rate” on the display on Moneyline Telerate, or any successor service, on page 56 or any other page as may replace page 56 on that service, which we refer to as “Telerate page 56”, or page 57 or any other page as may replace page 57 on that service, which we refer to as “Telerate page 57”; or
- if the rate described in the prior paragraph is not published by 3:00 p.m., New York City time, on the interest determination date, the bond equivalent yield of the rate for the applicable Treasury Bills as published in the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Auction High”; or
- if the rate described in the prior paragraph is not published by 3:00 p.m., New York City time, on the related interest determination date, the bond equivalent yield of the auction rate of the applicable Treasury Bills, announced by the U.S. Department of the Treasury; or
- if the rate referred to in the prior paragraph is not announced by the U.S. Department of the Treasury, or if the auction is not held, the bond equivalent yield of the rate on the applicable interest determination date of

Treasury Bills having the index maturity specified in the applicable pricing supplement published in H.15(519) under the caption “U.S. Government Securities/Treasury Bills/ Secondary Market”; or

- if the rate referred to in the prior paragraph is not so published by 3:00 p.m., New York City time, on the related interest determination date, the rate on the applicable interest determination date of the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Secondary Market”; or
- if the rate referred to in the prior paragraph is not so published by 3:00 p.m., New York City time, on the related interest determination date, the rate on the applicable interest determination date calculated by the calculation agent as the bond equivalent yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on the applicable interest determination date, of three primary U.S. government securities dealers, which may include the agent and its affiliates, selected by the calculation agent, for the issue of Treasury Bills with a remaining maturity closest to the index maturity specified in the applicable pricing supplement; or
- if the dealers selected by the calculation agent are not quoting as set forth above, the Treasury rate for that interest determination date will remain the Treasury rate for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

The “bond equivalent yield” means a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{bond equivalent yield} = \frac{(D \times N)}{360 - (D \times M)} \times 100$$

where, “D” refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis, “N” refers to 365 or 366, as applicable, and “M” refers to the actual number of days in the interest payment period for which interest is being calculated.

We may issue notes with the principal amount payable on any principal payment date and/or the amount of interest payable on any interest payment date determined by reference to one or more commodities, interest rates, consumer prices, debt or equity securities, or other debt or equity instruments of entities affiliated or not affiliated with us, baskets of those securities or an index or indices of those securities, quantitative measures associated with an occurrence, extent of an occurrence, or contingency associated with a financial, commercial, or economic consequence, or economic or financial indices or measures of economic or financial risk or value. These notes may include other terms, which will be specified in the applicable pricing supplement. Some of these other terms may include, but are not limited to, a combination of (i) indices or equity securities and currencies, (ii) indices or equity securities and commodities and (iii) indices or equity securities and interest rates.

Reopened Issues

Under certain limited circumstances, and at our sole discretion, we may “reopen” certain issuances of notes. These further issuances, if any, will be consolidated to form a single series with the notes and will have the same CUSIP number and will trade interchangeably with the notes immediately upon settlement. Any additional issuances will increase the aggregate principal amount of the outstanding notes of this series, plus the aggregate principal amount of any notes bearing the same CUSIP number that are issued pursuant to (i) any 30-day option we grant to the agents, and (ii) any future issuances of notes bearing the same CUSIP number. The price of any additional offering will be determined at the time of pricing of such offering.

If appropriate, we will treat any additional offerings of notes as part of the same issue as the notes for U.S. federal income tax purposes. If an additional offering of notes is treated as part of the same issuance of notes for purposes of the regulations governing original issue discount on debt instruments, we will treat the additional offerings of notes as having the same issue date, the same issue price and, with respect to holders, the same adjusted issue price as the notes. Consequently, the “issue price” of any additional offering of notes for U.S. federal income

tax purposes will be the first price at which a substantial amount of the notes were sold to the public (excluding sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). If we treat any additional offerings of notes as part of the same issuance as the notes for U.S. federal income tax purposes, we will disclose the treatment of any relevant accrued interest that is not otherwise described under “Certain U.S. Federal Income Tax Considerations” herein.

Redemptions and Repurchases of Notes

Optional Redemption. The applicable pricing supplement will indicate the terms of our option to redeem the notes, if any. We will mail a notice of redemption to each holder or, in the case of global notes, to the Depositary, as holder of the global notes, by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption, or within the redemption notice period designated in the applicable pricing supplement, to the address of each holder as that address appears in the books maintained by the paying agent. Unless specified in the applicable pricing supplement, the notes will not be subject to any sinking fund.

Repayment at Option of Holder. If applicable, the pricing supplement relating to each note will indicate that the holder has the option to have us repay the note on a date or dates specified prior to its maturity date. The repayment price will be determined as set forth in the applicable pricing supplement. For notes issued with original issue discount, the pricing supplement will specify the amount payable upon repayment.

Unless otherwise provided in the applicable pricing supplement, for us to repay a note, the paying agent must receive the following at least 15 days but not more than 30 days prior to the repayment date:

- the note with the form entitled “Option to Elect Repayment” on the reverse of the note duly completed; or
- a telegram, telex, facsimile transmission or a letter from a member of a national securities exchange, or the National Association of Securities Dealers, Inc. or a commercial bank or trust company in the United States setting forth the name of the holder of the note, the principal amount of the note, the principal amount of the note to be repaid, the certificate number or a description of the tenor and terms of the note, a statement that the option to elect repayment is being exercised and a guarantee that the note to be repaid, together with the duly completed form entitled “Option to Elect Repayment” on the reverse of the note, will be received by the paying agent not later than the fifth business day after the date of that telegram, telex, facsimile transmission or letter. However, the telegram, telex, facsimile transmission or letter will only be effective if that note and form duly completed are received by the paying agent by the fifth business day after the date of that telegram, telex, facsimile transmission or letter.

Exercise of the repayment option by the holder of a note will be irrevocable. Unless otherwise provided in the applicable pricing supplement, the holder may exercise the repayment option for less than the entire principal amount of the note but, in that event, the principal amount of the note remaining outstanding after repayment must be an authorized denomination.

Special Requirements for Optional Repayment of Global Notes. If a note is represented by a global note, the Depositary or the Depositary’s nominee will be the holder of the note and therefore will be the only entity that can exercise a right to repayment. In order to ensure that the Depositary’s nominee will timely exercise a right to repayment of a particular note, the beneficial owner of the note must instruct the broker or other direct or indirect participant through which it holds an interest in the note to notify the Depositary of its desire to exercise a right to repayment. Different firms have different cut-off times for accepting instructions from their customers and, accordingly, each beneficial owner should consult the broker or other direct or indirect participant through which it holds an interest in a note in order to ascertain the cut-off time by which an instruction must be given in order for timely notice to be delivered to the Depositary.

Open Market Purchases. We may purchase notes at any price in the open market or otherwise. Notes so purchased by us may, at our discretion, be held or resold or surrendered to the relevant trustee for cancellation.

Replacement of Notes

Upon payment by the holder of expenses that we or the trustee may incur, we may, in our discretion replace any notes that become mutilated, destroyed, lost or stolen or are apparently destroyed, lost or stolen. The mutilated notes must be surrendered to the trustee or the paying agent or satisfactory evidence of the destruction, loss or theft of the notes must be delivered to us, the paying agent and the trustee. At the expense of the holder, an indemnity that is satisfactory to us, the principal paying agent and the trustee may be required before a replacement note will be issued.

Currency-Linked Notes

We may issue notes with the principal amount payable on any principal payment date and/or the amount of interest payable on any interest payment date to be determined by reference to the value of one or more currencies as compared to the value of one or more other currencies, which we refer to as “currency-linked notes.” The pricing supplement will specify the following:

- information as to the one or more currencies to which the principal amount payable on any principal payment date or the amount of interest payable on any interest payment date is linked or indexed;
- the currency in which the face amount of the currency-linked note is denominated, which we refer to as the “denominated currency”;
- the currency in which principal on the currency-linked note will be paid, which we refer to as the “payment currency”;
- the interest rate per annum and the dates on which we will make interest payments;
- specific historic exchange rate information and any currency risks relating to the specific currencies selected; and
- additional tax considerations, if any.

The denominated currency and the payment currency may be the same currency or different currencies. Interest on currency-linked notes will be paid in the denominated currency.

Notes Linked to Commodities, Interest Rates, Consumer Prices, Single Securities, Baskets of Securities, Indices and other Quantitative Measures

We may issue notes for which the principal amount payable on the maturity date and/or the amount of interest payable on any interest payment date is determined by reference to one or more commodities, interest rates, consumer prices, single debt or equity securities, baskets of debt or equity securities or an index or indices of such securities, quantitative measures associated with an occurrence or non-occurrence of a particular event, extent of an occurrence or non-occurrence of a particular event, or contingency associated with a commercial, financial or economic consequence, or economic or financial indices or measures of economic or financial value or risk. These notes may include additional terms which will be specified in the applicable pricing supplement.

Calculation Agent and Calculations

The calculation agent will make all determinations regarding the value of the notes at maturity, the amount payable in respect of your notes, including any interest payment, antidilution adjustments, market disruption events, business days, the default amount and any other calculations or determinations to be made by the calculation agent, as specified herein, in the applicable pricing supplement or in the prospectus. All determinations made by the calculation agent will be at the sole discretion of the calculation agent and will be conclusive for all purposes and binding on the beneficial owners of the Notes, absent manifest error and provided the calculation agent shall be required to act in good faith in making any determination. If the calculation agent uses its discretion to make a determination, the calculation agent will notify the indenture trustee, who will provide notice to the registered holders of the Notes. We may appoint a different calculation agent from time to time.

SPONSORS OR ISSUERS AND REFERENCE ASSET

The notes have not been passed on by the sponsor or issuer of the instrument or instruments underlying the Reference Asset as to their legality or suitability. The notes are not issued by and are not financial or legal obligations of the sponsor or issuer of the instrument or instruments underlying the Reference Asset. The sponsor or issuer of the instrument or instruments underlying the Reference Asset makes no warranties and bears no liabilities with respect to the notes. This prospectus supplement relates only to the notes offered by the applicable pricing supplement and does not relate to any security of an underlying issuer.

If the Reference Asset is one or more U.S. equity securities, note that companies with securities registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) are required to file periodically certain financial and other information specified by the SEC. Information provided to or filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at Room 1580, 100 F Street, N.E., Washington, D.C. 20549, and copies of such material can be obtained from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. In addition, information provided to or filed with the SEC electronically can be accessed through a website maintained by the SEC. The address of the SEC’s website is <http://www.sec.gov>. Information provided to or filed with the SEC pursuant to the Exchange Act by a company issuing a Reference Asset can be located by reference to the SEC file number provided in the applicable pricing supplement. In addition, information regarding such a company may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents. We make no representation or warranty as to the accuracy or completeness of such information.

We do not make any representation or warranty as to the accuracy or completeness of any materials referred to above, including any filings made by the issuer of the Reference Asset with the SEC. In connection with any issuance of notes under this prospectus supplement, neither we nor the agent has participated in the preparation of the above-described documents or made any due diligence inquiry with respect to the sponsor or issuer of the Reference Asset. Neither we nor the agent makes any representation that such publicly available documents or any other publicly available information regarding the sponsor or issuer of the Reference Asset is accurate or complete. Furthermore, we cannot give any assurance that all events occurring prior to the date hereof (including events that would affect the accuracy or completeness of the publicly available documents described herein) that would affect the trading level or price of the Reference Asset (and therefore the price of such Reference Asset at the time we price the notes) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning the sponsor or issuer of the Reference Asset could affect the value received at maturity with respect to the notes and therefore the price of the notes.

USE OF PROCEEDS AND HEDGING

The net proceeds we receive from the sale of the notes will be used for general corporate purposes and, in part, in connection with hedging our obligations under the notes through one or more of our subsidiaries. The cost of hedging includes the projected profit that our affiliates expect to realize in consideration for assuming the risks inherent in managing the hedging transactions. Because hedging our obligations entails risk and may be influenced by market forces beyond our or our affiliates’ control, such hedging may result in a profit that is more or less than initially projected, or could result in a loss.

On or prior to the pricing date, we, through our affiliates or others, expect to hedge our anticipated exposure in connection with the notes by taking positions in the instrument or instruments comprising the Reference Asset, in option or futures contracts relating to such instrument or instruments listed on major securities or futures markets, in other types of derivative instruments relating to such instrument or instruments, or in any other available securities, commodities or instruments that we may wish to use in connection with such hedging. Such purchase activity could affect the initial level of the Reference Asset, and, accordingly, the level at which the Reference Asset must close to surpass the initial level. In addition, through our affiliates, we are likely to modify our hedge position throughout the life of the notes, by purchasing and selling the instrument or instruments comprising the Reference Asset, options or futures contracts relating to such instrument or instruments listed on major securities or futures markets, other types of derivative instruments relating to such instrument or instruments or positions in any other available securities, commodities or instruments that we may wish to use in connection with such hedging activities. We

cannot give any assurance that our hedging activities will not affect the price of the instrument or instruments comprising the Reference Asset and, therefore, adversely affect the value of the notes or the payment that you will receive at maturity or upon any acceleration of the notes.

CERTAIN ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain restrictions on employee benefit plans (“ERISA Plans”) that are subject to ERISA and on persons who are fiduciaries with respect to such ERISA Plans. In accordance with the ERISA’s general fiduciary requirements, a fiduciary with respect to any such ERISA Plan who is considering the purchase of notes on behalf of such ERISA Plan should determine whether such purchase is permitted under the governing ERISA Plan documents and is prudent and appropriate for the ERISA Plan in view of its overall investment policy and the composition and diversification of its portfolio. Other provisions of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”) prohibit certain transactions between an ERISA Plan or other plan subject to Section 4975 of the Code (such plans and ERISA Plans, “Plans”) and persons who have certain specified relationships to the Plan (“parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of Section 4975 of the Code). Thus, a Plan fiduciary considering the purchase of notes should consider whether such a purchase might constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code.

The Issuer or dealers selling notes may each be considered a “party in interest” or a “disqualified person” with respect to many Plans. The issuer and several of its subsidiaries are each considered a “disqualified person” under the Code or “party in interest” under ERISA with respect to many Plans, although the issuer is not a “disqualified person” with respect to an individual retirement account or “IRA” simply because the IRA is established with HSBC Securities (USA) Inc. or because HSBC Securities (USA) Inc. provides brokerage to the IRA, and the issuer cannot be a “party in interest” to any IRA other than certain employer-sponsored IRAs as only employer-sponsored IRAs are covered by ERISA.

The purchase of notes by a Plan that is subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 4975 of the Code (including individual retirement accounts and other plans described in Section 4975(c)(1) of the Code) and with respect to which the Issuer or the dealers selling notes is a party in interest or a disqualified person may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless such notes are acquired pursuant to and in accordance with an applicable statutory or administrative exemption. Administrative exemptions include Prohibited Transaction Class Exemption (“PTCE”) 84-14 (an exemption for certain transactions determined by an independent qualified professional asset manager), PTCE 90-1 (an exemption for certain transactions involving insurance company pooled separate accounts), PTCE 91-38 (an exemption for certain transactions involving bank collective investment funds), PTCE 95-60 (an exemption for certain transactions involving life insurance general accounts) or PTCE 96-23 (an exemption for certain transactions determined by in house investment managers).

It should also be noted that the recently enacted Pension Protection Act of 2006 contains a statutory exemption from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code for transactions involving certain parties in interest or disqualified persons who are such merely because they are a service provider to a Plan, or because they are related to a service provider. Generally, the exemption would be applicable if the party to the transaction with the Plan is a party in interest or a disqualified person to the Plan but is not (i) an employer, (ii) a fiduciary who has or exercises any discretionary authority or control with respect to the investment of the Plan assets involved in the transaction, (iii) a fiduciary who renders investment advice (within the meaning of ERISA and Section 4975 of the Code) with respect to those assets, or (iv) an affiliate of (i), (ii) or (iii). Any Plan fiduciary relying on this statutory exemption (Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code) and purchasing notes on behalf of a Plan will be deemed to represent that (x) the fiduciary has made a good faith determination that the Plan is paying no more than, and is receiving no less than, adequate consideration in connection with the transaction and (y) neither the Issuer nor any affiliates of the Issuer directly or indirectly exercises any discretionary authority or control or renders investment advice (as defined above) with respect to the assets of the Plan which such fiduciary is using to purchase the notes, both of which are necessary preconditions to utilizing this exemption. Any purchaser that is a Plan is encouraged to consult with counsel regarding the application of the foregoing exemptions or any other statutory or administrative exemption.

Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA) and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to Section 406 of ERISA or Section 4975 of the Code. However, such plans may be subject to the provisions of applicable federal, state or local or other laws, rules or regulations ("Similar Law") substantially similar to the foregoing provisions of ERISA or the Code. Fiduciaries of such plans ("Similar Law Plans") should consider applicable Similar Law when investing in the notes.

By its purchase of any offered note, the purchaser or transferee thereof will be deemed to represent, on each day from the date on which the purchaser or transferee acquires the offered note through and including the date on which the purchaser or transferee disposes of its interest in such offered note, either that (a) it is not a Plan, a Similar Law Plan or an entity whose underlying assets include the assets of any Plan or Similar Law Plan or (b) its purchase, holding and disposition of such note will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a non-exempt violation of Similar Law. Each purchaser and holder of the notes has exclusive responsibility for ensuring that its purchase, holding and/or disposition of the notes does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any Similar Laws.

The sale of notes to a Plan or a Similar Law Plan is in no respect a representation by the Issuer or any of its affiliates that such an investment meets all relevant legal requirements with respect to investments by Plans or Similar Law Plans generally or any particular Plan or Similar Law Plan, or that such an investment is appropriate for a Plan or a Similar Law Plan generally or any particular Plan or Similar Law Plan.

Any person proposing to acquire any notes on behalf of a Plan or Similar Law Plan should consult with counsel regarding the applicability of the prohibited transaction rules and the applicable exemptions thereto and all other relevant considerations.

The above discussion may be modified or supplemented with respect to a particular offering of notes, including the addition of further ERISA restrictions on purchase and transfer set forth in any applicable product supplement or pricing supplement.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes certain U.S. federal income tax consequences of the purchase, beneficial ownership and disposition of notes.

For purposes of this summary, a "U.S. holder" is a beneficial owner of a note that is:

- an individual who is a citizen or a resident of the United States, for federal income tax purposes;
- a corporation (or other entity that is treated as a corporation for federal tax purposes) that is created or organized in or under the laws of the United States or any State thereof (including the District of Columbia);
- an estate whose income is subject to federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration, and one or more United States persons, for federal income tax purposes, have the authority to control all of its substantial decisions.

For purposes of this summary, a "non-U.S. holder" is a beneficial owner of a note that is:

- a nonresident alien individual for federal income tax purposes;
- a foreign corporation for federal income tax purposes;
- an estate whose income is not subject to federal income tax on a net income basis; or

- a trust if no court within the United States is able to exercise primary jurisdiction over its administration or if United States persons do not have the authority to control all of its substantial decisions.

An individual may, subject to certain exceptions, be deemed to be a resident of the United States for federal income tax purposes by reason of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one third of the days present in the immediately preceding year, and one sixth of the days present in the second preceding year).

This summary is based on interpretations of the Internal Revenue Code of 1986, as amended (the “Code”), regulations issued thereunder, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such change may be applied retroactively and may adversely affect the federal income tax consequences described herein. This summary addresses only holders that purchase notes at initial issuance, and own notes as capital assets and not as part of a “straddle,” “hedge,” “synthetic security,” or a “conversion transaction” for federal income tax purposes or as part of some other integrated investment. This summary does not discuss all of the tax consequences that may be relevant to particular investors or to investors subject to special treatment under the federal income tax laws (such as banks, thrifts or other financial institutions; insurance companies; securities dealers or brokers, or traders in securities electing mark-to-market treatment; regulated investment companies or real estate investment trusts; small business investment companies; S corporations; investors that hold their notes through a partnership or other entity treated as a partnership for federal tax purposes; investors whose functional currency is not the U.S. dollar; certain former citizens or residents of the United States; persons subject to the alternative minimum tax; retirement plans or other tax-exempt entities, or persons holding the notes in tax-deferred or tax-advantaged accounts; or “controlled foreign corporations” or a “passive foreign investment companies” for federal income tax purposes). This summary also does not address the tax consequences to shareholders, or other equity holders in, or beneficiaries of, a holder, or any state, local or foreign tax consequences of the purchase, ownership or disposition of the notes. Persons considering the purchase of notes should consult their own tax advisors concerning the application of federal income tax laws to their particular situations as well as any consequences of the purchase, beneficial ownership and disposition of notes arising under the laws of any other taxing jurisdiction.

The applicable pricing supplement may contain a further discussion of the special federal income tax consequences applicable to certain notes. The summary of the federal income tax considerations contained in the applicable pricing supplement supersedes the following summary to the extent it is inconsistent therewith.

PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES.

U.S. Federal Income Tax Treatment of the Notes as Indebtedness for U.S. Federal Income Tax Purposes

Unless otherwise indicated in the applicable pricing supplement, we intend to treat the notes as indebtedness for federal income tax purposes and except as provided below under “—Certain Equity-Linked Notes”, the balance of this summary assumes that the notes are treated as indebtedness for federal income tax purposes. However, the treatment of a note as indebtedness for federal income tax purposes depends on a number of factors, and if the notes are not properly treated as indebtedness for federal income tax purposes, the federal income tax treatment of investors in notes may be different than that described below.

Payments of Interest. Unless otherwise indicated in the applicable pricing supplement, interest on a note will be taxable to a U.S. holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. holder’s normal method of accounting for tax purposes.

Original Issue Discount. The applicable pricing supplement will indicate whether we intend to treat the notes as issued with original issue discount. The following is a summary of the principal federal income tax consequences of the ownership of notes having original issue discount.

A note will have original issue discount for federal income tax purposes if its “issue price” is less than its “stated redemption price at maturity” by more than a *de minimis* amount, as discussed below, and it has a term of more than one year.

The issue price of a note generally is the first price at which a substantial amount of the “issue” of notes is sold to the public for money (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers), excluding pre-issuance accrued interest (as discussed below under “—Pre-Issuance Accrued Interest”).

The “stated redemption price at maturity” of a note generally is the total amount of all payments provided by the note other than “qualified stated interest” payments.

Qualified stated interest generally is stated interest that is “unconditionally payable” in cash or property (other than debt instruments of the issuer) at least annually either at a single fixed rate, or a “qualifying variable rate” (as described below). Qualified stated interest is taxable to a U.S. holder when accrued or received in accordance with the U.S. holder’s normal method of tax accounting.

Interest is considered unconditionally payable only if reasonable legal remedies exist to compel timely payment or the note otherwise provides terms and conditions that make the likelihood of late payment (other than a late payment within a reasonable grace period) or non-payment a remote contingency. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between stated interest payments. Thus, if the interval between payments varies during the term of the instrument, the value of the fixed rate on which payment is based generally must be adjusted to reflect a compounding assumption consistent with the length of the interval preceding the payment.

Notes having “*de minimis* original issue discount” generally will be treated as not having original issue discount unless a U.S. holder elects to treat all interest on the note as original issue discount. See “—Election to Treat All Interest and Discount as Original Issue Discount (Constant Yield Method).” A note will be considered to have “*de minimis* original issue discount” if the difference between its stated redemption price at maturity and its issue price is less than the product of $\frac{1}{4}$ of 1 percent of the stated redemption price at maturity and the number of complete years from the issue date to maturity (or the weighted average maturity in the case of a note that provides for payment of an amount other than qualified stated interest before maturity).

U.S. holders of notes having original issue discount will be required to include original issue discount in gross income for federal income tax purposes as it accrues (regardless of the U.S. holders’ method of accounting), which may be in advance of receipt of the cash attributable to such income. Original issue discount accrues under the constant yield method, based on a compounded yield to maturity, as described below. Accordingly, U.S. holders of notes having original issue discount will generally be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

The annual amount of original issue discount includible in income by the initial U.S. holder of a note having original issue discount will equal the sum of the “daily portions” of the original issue discount with respect to the note for each day on which the U.S. holder held the note during the taxable year. Generally, the daily portions of original issue discount are determined by allocating to each day in an “accrual period” the ratable portion of original issue discount allocable to the accrual period. The term accrual period means an interval of time with respect to which the accrual of original issue discount is measured and which may vary in length over the term of the note provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on either the first or last day of an accrual period.

The amount of original issue discount allocable to an accrual period will be the excess of:

- the product of the “adjusted issue price” of the note at the commencement of the accrual period and its “yield to maturity” over
- the amount of any qualified stated interest payments allocable to the accrual period.

The adjusted issue price of a note at the beginning of the first accrual period is its issue price and, on any day thereafter, it is the sum of the issue price and the amount of original issue discount previously includible in the gross income of the U.S. holder (without regard to any “acquisition premium” as described below), reduced by the amount of any payment other than a payment of qualified stated interest previously made on the note. If an interval between payments of qualified stated interest contains more than one accrual period, the amount of qualified stated interest that is payable at the end of the interval (including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval) is allocated on a pro-rata basis to each accrual period in the interval, and the adjusted issue price at the beginning of each accrual period in the interval is increased by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but is not payable until the end of the interval. The yield to maturity of a note is the yield to maturity computed on the basis of compounding at the end of each accrual period properly adjusted for the length of the particular accrual period. If all accrual periods are of equal length except for a shorter initial and/or final accrual period(s), the amount of original issue discount allocable to the initial period may be computed using any reasonable method; however, the original issue discount allocable to the final accrual period will always be the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period.

Pre-Issuance Accrued Interest. If (i) a portion of the initial purchase price of a note is attributable to pre-issuance accrued interest, (ii) the first stated interest payment on the note is to be made within one year of the note’s issue date, and (iii) the payment will equal or exceed the amount of pre-issuance accrued interest, then the U.S. holder may compute the issue price of the note by subtracting the amount of the pre-issuance accrued interest. In that event, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the note.

Notes Subject to Call or Put Options. For purposes of calculating the yield and maturity of a note subject to an option, in general, a call option held by the issuer is presumed exercised if, upon exercise, the yield on the note is less than it would have been had the option not been exercised, and a put option held by a U.S. holder is presumed exercised if, upon exercise, the yield on the note is more than it would have been had the option not been exercised. The effect of this rule generally may accelerate or defer the inclusion of original issue discount in the income of a U.S. holder whose note is subject to a put option or a call option, as compared to a note that does not have such an option. The applicable pricing supplement will indicate whether a put option or call option will be presumed to be exercised and the effect of that presumption. If any option that is presumed to be exercised is not in fact exercised, the note is treated as reissued solely for purposes of the original issue discount rules on the date of presumed exercise for an amount equal to its adjusted issue price on that date. The deemed reissuance will have the effect of redetermining the note’s yield and maturity for original issue discount purposes and any related subsequent accruals of original issue discount.

Variable Rate Debt Instruments. Certain notes that are treated as “variable rate debt instruments” are subject to special rules described below. The applicable pricing supplement will indicate whether we intend to treat a note as a variable rate debt instrument that is subject to these special rules.

If a variable rate debt instrument bears interest that is unconditionally payable at least annually at a single qualified floating rate or objective rate, all stated interest is treated as qualified stated interest. The accrual of any original issue discount is determined by assuming the note bears interest at a fixed interest rate equal to the issue date value of the qualified floating rate or qualified inverse floating rate or, in the case of any other objective rate, a fixed internal rate that is equal to the reasonably expected yield for the note. The qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period. The applicable pricing supplement will indicate whether a note is subject to these rules.

If a variable rate debt instrument bears interest at a qualifying variable rate other than a single qualified floating rate or objective rate, the amount and accrual of original issue discount generally are determined by (i) determining a fixed rate substitute for each variable rate as described in the preceding paragraph, (ii) determining the amount of qualified stated interest and original issue discount by assuming the note bears interest at such substitute fixed rates and (iii) making appropriate adjustments to the qualified stated interest and original issue discount so determined for actual interest rates under the note. However, if such qualifying variable rate includes a fixed rate, the note is treated for purposes of applying clause (i) of the preceding sentence as if it provided for an assumed qualified floating rate

(or qualified inverse floating rate if the actual variable rate is such) that would cause the note to have approximately the same fair market value, and the rate is used in lieu of the fixed rate. The applicable pricing supplement will indicate whether a note is subject to these rules.

Short-Term Debt Instruments. Certain notes that are treated as “short-term debt instruments” are subject to special rules. The applicable pricing supplement will indicate whether we intend to treat the notes as short-term debt instruments. A note that is a “short-term debt instrument” will be acquired with “acquisition discount” equal to all payments under the note over the U.S. holder’s basis in the note. U.S. holders that report income for federal income tax purposes on the accrual method and certain other holders are required to include original issue discount (equal to the difference between all payments on the note over its issue price) in income or, if the U.S. holder elects, acquisition discount with respect to a note that is a short-term debt instrument. Original issue discount or acquisition discount on notes that are short-term debt instruments is accrued on a straight-line basis, unless an irrevocable election with respect to the note is made to accrue the original issue discount or acquisition discount under the constant yield method based on daily compounding.

In general, an individual or other cash method U.S. holder of a short-term debt instrument is not required to accrue original issue discount or acquisition discount with respect to a note that is a short-term debt instrument, unless the U.S. holder elects to do so. An election by a cash basis U.S. holder to accrue original issue discount on a note that is a short-term debt instrument, as well as the election to accrue acquisition discount instead of original issue discount with respect to a note that is a short-term debt instrument, applies to all short-term debt instruments acquired by the U.S. holder during the first taxable year for which the election is made, and all subsequent taxable years of the U.S. holder, unless the Internal Revenue Service (the “IRS”) consents to a revocation. In the case of a U.S. holder that is not required (and does not elect) to include original issue discount or acquisition discount in income currently, any gain realized on the sale, exchange or other taxable disposition of a note that is a short-term debt instrument is treated as ordinary income to the extent of the original issue discount that had accrued on a straight-line basis (or, if elected, under the constant yield method based on daily compounding) through the date of sale, exchange or other disposition, and the U.S. holder will be required to defer deductions for any interest paid on indebtedness incurred or continued to purchase or carry the note in an amount not exceeding the accrued original issue discount (determined on a ratable basis, unless the U.S. holder elects to use a constant yield basis) on the note, until the original issue discount is recognized.

Market Discount and Premium. If a U.S. holder purchases a note, other than a contingent payment debt instrument or a short-term debt instrument, for an amount that is less than its stated redemption price at maturity or, in the case of a note having original issue discount, less than its revised issue price (which is the sum of the issue price of the note and the aggregate amount of the original issue discount previously includible in the gross income of any holder (without regard to any acquisition premium)), the amount of the difference generally will be treated as market discount for federal income tax purposes. (It is possible that a U.S. holder may purchase a note at original issuance for an amount that is different than its issue price.) The amount of any market discount generally will be treated as *de minimis* and disregarded if it is less than the product of 0.25 percent of the stated redemption price at maturity of the note and the number of complete years to maturity (or weighted average maturity in the case of notes paying any amount other than qualified stated interest prior to maturity).

Under the market discount rules, a U.S. holder is required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a note as ordinary income to the extent of any accrued market discount that has not previously been included in income. If the note is disposed of in a nontaxable transaction (other than certain specified nonrecognition transactions), accrued market discount will be includible as ordinary income to the U.S. holder as if the U.S. holder had sold the note at its then fair market value. In addition, the U.S. holder may be required to defer, until the maturity of the note or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness incurred or continued to purchase or carry the note.

Market discount accrues ratably during the period from the date of acquisition to the maturity of a note, unless the U.S. holder elects to accrue it under the constant yield method. A U.S. holder of a note may elect to include market discount in income currently as it accrues (either ratably or under the constant yield method), in which case the rule described above regarding deferral of interest deductions will not apply. The election to include market discount currently applies to all market discount obligations acquired during or after the first taxable year to which the election applies and may not be revoked without the consent of the IRS. If an election is made to include market

discount in income currently, the basis of the note in the hands of the U.S. holder will be increased by the market discount thereon as it is included in income.

A U.S. holder that purchases a note having original issue discount, other than a contingent payment debt instrument, for an amount exceeding its “adjusted issue price” (which is described above under “— Original Issue Discount”) and less than or equal to the sum of all remaining amounts payable on the note other than payments of qualified stated interest will be treated as having purchased the note with acquisition premium. The amount of original issue discount that the U.S. holder must include in gross income with respect to such note will be reduced in the proportion that the excess bears to the original issue discount remaining to be accrued as of the note’s acquisition and ending on the stated maturity date. Rather than apply the above fraction, the U.S. holder that, as discussed below, elects to treat all interest as original issue discount would treat the purchase at an acquisition premium as a purchase at an original issuance and calculate original issue discount accruals on a constant yield to maturity.

A U.S. holder that acquires a note, other than a contingent payment debt instrument, for an amount that is greater than the sum of all remaining amounts payable on the note other than payments of qualified stated interest will be treated as having purchased the note at a bond premium and will not be required to include any original issue discount in income. A U.S. holder generally may elect to amortize bond premium. The election to amortize bond premium must be made with a timely filed federal income tax return for the first taxable year to which the U.S. holder wishes the election to apply.

If bond premium is amortized, the amount of interest that must be included in the U.S. holder’s income for each period ending on an interest payment date or on stated maturity, as the case may be, will be reduced by the portion of bond premium allocable to such period based on the note’s yield to maturity (or, in certain circumstances, until an earlier call date) determined by using the U.S. holder’s basis of the note, compounding at the close of each accrual period. If the bond premium allocable to an accrual period is in excess of qualified stated interest allocable to that period, the excess may be deducted to the extent of prior income inclusions and is then carried to the next accrual period and offsets qualified stated interest in such period. If an election to amortize bond premium is not made, a U.S. holder must include the full amount of each interest payment in income in accordance with its regular method of accounting and will receive a tax benefit from the premium only in computing its gain or loss upon the sale or other disposition or payment of the principal amount of the note.

An election to amortize bond premium will apply to amortizable bond premium on all notes and other bonds, the interest on which is includible in the U.S. holder’s gross income, held at the beginning of the U.S. holder’s first taxable year to which the election applies or thereafter acquired, and may be revoked only with the consent of the IRS. The election to treat all interest as original issue discount is treated as an election to amortize premium. Special rules may apply if a note is subject to call prior to maturity at a price in excess of its stated redemption price at maturity.

Election to Treat All Interest and Discount as Original Issue Discount (Constant Yield Method). A U.S. holder of a note may elect to include in income all interest and discount (including *de minimis* original issue discount and *de minimis* market discount), as adjusted by any premium with respect to the note, based on a constant yield method, which is described above under “— Original Issue Discount.” The election is made for the taxable year in which the U.S. holder acquired the note, and it may not be revoked without the consent of the IRS. If such election is made with respect to a note having market discount, the U.S. holder will be deemed to have elected currently to include market discount on a constant yield basis with respect to all debt instruments having market discount acquired during the year of election or thereafter. If made with respect to a note having amortizable bond premium, the U.S. holder will be deemed to have made an election to amortize premium generally with respect to all debt instruments having amortizable bond premium held by the U.S. holder during the year of election or thereafter.

Sale, Exchange, Redemption or Repayment of the Notes. Upon the disposition of a note by sale, exchange, redemption, repayment of principal at maturity or other taxable disposition, a U.S. holder will generally recognize taxable gain or loss equal to the difference between (i) the amount realized on the disposition (other than amounts attributable to accrued but untaxed interest) and (ii) the U.S. holder’s adjusted tax basis in the note. A U.S. holder’s adjusted tax basis in a note generally will equal the cost of the note (net of accrued interest) to the U.S. holder, increased by amounts includible in income as original issue discount or market discount, as described below (if the holder elects to include market discount in income on a current basis) and reduced by any amortized bond premium and any payments (other than payments of qualified stated interest) made on the note.

Because the note is held as a capital asset, such gain or loss (except to the extent that the market discount rules or the rules relating to short-term debt instruments otherwise provide) will generally constitute capital gain or loss. Capital gains of individual taxpayers from the sale, exchange or other disposition of a note held for more than one year may be eligible for reduced rates of taxation. The deductibility of a capital loss realized on the sale, exchange, or other disposition of a note is subject to limitations.

Contingent Payment Debt Instruments. Certain notes that are treated as “contingent payment debt instruments” are subject to special rules. The applicable pricing supplement will indicate whether we intend to treat a note as a contingent payment debt instrument. If a contingent payment debt instrument is issued for cash or publicly traded property, original issue discount is determined and accrued under the “noncontingent bond method.” Unless otherwise indicated in the applicable pricing supplement, we intend to treat all notes that are treated as contingent payment debt instruments as subject to the noncontingent bond method.

Under the noncontingent bond method, for each accrual period, U.S. holders of the notes accrue original issue discount equal to the product of (i) the “comparable yield” (adjusted for the length of the accrual period) and (ii) the “adjusted issue price” of the notes at the beginning of the accrual period. This amount is ratably allocated to each day in the accrual period and is includible as ordinary interest income by a U.S. holder for each day in the accrual period on which the U.S. holder holds the contingent payment debt instrument, whether or not the amount of any payment is fixed or determinable in the taxable year. Thus, the noncontingent bond method may result in recognition of income prior to the receipt of cash.

In general, the comparable yield of a contingent payment debt instrument is equal to the yield at which the issuer would issue a fixed rate debt instrument with terms and conditions similar to those of the contingent payment debt instrument, including level of subordination, term, timing of payments, and general market conditions. For example, if a hedge of the contingent payment debt instrument is available that, if integrated with the contingent payment debt instrument, would produce a “synthetic debt instrument” with a specific yield to maturity, the comparable yield will be equal to the yield of the synthetic debt instrument. However, if such a hedge is not available, but similar fixed rate debt instruments of the issuer are traded at a price that reflects a spread above a benchmark rate, the comparable yield is the sum of the benchmark rate on the issue date and the spread. The applicable pricing supplement will either provide the comparable yield, or investors can obtain the comparable yield of the notes by contacting Structured Equity Derivatives - Structuring HSBC Bank USA, National Association, 452 Fifth Avenue, 3rd Floor, New York, NY 10018.

The adjusted issue price at the beginning of each accrual period is generally equal to the issue price of the note plus the amount of original issue discount previously includible in the gross income of the U.S. holder less any noncontingent payment and the projected amount of any contingent payment contained in the projected payment schedule (as described below) previously made on the contingent payment debt instrument. If a note provides for noncontingent payments that exceed the amount that a holder would be required to accrue (without regard to any negative or positive adjustments), we intend to treat the excess as a nontaxable return of principal that will, in turn, reduce the “adjusted issue price” of the notes.

In addition to the determination of a comparable yield, the noncontingent bond method requires the construction of a projected payment schedule. The projected payment schedule includes all noncontingent payments, and projected amounts for each contingent payment to be made under the contingent payment debt instrument that are adjusted to produce the comparable yield. The applicable pricing supplement will either provide such projected payment schedule, or investors can obtain the projected payments schedule by contacting Structured Equity Derivatives - Structuring HSBC Bank USA, National Association, 452 Fifth Avenue, 3rd Floor, New York, NY 10018. The projected payment schedule remains fixed throughout the term of the contingent payment debt instrument. A U.S. holder is required to use the issuer’s projected payment schedule to determine its interest accruals and adjustments, unless the U.S. holder determines that the issuer’s projected payment schedule is unreasonable, in which case the U.S. holder must disclose its own projected payment schedule in connection with its federal income tax return and the reason(s) why it is not using the issuer’s projected payment schedule.

If the actual amounts of contingent payments are different from the amounts reflected in the projected payment schedule, a U.S. holder is required to make adjustments in its original issue discount accruals when such amounts are paid. Adjustments arising from contingent payments that are greater than the assumed amounts of those payments are referred to as “positive adjustments”; adjustments arising from contingent payments that are less than

the assumed amounts are referred to as “negative adjustments.” Positive and negative adjustments are netted for each taxable year with respect to each note. Any net positive adjustment for a taxable year is treated as additional original issue discount income of the U.S. holder. Any net negative adjustment reduces any original issue discount on the note for the taxable year that would otherwise accrue. Any excess is then treated as a current-year ordinary loss to the U.S. holder to the extent of original issue discount accrued in prior years. The balance, if any, is treated as a negative adjustment in subsequent taxable years. Finally, to the extent that it has not previously been taken into account, an excess negative adjustment reduces the amount realized upon a sale, exchange, or retirement of the note.

If all or a portion of the holder’s payment at maturity becomes fixed and determinable at any time more than six months prior to the maturity date, a U.S. holder may be required to take into account a positive or negative adjustment on the date the payment becomes fixed and determinable. If the payment on the maturity date is certain to be greater than the contingent payment for the maturity date that is reflected on the projected payment schedule, the U.S. holder may be required to treat the difference between the net present value of the payment that is certain to be paid on the maturity date and the net present value of the contingent payment for the maturity date that is reflected on the projected payment schedule (each net present value determined by discounting the amount to the date on which the payment at maturity becomes fixed) as a positive adjustment that is recognized on that date. In this event, if that date is prior to the taxable year that includes the maturity date, the taxable amount will exceed the amount that would have been included in income in the year had the positive adjustment not occurred and will exceed the cash payments on the note in that year. In addition, in this event, the projected contingent payment for the maturity date that is reflected in the projected payment schedule will be increased by the absolute difference between the payment that is certain to be paid on the maturity date and the contingent payment for the maturity date that is reflected on the projected payment schedule. If, on the other hand, the payment that is certain to be paid on the maturity date is less than the contingent payment for the maturity date that is reflected on the projected payment schedule, then a U.S. holder may be permitted to treat the difference between the net present value of the payment that is certain to be paid on the maturity date and the net present value of the contingent payment for the maturity date that is reflected on the projected payment schedule (each net present value determined by discounting the amount to the date on which the payment at maturity becomes fixed) as a negative adjustment that is recognized on that date, treated as described above. In addition, in this event, the projected contingent payment for the maturity date that is reflected in the projected payment schedule would be decreased by the absolute difference between the payment that is certain to be paid on the maturity date and the contingent payment that is reflected in the projected payment schedule. However, the ability of U.S. holders to claim the ordinary loss is not free from doubt.

A U.S. holder’s basis in a contingent payment debt instrument is increased by the projected contingent payments accrued by the holder under the projected payment schedule (as determined without regard to adjustments made to reflect differences between actual and projected payments) and reduced by the amount of any non-contingent payments and the projected amount of any contingent payments previously made. Gain on the sale, exchange or other taxable disposition of a contingent payment debt instrument generally is treated as ordinary income. Loss, on the other hand, is treated as ordinary only to the extent of the U.S. holder’s prior net original issue discount inclusions (i.e., reduced by the total net negative adjustments previously allowed to the U.S. holder as an ordinary loss) and capital to the extent in excess thereof. The deductibility of a capital loss realized on the sale, exchange or other taxable disposition of a note is subject to limitations.

A U.S. holder that purchases a note for an amount other than the issue price of the note will be required to adjust its original issue discount inclusions to account for the difference. These adjustments will affect the U.S. holder’s basis in the note. Reports to U.S. holders may not include these adjustments. U.S. holders that purchase notes at other than the issue price should consult their tax advisors regarding these adjustments.

Prospective investors should consult their own tax advisors with respect to the application of the contingent payment debt instrument provisions to notes.

Amortizing Notes. Payments received pursuant to an amortizing note may consist of both a principal and an interest component. The principal component will generally constitute a tax-free return of capital that will reduce a U.S. holder’s adjusted tax basis in the note.

Foreign Currency Notes. Certain notes that are denominated in or indexed to a foreign currency are subject to special rules. The applicable pricing supplement will indicate whether we intend to treat the notes as subject to these special rules. The following discussion summarizes the principal federal income tax consequences of owning

a note that is denominated in or indexed to a foreign currency (other than a currency described in this section that is considered “hyperinflationary”), and is not a contingent payment debt instrument or a dual currency note. Special federal income tax considerations applicable to notes that are denominated in or indexed to a hyperinflationary currency, are contingent payment debt instruments, or are dual currency notes, will be discussed in the applicable pricing supplement.

In general, a U.S. holder that uses the cash method of accounting and holds a note will be required to include in income the U.S. dollar value of the amount of interest income received, whether or not the payment is received in U.S. dollars or converted into U.S. dollars. The U.S. dollar value of the amount of interest received is the amount of the interest paid in the foreign currency, translated into U.S. dollars at the spot rate on the date of receipt. The U.S. holder will not have exchange gain or loss on the interest payment itself, but may have exchange gain or loss when it disposes of any foreign currency received.

A U.S. holder that uses the accrual method of accounting is generally required to include in income the dollar value of interest accrued during the accrual period. Accrual basis U.S. holders may determine the amount of income recognized with respect to such interest in accordance with either of two methods. Under the first method, the dollar value of accrued interest is translated at the average rate for the interest accrual period (or, with respect to an accrual period that spans two taxable years, the partial period within the taxable year). For this purpose, the average rate is the simple average of spot rates of exchange for each business day of such period or other average exchange rate for the period reasonably derived and consistently applied by the U.S. holder. Under the second method, a U.S. holder can elect to accrue interest at the spot rate on the last day of the interest accrual period (in the case of a partial accrual period, the last day of the taxable year) or, if the last day of an interest accrual period is within five business days of the receipt, the spot rate on the date of receipt. Any such election will apply to all debt instruments held by the U.S. holder and is irrevocable without the consent of the IRS. An accrual basis U.S. holder will recognize exchange gain or loss, as the case may be, on the receipt of a foreign currency interest payment if the exchange rate on the date payment is received differs from the rate applicable to the previous accrual of that interest income. The foreign currency gain or loss will generally be treated as U.S. source ordinary income or loss.

Original issue discount on a note described in this section is determined in the foreign currency and is translated into U.S. dollars in the same manner that an accrual basis U.S. holder accrues stated interest. Exchange gain or loss is determined when original issue discount is considered paid to the extent the exchange rate on the date of payment differs from the exchange rate at which the original issue discount was accrued.

The amount of market discount on a note described in this section includible in income will generally be determined by computing the market discount in the foreign currency and translating that amount into dollars at the spot rate on the date the note is retired or otherwise disposed of. If the U.S. holder accrues market discount currently, the amount of market discount which accrues during any accrual period is determined in the foreign currency and translated into U.S. dollars on the basis of the average exchange rate in effect during the accrual period. Exchange gain or loss may be recognized to the extent that the rate of exchange on the date of the retirement or disposition of the note differs from the exchange rate at which the market discount was accrued.

Amortizable bond premium on a note described in this section is computed in units of foreign currency and, if the U.S. holder elects, will reduce interest income in units of foreign currency. At the time amortized bond premium offsets interest income (i.e., the last day of the tax year in which the election is made and the last day of each subsequent tax year), exchange gain or loss with respect to amortized bond premium is recognized and is measured by the difference between exchange rates at that time and at the time of the acquisition of the note.

With respect to the sale, exchange, retirement or other disposition of a note denominated in a foreign currency, the foreign currency amount realized will be considered to be first, the payment of accrued but unpaid interest (on which exchange gain or loss is recognized as described above); second, accrued but unpaid original issue discount (on which exchange gain or loss is recognized as described above); and, finally, as receipt of principal. With respect to principal, exchange gain or loss is equal to the difference between (i) the foreign currency principal amount translated on the date the payment is received or the date of disposition and (ii) the foreign currency principal amount translated on the date the note was acquired, or deemed acquired. Exchange gain or loss computed on accrued interest, original issue discount, market discount and principal is realized, however, only to the extent of total gain or loss on the transaction. The conversion of U.S. dollars into a foreign currency and the immediate use of

that currency to purchase a note described in this section generally will not result in a taxable gain or loss for a U.S. holder.

Certain Other Debt Securities. Certain notes may be subject to special rules. The applicable pricing supplement will discuss the principal federal income tax consequences with respect to notes that are subject to special rules, including notes that provide for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies relating to payments of interest or of principal.

Certain Equity-Linked Notes

Certain Notes Treated as a Put Option and a Deposit. We may treat certain notes as consisting of a put option and a deposit for federal income tax purposes. The applicable pricing supplement will indicate whether we intend to treat the notes as consisting of a put option and a deposit for federal income tax purposes. This section describes the federal income tax consequences of the purchase, beneficial ownership and disposition of a note that we intend to treat as consisting of a put option and a deposit.

There are no regulations, published rulings or judicial decisions addressing the treatment for federal income tax purposes of notes with terms that are substantially the same as the notes described in this section. We intend to treat each note described in this section as consisting of a put option (the “Put Option”) that requires the holder to purchase the equities referenced in the note (the “Reference Shares”) from us for an amount equal to the principal amount of the note if certain conditions are satisfied, and a deposit with us of cash, in an amount equal to the principal amount of the note (the “Deposit”) to secure the U.S. holder’s potential obligation to purchase the Reference Shares. Pursuant to the terms of the notes, each holder agrees to such treatment for all federal income tax purposes. Except for the possible alternative treatments described below, the balance of this summary assumes that the notes are so treated.

We intend to treat a portion of the stated interest payments on a note described in this section as interest or original issue discount on the Deposit, and the remainder as put premium in respect of the Put Option (the “Put Premium”). The portion of the stated interest rate on a note described in this section that constitutes interest or original issue discount on the Deposit and the portion that constitutes Put Premium will be specified in the applicable pricing supplement.

If the term of a note described in this section is more than one year, U.S. holders should include the portion of the stated interest payments on the note that is treated as interest in income, as described above under “—Payments of Interest.” If any portion of the stated interest payments on a note described in this section is treated as original issue discount its treatment will be as described above under “—Original Issue Discount.”

If the term of a note described in this section is one year or less, the Deposit should be treated as a short-term obligation as described above under “—Short-Term Debt Instruments.”

The Put Premium should not be taxable to a U.S. holder upon its receipt. If the Put Option expires unexercised, the U.S. holder should recognize the total Put Premium received as short-term capital gain at such time.

If the Put Option is exercised and a U.S. holder receives Reference Shares, the U.S. holder should not recognize any gain or loss with respect to the Put Option (other than with respect to cash received in lieu of fractional shares, as described below). In this event, the U.S. holder should have an adjusted tax basis in all Reference Shares received (including for this purpose any fractional shares) equal to the Deposit, plus accrued but unpaid interest or discount, as applicable, on the Deposit less the total Put Premium received. The U.S. holder’s holding period for any Reference Shares received should start on the day after the delivery of the Reference Shares. The U.S. holder should generally recognize a short-term capital gain or loss with respect to cash received in lieu of fractional shares in an amount equal to the difference between the amount of such cash received and the U.S. holder’s basis in the fractional shares, which is equal to the U.S. holder’s basis in all of the Reference Shares (including the fractional shares), times a fraction, the numerator of which is the fractional shares and the denominator of which is all of the Reference Shares (including fractional shares).

In we elect to cash settle the Put Option, a U.S. holder should generally recognize a short-term capital gain or loss equal to (i) the amount of cash received less (ii) the amount of the Deposit, plus accrued but unpaid acquisition discount or original issue discount on the Deposit, less the total Put Premium received.

Upon the exercise or cash settlement of a Put Option, a cash method U.S. holder of a short-term obligation that does not elect to accrue acquisition discount in income currently will recognize ordinary income equal to the accrued and unpaid acquisition discount.

Upon a sale, or other taxable disposition of a note described in this section for cash, a U.S. holder should allocate the cash received between the Deposit and the Put Option on the basis of their respective values on the date of sale. The U.S. holder should generally recognize gain or loss with respect to the Deposit in an amount equal to the difference between the amount of the sales proceeds allocable to the Deposit (less accrued and unpaid “qualified stated interest” or accrued acquisition discount that the U.S. holder has not included in income, which will be treated as ordinary interest income) and the U.S. holder’s adjusted tax basis in the Deposit (which will generally equal the initial purchase price of the note increased by any accrued acquisition discount or original issue discount previously included in income on the Deposit and decreased by the amount of any payment (other than an interest payment that is treated as qualified stated interest) received on the Deposit). Such gain or loss should be capital gain or loss and should be long-term capital gain or loss if the U.S. holder has held the Deposit for more than one year at the time of such disposition. The ability of U.S. holders to use capital losses to offset ordinary income is limited. If the Put Option has a positive value on the date of a sale of a note, the U.S. holder should recognize short-term capital gain equal to the portion of the sale proceeds allocable to the Put Option plus any previously received Put Premium. If the Put Option has a negative value on the date of sale, the U.S. holder should be treated as having paid the buyer an amount equal to the negative value in order to assume the U.S. holder’s rights and obligations under the Put Option. In such a case, the U.S. holder should recognize a short-term capital gain or loss in an amount equal to the difference between the total Put Premium previously received and the amount of the payment deemed made by the U.S. holder with respect to the assumption of the Put Option. The amount of the deemed payment will be added to the sales price allocated to the Deposit in determining the gain or loss in respect of the Deposit. The ability of U.S. holders to use capital losses to offset ordinary income is limited.

U.S. holders should consult the offering documents for the Reference Shares for the federal income tax treatment of acquiring, owning and selling the Reference Shares.

Although we intend to treat each note described in this section as a Deposit and a Put Option, there are no regulations, published rulings or judicial decisions addressing the characterization of securities with terms that are substantially the same as those of the notes described in this section, and therefore the notes could be subject to some other characterization or treatment for federal income tax purposes. For example, the notes could be treated as contingent payment debt instruments for federal income tax purposes. In this case, in general, U.S. holders should be treated as described above under “—Contingent Payment Debt Instruments.”

Other characterizations and treatments of notes described in this section are possible. Prospective investors in the notes described in this section should consult their tax advisors as to the tax consequences to them of purchasing notes described in this section, including any alternative characterizations and treatments.

Certain Notes Treated as Forward Contracts or Executory Contracts. We may treat certain notes as a forward contract or executory contract for federal income tax purposes. The applicable pricing supplement will indicate whether we intend to treat a note as a forward contract or executory contract for federal income tax purposes. This section describes the principal federal income tax consequences of the purchase, beneficial ownership and disposition of a note that we intend to treat as a forward contract or executory contract.

There are no regulations, published rulings or judicial decisions addressing the treatment for federal income tax purposes of notes with terms that are substantially the same as those described in this section. Accordingly, the proper federal income tax treatment of the notes described in this section is uncertain. Under one approach, the notes would be treated as pre-paid cash-settled forward contracts or executory contracts with respect to the reference index or asset. We intend to treat each note described in this section consistent with this approach, and pursuant to the terms of the notes, each holder agrees to such treatment for all federal income tax purposes. Except for the possible alternative treatments described below, the balance of this summary assumes that the notes described in this section are so treated.

Unless otherwise indicated in the applicable pricing supplement, if a note that is treated as a forward contract or executory contract provides for current interest payments, we intend to treat that interest as ordinary income at the time it accrues or is received in accordance with the U.S. holder's normal method of accounting for tax purposes.

A U.S. holder's tax basis in a note described in this section generally will equal the U.S. holder's cost for the note. Upon receipt of cash upon maturity or redemption and upon the sale, exchange or other disposition of the note, a U.S. holder generally will recognize gain or loss equal to the difference between the amount realized at maturity or on the redemption, sale, exchange or other disposition and the U.S. holder's tax basis in the note. Any such gain upon the maturity, redemption, sale, exchange or other disposition of the note generally will constitute capital gain. Capital gain of non-corporate taxpayers from the maturity, redemption, sale, exchange or other disposition of a non-principal protected note held for more than one year may be eligible for reduced rates of taxation. Any loss from the maturity, redemption, sale, exchange or other disposition of a non-principal protected note will generally constitute a capital loss. The ability of U.S. holders to use capital losses to offset ordinary income is limited.

Although we intend to treat each note described in this section as a pre-paid cash-settled forward contract or executory contract as described above, there are no regulations, published rulings or judicial decisions addressing the characterization of securities with terms that are substantially the same as those of the notes described in this section, and therefore the notes could be subject to some other characterization or treatment for federal income tax purposes. For example, the notes could be treated as "contingent payment debt instruments" for federal income tax purposes. In this case, in general, U.S. holders should be treated as described above under "—Contingent Payment Debt Instruments."

In addition, certain proposed Treasury regulations require the accrual of income on a current basis for contingent payments made under certain "notional principal contracts." The preamble to the proposed regulations states that the "wait and see" method of accounting does not properly reflect the economic accrual of income on those contracts, and requires current accrual of income for some contracts already in existence. While the proposed regulations do not apply to prepaid forward contracts, the preamble to the proposed regulations indicates that similar timing issues exist in the case of prepaid forward contracts. If the IRS or the U.S. Treasury Department publishes future guidance requiring current economic accrual for contingent payments on prepaid forward contracts, it is possible that a U.S. holder could be required to accrue income over the term of the notes described in this section.

In addition, it is possible that the notes could be treated as representing an ownership interest in the reference index or asset for federal income tax purposes, in which case a U.S. holder's federal income tax treatment could be different than described above.

Finally, if a reference asset or index, or one or more of the entities included in a reference asset or index, are treated as a "real estate investment trust" ("REIT"), partnership, trust, or "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes, or otherwise as a "pass-thru entity" for purposes of section 1260 of the Code, it is possible that U.S. holders will be subject to the "constructive ownership" rules of section 1260 of the Code. Moreover, section 1260 of the Code authorizes the Treasury Department to promulgate regulations (possible with retroactive effect) to expand the application of the section 1260 of the Code. If section 1260 applies to a note, the portion of any gain recognized on the sale, exchange, maturity, or other taxable disposition of the note that would be treated as long-term capital gain and relates to a pass-through entity (or if section 1260 is expanded by regulations, to such other entity) could be treated as ordinary income and subject to an interest charge. It is possible that these rules could apply, for example, to recharacterize long-term capital gain on the notes to the extent that a U.S. holder's return reflects dividend income or the U.S. holder would have recognized short-term capital gain (rather than long-term capital gain) had the holder owned the reference asset or the constituents of the index by reason of, for example, a rebalancing of the reference asset or index. Finally, other alternative federal income tax characterizations or treatments of the notes described in this section are possible, and if applied could also affect the timing and the character of the income or loss with respect to the notes.

Prospective investors in the notes described in this section should consult their tax advisors as to the tax consequences to them of purchasing the notes, including any alternative characterizations and treatments.

Tax Treatment of Non-U.S. Holders

Payments on the notes to non-U.S. holders will not be subject to federal withholding tax if the following conditions are satisfied:

- the non-U.S. holder does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote;
- the non-U.S. holder is not a controlled foreign corporation for federal income tax purposes that is related to us through actual or constructive ownership;
- the non-U.S. holder is not a bank receiving interest on a loan made in the ordinary course of its trade or business;
- interest payable on the notes is either (a) not determined by reference to any receipts, sales or other cash flow, income or profits, change in the value of any property of, or any dividend or similar payment made by us or a person related to us, within the meaning of Code section 871(h)(4)(A) or (b) determined by reference to changes in the value of actively traded property or an index of the value of actively traded property within the meaning of section 871(h)(4)(C)(v) of the Code; and
- the payments are not effectively connected with a trade or business conducted by the non-U.S. holder in the United States and either (a) the non-U.S. holder provides a correct, complete and executed IRS Form W-8BEN or Form W-8IMY (or successor form) with appropriate attachments, or (b) the non-U.S. holder holds its note through a qualified intermediary (generally a foreign financial institution or clearing organization or a non-U.S. branch or office of a U.S. financial institution or clearing organization that is a party to a withholding agreement with the IRS) which has provided an IRS Form W-8IMY and has received documentation upon which it can rely to treat the payment as made to a foreign person.

The applicable pricing supplement will indicate whether we expect that any property will be treated as actively traded or any index will reference actively traded property within the meaning of section 871(h)(4)(C)(v). If any of these conditions are not satisfied, interest (including original issue discount) on the notes may be subject to a 30% withholding tax, unless an income tax treaty reduces or eliminates the tax or the interest is effectively connected with the conduct of a U.S. trade or business and, in either case, certain certification requirements are met. If such non-U.S. holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

In general, gain realized on the sale, exchange or retirement of the notes by a non-U.S. holder will not be subject to federal income tax, unless:

- the gain with respect to the notes is effectively connected with a trade or business conducted by the non-U.S. holder in the United States, or
- the non-U.S. holder is a nonresident alien individual who holds the notes as a capital asset and is present in the United States for more than 182 days in the taxable year of the sale and certain other conditions are satisfied.

If the gain realized on the sale, exchange or retirement of the notes by the non-U.S. holder is described in either of the two preceding bullet points, the non-U.S. holder may be subject to federal income tax with respect to the gain except to the extent that an income tax treaty reduces or eliminates the tax and the appropriate documentation is provided.

Non-U.S. holders that receive Reference Shares should consult the offering documents for the Reference Shares for the federal income tax treatment of acquiring, owning and selling the Reference Shares.

A note held by an individual who at death is a non-U.S. holder will not be includible in the individual's gross estate for federal estate tax purposes if the individual would not be subject to any federal income or withholding tax with respect to income or gain on the note or reverse convertible note.

Non-U.S. holders should consult the offering documents for the Reference Shares for the federal estate tax treatment of acquiring, owning and selling the Reference Shares.

Notice 2008-2

In Notice 2008-2, the Internal Revenue Service ("IRS") and the Treasury Department requested comments as to whether the purchaser of an exchange traded note or prepaid forward contract (which may include a note that we intend (and you agree) to treat as a forward or other executory contract, or as a put and a deposit, for U.S. federal income tax purposes) should be required to accrue income during its term under a mark-to-market, accrual or other methodology, whether income and gain on such a note or contract should be ordinary or capital, and whether foreign holders should be subject to withholding tax on any deemed income accrual. Accordingly, it is possible that regulations or other guidance could provide that a U.S. holder of such a note is required to accrue income in respect of the note prior to the receipt of payments under the note or its earlier sale. Moreover, it is possible that any such regulations or other guidance could treat all income and gain of a U.S. holder in respect of a note as ordinary income (including gain on a sale). Finally, it is possible that a non-U.S. holder of the note could be subject to U.S. withholding tax in respect of a note. It is unclear whether any regulations or other guidance would apply to the notes (possibly on a retroactive basis). Prospective investors are urged to consult with their tax advisors regarding Notice 2008-2 and the possible effect to them of the issuance of regulations or other guidance that affects the federal income tax treatment of the notes.

Information Reporting and Backup Withholding

Distributions made on the notes and proceeds from the sale of notes to or through certain brokers may be subject to a "backup" withholding tax on "reportable payments" unless, in general, the noteholder complies with certain procedures or is an exempt recipient. Any amounts so withheld from distributions on the notes generally will be refunded by the IRS or allowed as a credit against the noteholder's federal income tax, provided the noteholder makes a timely filing of an appropriate tax return or refund claim.

Reports will be made to the IRS and to holders that are not excepted from the reporting requirements.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN OF THE TAX IMPLICATIONS OF AN INVESTMENT IN NOTES. PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS PRIOR TO INVESTING TO DETERMINE THE TAX IMPLICATIONS OF SUCH INVESTMENT IN LIGHT OF EACH SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

SUPPLEMENTAL PLAN OF DISTRIBUTION

We are offering the notes on a continuing basis through the agent. In addition, we may offer the notes through certain other agents to be named in the applicable pricing supplement. The agent has agreed and any additional agents will agree to use reasonable efforts to solicit offers to purchase the notes. We will have the sole right to accept offers to purchase the notes and may reject any offer in whole or in part. Each agent may reject, in whole or in part, any offer it solicited to purchase the notes. We will pay an agent, in connection with sales of these notes resulting from a solicitation that the agent made or an offer to purchase the agent received, a commission as set forth in the applicable pricing supplement.

We may also sell the notes to the agent as principal for its own account at discounts to be agreed upon at the time of sale as disclosed in the applicable pricing supplement. The agent may resell the notes to investors and other purchasers at a fixed offering price or at prevailing trading levels or prices, or prices related thereto at the time of resale or otherwise, as the agent determines and as we will specify in the applicable pricing supplement. The agent may offer the notes it has purchased as principal to other dealers. The agent may sell the notes to any dealer at a discount, and unless otherwise specified in the applicable pricing supplement, the discount allowed to any dealer will not be in excess of the discount the agent will receive from us. After the initial public offering of notes that the

agent is to resell on a fixed public offering price basis, the agent may change the public offering price, concession and discount.

The agent may be deemed to be an “underwriter” within the meaning of the Securities Act of 1933, as amended. We and the agent have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act, or to contribute to payments made in respect of those liabilities. We have also agreed to reimburse the agent for specified expenses.

Unless otherwise provided in the applicable pricing supplement, we do not intend to apply for the listing of these notes on a national securities exchange. The agent may make a market in the notes or, if separable, any other securities included in units, as applicable laws and regulations permit. The agent is not obligated to do so, however, and the agent may discontinue making a market at any time without notice. No assurance can be given as to the liquidity of any trading market for the notes or, if separable, any other securities included in units.

HSBC Securities (USA) Inc. is our wholly owned subsidiary. To the extent it is named in the applicable pricing supplement, each offering of the notes will be conducted in compliance with the requirements of NASD Rule 2720 of FINRA regarding a FINRA member firm’s distributing the securities of an affiliate. Following the initial distribution of the notes, each agent may offer and sell those notes in the course of its business as a broker-dealer. An agent may act as principal or agent in those transactions and may make any sales at varying prices related to prevailing trading levels or prices at the time of sale or otherwise. The agents are not obligated to make a market in any of the notes or any other securities included in units and may discontinue any market-making activities at any time without notice.

**HSBC USA Inc.
Debt Securities
Preferred Stock
Depositary Shares
Warrants
Purchase Contracts
and
Units**

HSBC USA Inc. from time to time may offer to sell debt securities, preferred stock, either separately or represented by depositary shares, warrants, purchase contracts and units.

HSBC USA Inc. will provide specific terms of the securities that it may offer at any time in supplements to this prospectus. You should read this prospectus and any supplement carefully before you invest.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The securities are not deposits or other obligations of a bank and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

HSBC USA Inc. may use this prospectus in connection with the initial sale of these securities. In addition, HSBC Securities (USA) Inc., or other affiliates of HSBC USA Inc., may use this prospectus in market-making transactions in these or similar securities after the initial sale. UNLESS HSBC USA INC. OR ITS AGENT INFORMS THE PURCHASER OTHERWISE IN THE CONFIRMATION OF SALE, THIS PROSPECTUS IS BEING USED IN A MARKET-MAKING TRANSACTION.

The date of this prospectus is April 2, 2009

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the “SEC”) utilizing a “shelf” registration process. Under this process, we may sell any combination of the securities described in this prospectus in one or more initial offerings. This prospectus may also be used in market-making transactions, as described under the heading “PLAN OF DISTRIBUTION.” This prospectus provides you with a general description of the securities that we may offer. Each time we offer to sell securities, we will provide a supplement to this prospectus (each, a “Prospectus Supplement”) that will contain specific information about the terms of that offering. The Prospectus Supplement may also add to or update information contained in this prospectus. You should read both this prospectus and any Prospectus Supplement together with the additional information described under the heading “WHERE YOU CAN FIND MORE INFORMATION.” In this prospectus, “us,” “we,” “our,” “Corporation” and “HSBC USA” refer to HSBC USA Inc. and “Bank” refers to HSBC Bank USA, National Association.

RISK FACTORS

Investing in the securities involves risk. Please see the “Risk Factors” section in the Corporation’s most recent Annual Report on Form 10-K, along with the disclosure related to the risk factors contained in the Corporation’s subsequent Quarterly Reports on Form 10-Q, which are incorporated by reference in this prospectus, as updated by our future filings with the SEC. Before making an investment decision, you should carefully consider these risks as well as other information contained or incorporated by reference in this prospectus. The Prospectus Supplement applicable to each type or series of securities we offer may contain a discussion of additional risks applicable to an investment in us and the particular type of securities we are offering under that Prospectus Supplement.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the matters discussed under the caption “HSBC USA INC.” and elsewhere in this prospectus and any Prospectus Supplement or in the information incorporated by reference herein may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such information may involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of HSBC USA to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. For a list of such risks, uncertainties and factors you should refer to the information incorporated by reference herein. See “WHERE YOU CAN FIND MORE INFORMATION.”

HSBC USA INC.

HSBC USA Inc., a Maryland corporation, is a New York State-based bank holding company registered under the Bank Holding Company Act of 1956, as amended. HSBC USA had its origin in Buffalo, New York in 1850 as The Marine Trust Company, which later became Marine Midland Banks, Inc. In 1980, The Hongkong and Shanghai Banking Corporation (now HSBC Holdings plc (“HSBC Holdings”)) acquired 51 percent of the common stock of Marine Midland Banks, Inc. and the remaining 49 percent in 1987. In December 1999, HSBC Holdings acquired Republic New York Corporation and merged it with HSBC USA. The address of HSBC USA’s principal executive office is 452 Fifth Avenue, New York, New York 10018 (telephone 212-525-5000).

HSBC USA is a subsidiary of HSBC North America Inc., an indirect wholly owned subsidiary of HSBC Holdings. HSBC Holdings, headquartered in London, England, is one of the largest banking and financial services organizations in the world. HSBC Holdings’ ordinary shares are admitted to trading on the London Stock Exchange and are listed on The Stock Exchange of Hong Kong, Euronext Paris and the Bermuda Stock Exchange, and its American depository shares are listed on the New York Stock Exchange.

USE OF PROCEEDS

Unless stated otherwise in the applicable Prospectus Supplement, HSBC USA will use the net proceeds from initial sales of the securities for general corporate purposes, which may include one or more of the following: investments in and extensions of credit to our subsidiaries, including our principal subsidiary, HSBC Bank USA, National Association; financing future acquisitions of financial institutions, as well as banking and other assets; and the redemption of certain of our outstanding securities. Pending such use, the net proceeds may be invested temporarily in short-term obligations.

DESCRIPTION OF DEBT SECURITIES

HSBC USA may offer, from time to time, one or more series of unsecured senior notes (“Debt Securities”). The following description of the Debt Securities sets forth certain general terms and provisions of the Debt Securities to which any supplement to this prospectus (“Prospectus Supplement”) may relate. The particular terms of the Debt Securities offered by any Prospectus Supplement and the extent, if any, to which these general provisions may apply to such Debt Securities will be described in the Prospectus Supplement relating to such Debt Securities.

General

HSBC USA will issue Debt Securities constituting either senior debt (the “Senior Debt Securities”) or senior subordinated debt (the “Subordinated Debt Securities”). Senior Debt Securities will be issued under a senior debt indenture (each, a “Senior Indenture”). Subordinated Debt Securities will be issued under a subordinated debt indenture (each, a “Subordinated Indenture”). The trustee under the Senior Indenture under which Senior Debt Securities will be issued will be either Deutsche Bank Trust Company Americas, Wells Fargo Bank, National Association or such other entity as is specified in the applicable Prospectus Supplement. The trustee under the Subordinated Indenture under which Subordinated Debt Securities will be issued will be either Deutsche Bank Trust Company Americas or such other entity as is specified in the applicable Prospectus Supplement. We refer to the Senior Indenture and the Subordinated Indenture individually as an “Indenture” and collectively as the “Indentures.” HSBC USA has appointed the Bank to act as paying agent under each Indenture.

The following summaries of certain provisions of the Indentures do not purport to be complete and these summaries are qualified in their entirety by reference to all of the provisions of the Indentures, including the definitions therein of certain terms. Unless otherwise specified, capitalized terms used in this summary have the meanings specified in the Indentures.

The following briefly summarizes the material provisions of the Indentures and the Debt Securities, other than pricing and related terms disclosed in the applicable Prospectus Supplement. You should read the more detailed provisions of the applicable Indenture, including the defined terms, for provisions that may be important to you. You should also read the particular terms of a series of Debt Securities, which will be described in more detail in the applicable Prospectus Supplement. You can obtain a copy of the Indentures as described under the caption “WHERE YOU CAN FIND MORE INFORMATION.” So that you may easily locate the more detailed provisions, the numbers in parentheses below refer to sections in the applicable Indenture or, if no indenture is specified, to sections in each of the Indentures. Wherever particular sections or defined terms of the applicable Indenture are referred to, such sections or defined terms are incorporated into this prospectus by reference, and the statements in this prospectus are qualified by that reference.

Because we are a holding company, our rights and the rights of our creditors, including the holders of the Debt Securities, to participate in the assets of any subsidiary, including the Bank, upon the subsidiary’s liquidation or reorganization or otherwise would be subject to the prior claims of the subsidiary’s creditors, except to the extent that we may be a creditor with recognized claims against such subsidiary.

The Indentures do not limit the aggregate principal amount of Debt Securities that may be issued. HSBC USA may issue Debt Securities in series up to the aggregate principal amount that may be authorized from time to time without your consent. The Debt Securities will be the unsecured obligations of HSBC USA (*Section 113*). The Senior Debt Securities will rank on a parity with all of the other unsecured and unsubordinated indebtedness of HSBC USA. The Subordinated Debt Securities will be subordinate in right of payment, as described under “—Subordinated Debt Securities—Subordination.”

The Debt Securities may be issued in one or more series of Senior Debt Securities and/or one or more series of Subordinated Debt Securities. Holders should refer to the applicable Prospectus Supplement for the terms of the particular series of Debt Securities, including, where applicable (*Section 301*):

- the title of the Debt Securities (which shall distinguish the offered Debt Securities from all other series of Debt Securities);
- the limit, if any, on the aggregate principal amount of the Debt Securities that may be authenticated and delivered under the applicable Indenture (except for Debt Securities authenticated and delivered upon transfer of, or in exchange for, or in lieu of, other Debt Securities of the same series pursuant to *Section 304, 305, 306, 1106 or 1307* of the applicable Indenture);

- the dates on which or periods during which the Debt Securities will be issued, and the dates on, or the range of dates within, which the principal of (and premium, if any, on) the Debt Securities are or may be payable;
- the rate or rates at which the Debt Securities will bear interest, if any, or the method by which the rate or rates will be determined, and the date or dates from which interest, if any, will accrue, the date or dates on which interest, if any, on the Debt Securities will be payable and, in the case of registered securities, the regular record dates for the interest payable on the interest payment dates or the method by which the date or dates will be determined;
- if other than the designated office of the indenture trustee in New York City, the place or places where (i) payments on the Debt Securities will be payable, (ii) the Debt Securities may be surrendered for registration of transfer, (iii) the Debt Securities may be surrendered for exchange, and (iv) notices to or upon HSBC USA in respect of the Debt Securities and the applicable Indenture may be served;
- the period or periods within which or the dates on which, the price or prices at which and the terms and conditions upon which the Debt Securities may be redeemed, if any, in whole or in part, at our option or otherwise;
- if other than denominations of \$1,000 and any integral multiples thereof, the denominations in which any Debt Securities will be issuable;
- if other than the applicable indenture trustee, the identity of each security registrar and/or paying agent;
- if other than the principal amount, the portion of the principal amount (or the method by which this portion will be determined) of the Debt Securities that will be payable if the maturity thereof is accelerated;
- if other than in United States dollars, the currency in which the Debt Securities will be denominated or in which payment of the principal and premium, if any, or interest, if any, on the Debt Securities will be payable and any other terms concerning such payment;
- any index, formula or other method (including a method based on changes in the prices or performance of particular securities, currencies, intangibles, goods, articles or commodities, or any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance), or a combination thereof, used to determine the amount of payments of principal of and premium, if any, and interest, if any, on the Debt Securities and the manner in which those amounts will be determined;
- if the principal, premium, if any, or interest, if any, on Debt Securities is to be payable in other than or in combination with cash, the securities, commodities, other property or combination thereof in which such principal, premium, if any, or interest, if any, is so payable, and the terms and conditions (including the manner of determining the value of any such securities, commodities, other property or any combination thereof) upon which such payment is to be made;
- if the principal, premium, if any, or interest, if any, on Debt Securities of the series are to be payable, at the election of the Corporation or a holder of Debt Securities, in a currency other than that in which the Debt Securities are denominated or stated to be payable, the period or periods within which, and the terms and conditions upon which such election may be made and the time and the manner of determining the exchange rate between the currency in which the Debt Securities are denominated or payable without such election and the currency in which the Debt Securities are to be paid if such election is made;
- if the principal, premium, if any, or interest, if any, on the Debt Securities are to be payable, at the election of the Corporation or a holder of Debt Securities, in cash, securities, commodities, other property or a combination thereof (or the cash value thereof), the terms and conditions upon which such election may be made;
- if, at the election of the Corporation or a holder of Debt Securities, the Debt Securities are to be convertible into, or redeemable or exchangeable for, cash, securities, commodities, other property, or a combination thereof (or the cash value thereof), the terms and conditions upon which such election may be made and the time and the manner of determining such conversion, redemption or exchange;

- any provisions relating to the extension of, maturity of, or the renewal of, the Debt Securities;
- the terms on which the Debt Securities will be convertible into or exchangeable for or payable in cash, securities or other property;
- if any payments are to be made at our election or otherwise in a currency other than that in which the Debt Securities are stated to be payable, the periods within which, and the terms upon which, such election may be made;
- whether provisions relating to defeasance and covenant defeasance will be applicable to the Debt Securities;
- any other provisions granting special rights to holders of the Debt Securities upon the occurrence of specified events;
- any modifications, deletions or additions to the Events of Default (as described below) or the Corporation's covenants with respect to the Debt Securities;
- whether the Debt Securities are issuable initially in global form and, if so (i) the initial depositary for the global Debt Securities and (ii) the terms and conditions upon which the global Debt Securities may be exchanged for the individual Debt Securities represented thereby;
- the date as of which any temporary global Debt Security will be dated if other than the original issuance date of the first Debt Security of that series to be issued;
- the person to whom any interest on any registered Debt Securities will be payable, if other than the registered holder, and the extent to which and the manner in which any interest payable on a temporary global Debt Security will be paid if other than as specified in the applicable Indenture;
- the form and/or terms of certificates, documents or conditions, if any, for Debt Securities to be issuable in definitive form (whether upon original issue or upon exchange of a temporary Debt Security of such series); and
- any other terms, conditions, rights and preferences (or limitations on these rights or preferences) relating to the Debt Securities (which terms may not be inconsistent with the requirements of the Trust Indenture Act of 1939, as amended, or with the provisions of the applicable Indenture).

If the amount of payments of principal of and premium, if any, or interest, if any, on the Debt Securities is determined with reference to any type of index or formula or changes in prices or performance of particular securities, currencies, intangibles, goods, articles or commodities or any other financial, economic or other measure or instrument (including the occurrence or non-occurrence of any event or circumstance), the federal income tax consequences, specific terms and other information with respect to the Debt Securities and the related index or formula, securities, currencies, intangibles, goods, articles or commodities will be described in the applicable Prospectus Supplement.

We may sell Debt Securities at a substantial discount below their stated principal amount, bearing no interest or interest at a rate that at the time of issuance is below market rates. These are referred to as discount securities. Federal income tax consequences and other special considerations applicable to discount securities will be described in the applicable Prospectus Supplement.

Registration and Transfer

Unless otherwise provided in the applicable Prospectus Supplement, we will issue each series of Debt Securities only in registered form, which we refer to as registered securities. Unless otherwise provided in the applicable Prospectus Supplement, the Bank will serve as the initial security registrar. Unless otherwise provided in the applicable Prospectus Supplement, registered securities may be presented for transfer (duly endorsed or accompanied by a written instrument of transfer, if so required by us or the securities registrar) or exchanged for other Debt Securities of the same series at the corporate trust office of the indenture trustee in New York City. We shall make this transfer or exchange without service charge but may require payment of any tax or other governmental charge, as described in the applicable Indenture (*Sections 301, 305, 1202*).

Unless otherwise indicated in the applicable Prospectus Supplement, registered securities, other than registered securities issued in global form (which may be of any denomination), will be issued without coupons and in denominations of \$1,000 or integral multiples thereof (*Section 302*).

If issued in bearer form, the Debt Securities may be issued with or without coupons attached. As currently anticipated, Debt Securities of a series will be issued in book-entry form, and global notes will be issued in physical (paper) form, as described below under “BOOK-ENTRY PROCEDURES.” Unless otherwise indicated in the applicable Prospectus Supplement, Debt Securities denominated in United States dollars will be issued only in denominations of \$1,000 and whole multiples of \$1,000 (*Section 302*). The Prospectus Supplement relating to Debt Securities denominated in a foreign or composite currency will specify the denomination of the Debt Securities.

Federal income tax consequences and other special consideration applicable to any Debt Securities issued in bearer form will be described in the applicable Prospectus Supplement.

Payment and Paying Agents

Unless otherwise indicated in the applicable Prospectus Supplement, we will pay principal of, premium, if any, and interest, if any, on the Debt Securities at the corporate trust office of the indenture trustee in New York City or at the corporate offices of HSBC Bank USA, National Association, in New York City, except that, at our option, we may pay interest by mailing a check to the address of the person entitled thereto as the address appears in the security register. (*Sections 301, 307, 1202*).

Consolidation, Merger and Sale of Assets

Under each Indenture, we may consolidate with or merge into any other corporation or convey, transfer or lease our properties and assets substantially as an entirety to any person without the consent of the holders of any of the Debt Securities outstanding under the applicable Indenture, provided that:

- (a) the successor is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia;
- (b) the successor corporation expressly assumes, by an indenture supplemental to the applicable Indenture, our obligation for the due and punctual payment of the principal of and premium, if any, and interest, if any, on all of the Debt Securities under the applicable Indenture and the performance of every covenant of the applicable Indenture on our part to be performed or observed;
- (c) after giving effect to the transaction, no Event of Default under the Senior Indenture and no Default under the Subordinated Indenture, and no event that, after notice or lapse of time, or both, would become an Event of Default or a Default, as the case may be, shall have happened and be continuing; and
- (d) certain other conditions are met (*Section 1001*).

Modification and Waiver

Each Indenture provides that we and the indenture trustee may modify or amend the Indentures with the consent of the holders of 66²/₃% in principal amount of the outstanding Debt Securities of each series affected by a particular modification or amendment; provided, however, that any modification or amendment may not, without the consent of the holder of each outstanding Debt Security affected thereby:

- (a) change the stated maturity of the principal of, or any installment of principal of or interest on, any Debt Security;
- (b) reduce the principal amount of, or rate or amount of interest, if any, on, or any premium payable upon the redemption of any Debt Security;
- (c) reduce the amount of principal of any discount security that would be due and payable upon a declaration of acceleration of the maturity thereof or the amount provable in bankruptcy;

- (d) adversely affect any right of repayment at the option of any holder of any Debt Security;
- (e) change the place or currency of payment of principal of, or any premium or interest on, any Debt Security;
- (f) impair the right to institute suit for the enforcement of any payment on or with respect to any Debt Security on or after the stated maturity thereof (or, in the case of redemption or repayment at the option of the holder, on or after the redemption date or repayment date);
- (g) reduce the percentage of principal amount of outstanding Debt Securities of any series, the consent of whose holders is required for modification or amendment of the Indentures, or for waiver of compliance with certain provisions of the Indentures or for waiver of certain defaults and their consequences, or reduce the requirements for quorum or voting by the holders; or
- (h) modify certain provisions of the Indentures except to increase the percentage of holders required to consent to amendment or modification thereof or to provide that certain other Indenture provisions cannot be modified or waived without the consent of the holder of each outstanding Debt Security affected thereby (*Section 1102*).

The holders of 66²/₃% in principal amount of the outstanding Debt Securities of each series may, on behalf of all holders of Debt Securities of that series, waive, insofar as that series is concerned, compliance by us with certain terms, conditions and provisions of the Indentures (*Section 1205*). The holders of not less than a majority in principal amount of the outstanding Debt Securities of any series may, on behalf of all holders of Debt Securities of that series, waive any past default under the applicable Indenture with respect to Debt Securities of that series and its consequences, except that a default in the payment of principal or premium, if any, or interest, if any, or in respect of a covenant or provision which under Article XII of each Indenture cannot be modified or amended without the consent of the holder of each outstanding Debt Security of the affected series (*Section 513*).

Each Indenture provides that, in determining whether the holders of the requisite principal amount of the outstanding Debt Securities have given any request, demand, authorization, direction, notice, consent or waiver thereunder or are present at a meeting of holders for quorum purposes, and for making calculations required under Section 313 of the Trust Indenture Act, (a) the principal amount of a discount security that may be counted in making the determination or calculation and that will be deemed to be outstanding will be the amount of principal thereof that would be due and payable as of the time of the determination upon acceleration of the maturity thereof; and (b) the principal amount of any indexed Debt Security that may be counted in making the determination or calculation and that will be deemed outstanding for this purpose will be equal to the principal face amount of the indexed Debt Security at original issuance, unless otherwise provided with respect to such debt security (*Section 101*).

Defeasance and Covenant Defeasance

The Indentures provide that we may elect:

- (a) to defease and be discharged from our obligations with respect to any Debt Securities of or within a series (except the obligations to register the transfer of or exchange such Debt Securities; to replace temporary or mutilated, destroyed, lost or stolen Debt Securities; to maintain an office or agency in respect of such Debt Securities; and to hold moneys for payment in trust) (“defeasance”); or
- (b) with respect to the Senior Indenture, to be released from our obligations with respect to any Debt Securities of or within a series under Section 1001 of the Senior Indenture or, if provided pursuant to Section 301 of the Senior Indenture, our obligations with respect to any other covenant, and any omission to comply with these obligations will not constitute a default or an Event of Default under the Senior Indenture with respect to such Debt Securities (“covenant defeasance”), in either case by:
 - depositing irrevocably with the indenture trustee as trust funds in trust (i) money in an amount, or (ii) U.S. Government Obligations in an amount which through the payment of interest and principal in respect thereof in accordance with their terms will provide, not later than one business day before the due date of any payment, money in an amount, or (iii) a combination of dollars in cash and U.S. Government Obligations sufficient to pay the principal of and premium, if any, and interest, if any, on such Debt Securities on the dates such installments of interest or principal and premium applicable to such Debt Securities are due; and

- satisfying certain other conditions precedent specified in the Indentures. This deposit and termination is conditioned among other things upon our delivery of an opinion of legal counsel that the holders of such Debt Securities will have no U.S. federal income tax consequences as a result of the deposit and termination and an officers' certificate that all conditions precedent to the defeasance have been met (*Article XIV*).

Defeasance of our obligations with respect to Subordinated Debt Securities is subject to the prior written approval of the Federal Reserve Board and the Financial Services Authority of the United Kingdom, which we refer to as the "Financial Services Authority" (*Subordinated Indenture, Section 1402*).

If we exercise our covenant defeasance option with respect to any series of Senior Debt Securities and those Senior Debt Securities are declared due and payable because of the occurrence of any Event of Default other than with respect to a covenant as to which there has been covenant defeasance as described above, the money and U.S. Government Obligations on deposit with the indenture trustee will be sufficient to pay amounts due on the Senior Debt Securities at their stated maturity but may not be sufficient to pay amounts due on the Senior Debt Securities at the time of acceleration relating to the Event of Default. However, we would remain liable to make payment of the amounts due at the time of acceleration.

The applicable Prospectus Supplement may further describe the provisions, if any, permitting the defeasance or covenant defeasance, including any modifications to the provisions described above, with respect to the Debt Securities of or within any particular series.

Regarding the Indenture Trustee

Deutsche Bank Trust Company Americas, a trustee under the Indentures, has a designated corporate trust office at 60 Wall Street, 27th Floor, New York, New York 10005. Wells Fargo Bank, National Association, a trustee under the Indentures, has a designated corporate trust office at 45 Broadway, 14th Floor, New York, New York 10006. We and our banking subsidiaries maintain banking relationships with both indenture trustees.

Senior Debt Securities

The Senior Debt Securities will be our direct unsecured obligations and will constitute Senior Indebtedness (as defined below under "—Subordinated Debt Securities—Subordination") ranking on a parity with our other Senior Indebtedness.

Events of Default

The following will be Events of Default under the Senior Indenture with respect to Senior Debt Securities of any series:

- (a) failure to pay principal or premium, if any, on any Senior Debt Security of that series at maturity;
- (b) failure to pay any interest on any Senior Debt Security of that series when due and payable, which failure continues for 30 days;
- (c) failure to perform any of our covenants or warranties in the Senior Indenture (other than a covenant or warranty included in the Senior Indenture solely for the benefit of a series of Senior Debt Securities other than such series) or established in or pursuant to a board resolution or supplemental indenture, as the case may be, pursuant to which the Senior Debt Security of such series were issued, which failure continues for 60 days after written notice as provided in the Senior Indenture;
- (d) default under any bond, debenture, note, mortgage, indenture, other instrument or other evidence of indebtedness for money borrowed in an aggregate principal amount exceeding \$5 million by us or the Bank or our or the Bank's successors (including a default with respect to Senior Debt Securities of another series) under the terms of the instrument or instruments by or under which this indebtedness is evidenced, issued or secured, which default results in the acceleration of the indebtedness, if this acceleration is not rescinded or annulled, or the indebtedness is not discharged, within 10 days after written notice as provided in the Senior Indenture;

- (e) certain events in bankruptcy, insolvency or reorganization involving us or the receivership of the Bank; and
- (f) any other Event of Default provided with respect to Senior Debt Securities of that series (*Senior Indenture, Section 501*).

If an Event of Default with respect to Senior Debt Securities of any series at the time outstanding occurs and is continuing, either the indenture trustee or the holders of at least 25% in aggregate principal amount of the outstanding Senior Debt Securities of that series may declare the principal amount (or, if the securities of that series are discount securities or indexed securities, a portion of the principal amount of such Senior Debt Securities as may be specified in the terms thereof) of and all accrued but unpaid interest on all such Senior Debt Securities to be due and payable immediately, by a written notice to us (and to the indenture trustee, if given by holders), and upon such a declaration this principal amount (or specified amount) and interest shall become immediately due and payable. At any time after a declaration of acceleration with respect to Senior Debt Securities of any series has been made, but before a judgment or decree for payment of the money due has been obtained, the holders of a majority in principal amount of outstanding Senior Debt Securities of that series may, under certain circumstances, rescind and annul the declaration and its consequences, if all Events of Default have been cured, or if permitted, waived, and all payments due (other than those due as a result of acceleration) have been made or provided for (*Senior Indenture, Section 502*).

The Senior Indenture provides that, subject to the duty of the indenture trustee during default to act with the required standard of care, the indenture trustee will be under no obligation to exercise any of its rights or powers under the Senior Indenture at the request or direction of any of the holders of Senior Debt Securities of any series, unless the relevant holders shall have offered to the indenture trustee reasonable indemnity or security against the costs, expenses and liabilities which may be incurred (*Senior Indenture, Sections 601, 603*). Subject to certain provisions, the holders of a majority in principal amount of the outstanding Senior Debt Securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the indenture trustee, or exercising any trust or power conferred on the indenture trustee, with respect to the Senior Debt Securities of that series (*Senior Indenture, Section 512*).

We are required to deliver to the indenture trustee annually an officers' certificate as to our performance and observance of any of the terms, provisions and conditions with respect to certain provisions in the Senior Indenture and as to the absence of any default (*Senior Indenture, Section 1206*).

Subordinated Debt Securities

The Subordinated Debt Securities will be our direct, unsecured obligations. Our obligations pursuant to the Subordinated Debt Securities will be subordinate in right of payment to all Senior Indebtedness as defined below under "—Subordination."

The maturity of the Subordinated Debt Securities will be subject to acceleration only in the event of certain events of bankruptcy or insolvency involving us or the receivership of the Bank. See "—Events of Default; Defaults" below.

Subordination

Our obligation to make any payment on account of the principal of or premium, if any, and interest, if any, on the Subordinated Debt Securities will be subordinate and junior in right of payment to our obligations to the holders of our Senior Indebtedness to the extent described herein.

"Senior Indebtedness" is defined in the Subordinated Indenture to mean our "Indebtedness for Money Borrowed," whether outstanding on the date of the Subordinated Indenture or thereafter created, assumed or incurred, except "Indebtedness Ranking on a Parity with the Debt Securities" or "Indebtedness Ranking Junior to the Debt Securities" and any deferrals, renewals or extensions of the Senior Indebtedness (*Subordinated Indenture, Section 101*). As of December 31, 2008, our Senior Indebtedness, as defined in the Subordinated Indenture, was approximately \$10,700 million.

"Indebtedness for Money Borrowed" is defined in the Subordinated Indenture as:

- (a) any obligation of ours, or any obligation guaranteed by us, for the repayment of borrowed money, whether or not evidenced by bonds, debentures, notes or other written instruments;
- (b) similar obligations arising from off-balance sheet guarantees and direct credit substitutes;

- (c) obligations associated with derivative products, such as interest-rate and foreign-exchange-rate contracts, commodity contracts and similar arrangements; and
- (d) any deferred obligations for the payment of the purchase price of property or assets (*Subordinated Indenture, Section 101*).

“Indebtedness Ranking on a Parity with the Debt Securities” is defined in the Subordinated Indenture to mean our Indebtedness for Money Borrowed, whether outstanding on the date of execution of the Subordinated Indenture or thereafter created, assumed or incurred, which specifically by its terms ranks equally with and not prior to the Subordinated Debt Securities in the right of payment upon the happening of any event of the kind specified in the first sentence of the next paragraph. As of December 31, 2008, Indebtedness Ranking on a Parity with the Debt Securities, as defined in the Subordinated Indenture, was approximately \$1,359 million.

“Indebtedness Ranking Junior to the Debt Securities” is defined in the Subordinated Indenture to mean any of our Indebtedness for Money Borrowed, whether outstanding on the date of execution of the Subordinated Indenture or thereafter created, assumed or incurred, which specifically by its terms ranks junior to and not equally with or prior to the Subordinated Debt Securities (and any other Indebtedness Ranking on a Parity with the Subordinated Debt Securities) in right of payment upon the happening of any event of the kind specified in the first sentence of the next paragraph. As of December 31, 2008, Indebtedness Ranking Junior to the Debt Securities, as defined in the Subordinated Indenture, was approximately \$866 million.

In the case of any bankruptcy, insolvency, receivership, conservatorship, reorganization, readjustment of debt, marshaling of assets and liabilities or similar proceedings or any liquidation or winding up involving us, whether voluntary or involuntary, all of our obligations to holders of our Senior Indebtedness will be entitled to be paid in full before any payment can be made on account of the principal of, or premium, if any, or interest, if any, on the Subordinated Debt Securities of any series. In the event and during the continuation of any default in the payment of principal of, or premium, if any, or interest, if any, on, any Senior Indebtedness beyond any applicable grace period, or in the event that any Event of Default with respect to any Senior Indebtedness has occurred and is continuing, or would occur as a result of certain payments, permitting the holders of the relevant Senior Indebtedness (or a trustee on behalf of the holders thereof) to accelerate its maturity, then, unless and until we cure the Default or Event of Default or the Default or Event of Default is waived or ceases to exist, we will not make any payment of the principal of, or premium, if any, or interest, if any, on the Subordinated Debt Securities, or in respect of any redemption, exchange, retirement, purchase or other acquisition of any of the Subordinated Debt Securities (*Subordinated Indenture, Sections 1501, 1503*).

As of December 31, 2008, our Subordinated Debt Securities totaled approximately \$2,225 million.

Any Prospectus Supplement relating to an issuance of Subordinated Debt Securities will set forth (as of the most recent practicable date) the aggregate amount of outstanding Senior Indebtedness and any limitation on the issuance of additional Senior Indebtedness.

Holders of Subordinated Debt Securities, by their acceptance of the Subordinated Debt Securities, will be deemed to have irrevocably waived any rights they may have to counterclaim or set off amounts they owe to us against amounts owed to them by us under the Subordinated Indenture or to institute proceedings in respect of these amounts (*Subordinated Indenture, Section 1501*).

By reason of the above subordination in favor of the holders of our Senior Indebtedness, in the event of our bankruptcy or insolvency, holders of our Senior Indebtedness may receive more, ratably, and holders of the Subordinated Debt Securities having a claim pursuant to the Subordinated Debt Securities may receive less, ratably, than our other creditors.

Events of Default; Defaults

The only Events of Default under the Subordinated Indenture with respect to Subordinated Debt Securities of any series will be certain events in bankruptcy or insolvency involving us or the receivership of the Bank (*Subordinated Indenture, Section 501*).

If an Event of Default with respect to Subordinated Debt Securities of any series at the time outstanding occurs and is continuing, the indenture trustee or the holders of at least 25% in principal amount of the outstanding Subordinated Debt Securities of that series may declare the principal amount of (or, if any of the Subordinated Debt Securities of that series are

discount securities or indexed securities, the portion of the principal amount of the Subordinated Debt Securities as may be specified in the terms thereof) and all accrued but unpaid interest on all the Subordinated Debt Securities of that series to be due and payable immediately, by a written notice to us (and to the indenture trustee, if given by holders), and upon such a declaration the principal amount (or specified amount) and interest of that series shall become immediately due and payable (*Subordinated Indenture, Section 502*).

The foregoing provision would, in the event of the bankruptcy or insolvency involving us, be subject as to enforcement to the broad equity powers of a federal bankruptcy court and to the determination by that court of the nature and status of the payment claims of the holders of the Subordinated Debt Securities. At any time after a declaration of acceleration with respect to the Subordinated Debt Securities of any series has been made, but before a judgment or decree for payment of the money due has been obtained, the holders of a majority in principal amount of outstanding Subordinated Debt Securities of that series may, under certain circumstances, rescind and annul the acceleration but only if all Defaults have been remedied, or if permitted, waived and if certain other conditions have been satisfied (*Subordinated Indenture, Sections 502, 513*).

The following events will be Defaults under the Subordinated Indenture with respect to Subordinated Debt Securities of any series:

- (a) an Event of Default with respect to that series of Subordinated Debt Securities;
- (b) failure to pay principal or premium, if any, on any Subordinated Debt Securities of that series at maturity, continued for seven days; and
- (c) failure to pay any interest, if any, on any Subordinated Debt Securities of that series when due and payable, continued for 30 days (*Subordinated Indenture, Section 503*).

If we do not pay any installment of interest on the Subordinated Debt Securities of any series on the applicable interest payment date or all or any part of any installment of principal thereof at the stated maturity with respect to the principal, the obligation to pay on the applicable interest payment date or stated maturity, as the case may be, shall be deferred until (i) in the case of a payment of interest, the date upon which a dividend is paid on any class of our share capital and (ii) in the case of a payment of principal, the first business day after the date that falls six months after the original stated maturity with respect to the principal. Failure by us to make any part of the payment prior to the deferred interest payment date or stated maturity shall not constitute a default by us or otherwise allow any holder to sue us for payment or to take any other action. Each payment so deferred will accrue interest at the rate per annum shown on the front cover of the applicable Prospectus Supplement. Any payment so deferred shall not be treated as due for any purpose (including, without limitation, for the purposes of ascertaining whether or not a Default has occurred until the deferred interest payment date or stated maturity, as the case may be). We may only defer any payment of interest or principal with respect to any series of Subordinated Debt Securities once.

The maturity of the Subordinated Debt Securities will be subject to acceleration only in the event of certain events of bankruptcy or insolvency involving us or the receivership of the Bank. There will be no right of acceleration of the payment of principal of the Subordinated Debt Securities of any series upon a default in the payment of principal of or premium, if any, or interest, if any, or a default in the performance of any covenant or agreement in the Subordinated Debt Securities or the Subordinated Indenture or any Default other than an Event of Default. If a Default with respect to the Subordinated Debt Securities of any series occurs and is continuing, the indenture trustee may, subject to certain limitations and conditions, seek to enforce its rights and the rights of the holders of Subordinated Debt Securities of that series or the performance of any covenant or agreement in the Subordinated Indenture.

The Subordinated Indenture provides that, subject to the duty of the indenture trustee upon the occurrence of a Default to act with the required standard of care, the indenture trustee will be under no obligation to exercise any of its rights or powers under the Subordinated Indenture at the request or direction of any of the holders of Subordinated Debt Securities of any series unless the same holders shall have offered to the indenture trustee reasonable indemnity or security against the costs, expenses and liabilities which may be incurred. (*Subordinated Indenture, Sections 601, 603*). Subject to certain provisions, the holders of a majority in principal amount of the outstanding Subordinated Debt Securities of any series will have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the indenture trustee or exercising any trust or power conferred on the indenture trustee, with respect to the Subordinated Debt Securities of that series (*Subordinated Indenture, Section 507*).

We are required to furnish to the indenture trustee annually an officers' certificate as to the performance and observance by us of certain of the terms, provisions and conditions under the Subordinated Indenture and as to the absence of default (*Subordinated Indenture, Section 1204*).

Redemption

No redemption, defeasance or early repayment of amounts owed under the Subordinated Debt Securities, including purchases of capital notes by us or our subsidiaries or at the option of holders of Subordinated Debt Securities, may be made without the prior written consent of the Federal Reserve Board and the Financial Services Authority if required at such time (*Subordinated Indenture, Section 1302*). This consent by the Financial Services Authority and the Federal Reserve Board will depend on the Financial Services Authority and the Federal Reserve Board being satisfied that our capital is adequate and is likely to remain adequate. Ordinarily, the Federal Reserve Board would permit such a redemption if the Subordinated Debt Securities were redeemed with the proceeds of a sale of, or replaced with a like amount of, a similar or higher quality capital instrument and the bank holding company's capital position is considered fully adequate.

Replacement Debt Securities

Unless otherwise provided for in the applicable Prospectus Supplement, if a Debt Security of any series is mutilated, destroyed, lost or stolen, it may be replaced at the corporate trust office of the indenture trustee in the City and State of New York upon payment by the holder of expenses that we and the indenture trustee may incur in connection therewith and the furnishing of evidence and indemnity as we and the indenture trustee may require. Mutilated Debt Securities must be surrendered before new Debt Securities will be issued (*Section 306*).

Notices

Unless otherwise provided in the applicable Prospectus Supplement, any notice required to be given to a holder of a Debt Security of any series that is a registered security will be mailed to the last address of the holder set forth in the applicable security register, and any notice so mailed shall be deemed to have been received by the holder, whether or not the holder actually receives the notice (*Section 105*).

Governing Law

The Debt Securities will be governed by and construed in accordance with the laws of the State of New York.

DESCRIPTION OF PREFERRED STOCK

The following description of the terms of the shares of preferred stock that we may offer sets forth certain general terms and provisions of the preferred stock to which any Prospectus Supplement may relate. The applicable Prospectus Supplement will specify certain other terms of any series of preferred stock and the terms of any related option, put or right of ours to require the holder of any other security to also acquire shares of preferred stock. If so specified in the applicable Prospectus Supplement, the terms of any series of preferred stock may differ from the terms set forth below. The description of the terms of the preferred stock set forth below and in any Prospectus Supplement does not purport to be complete and is subject to and qualified in its entirety by reference to our charter, including the articles supplementary relating to the applicable series of preferred stock. We will file such articles supplementary as an exhibit to or incorporate them by reference in the registration statement of which this prospectus forms a part.

General

Our charter authorizes the issuance of 190,999,000 shares of capital stock, of which 40,999,000 shares are preferred stock, without par value, and 150,000,000 shares are common stock, par value \$5.00 per share. Under our charter, our board of directors has the authority, without further stockholder action, to issue up to 40,999,000 shares of preferred stock without par value in one or more series and for a consideration that may be fixed from time to time by our board of directors. Each series of preferred stock will have the designations or titles; dividend rates; special or relative rights in the event of liquidation, distribution or sale of assets or dissolution or winding up involving us; any redemption or purchase account provisions; any conversion provisions; and any voting rights thereof, as are set forth in the articles supplementary for each of these series. The shares of any series of preferred stock will be, when issued, fully paid and non-assessable and holders thereof will have no preemptive rights in connection therewith. As of December 31, 2008, of the 40,999,000 authorized shares of preferred stock, 25,947,600 shares were issued and outstanding as follows: 1,500,000 shares of Adjustable Rate

Cumulative Preferred Stock, Series D (the “Series D Preferred Stock”), represented by 6,000,000 depositary shares; 3,000,000 shares of \$2.8575 Cumulative Preferred Stock (the “\$2.8575 Preferred Stock”); 100 shares of Series X preferred stock (the “Series X Preferred Stock”); 20,700,000 shares of Floating Rate Non-Cumulative Preferred Stock, Series F (the “Series F Preferred Stock”); 373,750 shares of Floating Rate Non-Cumulative Preferred Stock, Series G (the “Series G Preferred Stock”), represented by 14,950,000 depositary shares; and 373,750 shares of 6.50% Non-Cumulative Preferred Stock, Series H (the “Series H Preferred Stock”), represented by 14,950,000 depositary shares. As of December 31, 2008, 709 shares of our common stock were issued and outstanding. All outstanding shares of common stock and preferred stock are fully paid and non-assessable. As of December 31, 2008, we have 12,050,250 shares available for issuance as preferred stock.

The liquidation preference of any series of preferred stock is not necessarily indicative of the price at which shares of that series of preferred stock will actually trade at or after the time of their issuance. The market price of any series of preferred stock can be expected to fluctuate with changes in market and economic conditions, our financial condition and prospects and other factors that generally influence the market prices of securities.

Rank

Any series of the preferred stock will, with respect to dividend rights and rights on liquidation, winding up and dissolution, rank:

- (i) senior to all classes of our common stock and all other equity securities issued by us the terms of which specifically provide that such equity securities will rank junior to the preferred stock, which we refer to collectively as “Junior Securities”;
- (ii) on a parity with all equity securities issued by us, the terms of which specifically provide that such equity securities will rank on a parity with the preferred stock, which we refer to collectively as the “Parity Securities”; and
- (iii) junior to all equity securities issued by us, the terms of which specifically provide that such equity securities will rank senior to the preferred stock, which we refer to collectively as the “Senior Securities”. As used in any articles supplementary for these purposes, the term “equity securities” will not include debt securities convertible into or exchangeable for equity securities.

Dividends

Holders of each series of preferred stock will be entitled to receive, when, as and if declared by our board of directors, out of funds legally available, cash dividends or preferred stock dividends (of the same or a different series) at the rates and on the dates set forth in the applicable Prospectus Supplement. Dividends will be payable to holders of record of the preferred stock as they appear on our books on the record dates to be fixed by our board of directors. Dividends on any series of preferred stock may be cumulative or non-cumulative.

We may not declare or pay full dividends or set apart funds for the payment of dividends on any Parity Securities unless we have already paid or set apart dividends for the payment on the preferred stock. If we have not paid full dividends on the preferred stock, the preferred stock will share in dividends pro rata with the Parity Securities. If dividends are cumulative, any accumulated unpaid dividends will not bear interest.

Redemption

A series of preferred stock may be redeemable at any time, in whole or in part, at our option or the option of the holder thereof upon terms and at the redemption prices set forth in the applicable Prospectus Supplement.

In the event of partial redemptions of preferred stock, whether by mandatory or optional redemption, the shares to be redeemed will be determined by lot or pro rata, as may be determined by our board of directors or by any other method determined to be equitable by our board of directors.

On and after a redemption date, unless we default in the payment of the redemption price, dividends will cease to accrue on shares of preferred stock called for redemption and all rights of holders of these shares will terminate except for the

right to receive the redemption price. If we redeem fewer than all the shares represented by a share certificate, then we will issue a new certificate representing the unredeemed shares without cost to the certificate holder.

Under current regulations, bank holding companies may not redeem shares of preferred stock that constitute Tier 1 capital for purposes of the Federal Reserve Board's risk-based capital requirements without the prior approval of the Federal Reserve Board. Ordinarily, the Federal Reserve Board would permit such a redemption if (1) the shares are redeemed with the proceeds of a sale by the bank holding company of, or replaced by a like amount of, common stock or perpetual preferred stock and the bank holding company's capital position is considered fully adequate or (2) the Federal Reserve Board determines that the bank holding company's capital position after the redemption would clearly be adequate and that the bank holding company's condition and circumstances warrant the reduction of a source of permanent capital.

Liquidation Preference

Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, holders of each series of preferred stock that ranks senior to the Junior Securities will be entitled to receive out of the assets available for distribution to stockholders, before any distribution is made on any Junior Securities, distributions upon liquidation in the amount set forth in the applicable Prospectus Supplement, plus an amount equal to any accrued and unpaid dividends. If upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the amounts payable with respect to the preferred stock of any series and any other Parity Securities are not paid in full, the holders of the preferred stock of the series and any Parity Securities will share ratably in the distribution of the assets available for distribution in proportion to the full liquidation preferences to which each is entitled. After payment of the full amount of the liquidation preference to which they are entitled, the holders of the series of preferred stock will not be entitled to any further participation in any distribution of the Corporation's assets. However, neither (i) the merger or consolidation of the Corporation with or into one or more corporations pursuant to any statute that provides, in effect, that our stockholders will continue as stockholders of the continuing or combined corporation nor (ii) the Corporation's acquisition of assets or stock of another corporation will be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

Voting Rights

Except as indicated below or in the applicable Prospectus Supplement or as expressly required by applicable law, the holders of the preferred stock will have no voting rights.

Under regulations adopted by the Federal Reserve Board, if the holders of shares of any series of the preferred stock became entitled to vote for the election of directors, the series may then be deemed a "class of voting securities" and a holder of 25% or more of the series (or a holder of 5% if it otherwise exercises a "controlling influence" over us) may then be subject to regulation as a bank holding company in accordance with the BHCA, as amended. In addition, at the time the series is deemed a class of voting securities, (i) any other bank holding company may be required to obtain the approval of the Federal Reserve Board to acquire or retain 5% or more of the series, and (ii) any person other than a bank holding company may be required to obtain the approval of the Federal Reserve Board under the Change in Bank Control Act to acquire or retain 10% or more of the series.

Outstanding Preferred Stock

Adjustable Rate Cumulative Preferred Stock, Series D. In May 1994, HSBC USA issued 1,500,000 shares of Series D Preferred Stock, which are represented by 6,000,000 depositary shares. Holders of the depositary shares are entitled to receive their proportional interest in cumulative quarterly cash dividends at a floating rate equal to a percentage of the highest of three rate indices, with a minimum dividend rate of 4.5% per annum and a maximum dividend rate of 10.5% per annum. All dividends on the Series D Preferred Stock have been paid to date. In the event of the liquidation, dissolution or winding up of HSBC USA, whether voluntary or involuntary, holders of the depositary shares are entitled to receive their proportional interest in \$100 per share of Series D Preferred Stock, plus accrued and unpaid dividends. The Series D Preferred Stock is currently redeemable, at the option of HSBC USA, in whole or in part, from time to time, at \$100 per share plus an amount equal to accrued and unpaid dividends. Holders of the Series D Preferred Stock are entitled to two votes per share on any matters on which they are entitled to vote (representing one vote per \$50 of liquidation preference). The voting rights applicable to the Series D Preferred Stock are otherwise equivalent to the voting rights of all other outstanding series of preferred stock.

\$2.8575 Cumulative Preferred Stock. In September 1997, HSBC USA issued 3,000,000 shares of \$2.8575 Cumulative Preferred Stock. Holders of the \$2.8575 Cumulative Preferred Stock are entitled to receive cumulative quarterly cash dividends of \$2.8575 per annum per share. All dividends on the \$2.8575 Cumulative Preferred Stock have been paid to

date. In the event of the liquidation, dissolution or winding up of HSBC USA, whether voluntary or involuntary, holders of the \$2.8575 Cumulative Preferred Stock are entitled to receive \$50 per share of \$2.8575 Cumulative Preferred Stock, plus accrued and unpaid dividends. The \$2.8575 Cumulative Preferred Stock is redeemable, at the option of HSBC USA, in whole or in part, from time to time after October 1, 2007, at \$25 per share plus an amount equal to accrued and unpaid dividends. The \$2.8575 Cumulative Preferred Stock is not entitled to the benefits of any sinking fund. Holders of the \$2.8575 Cumulative Preferred Stock are entitled to one-half vote per share on any matters on which they are entitled to vote (representing one vote per \$50 of liquidation preference). The voting rights applicable to the \$2.8575 Cumulative Preferred Stock are otherwise equivalent to the voting rights of all other outstanding series of preferred stock.

Series X Preferred Stock. In 1997, HSBC USA acquired CTUS Inc., a unitary thrift holding company, from CT Financial Services Inc. CTUS Inc. owned First Federal Savings and Loan Association of Rochester ("First Federal"). The acquisition agreement required HSBC USA to issue 100 shares of Series X Preferred Stock to CT Financial Services Inc. The Series X Preferred Stock provides for, and only for, a contingent dividend or redemption payment equal to the amount of recovery, net of taxes and costs, if any, realized by First Federal resulting from a pending action against the United States government alleging breaches by the government of contractual obligations to First Federal following passage of the Financial Institutions Reform, Recovery and Enforcement Act of 1989.

Floating Rate Non-Cumulative Preferred Stock, Series F. In April 2005, HSBC USA issued 20,700,000 shares of Series F Preferred Stock. Holders of the Series F Preferred Stock are entitled to receive non-cumulative quarterly cash dividends at a floating annual rate equal to three-month LIBOR plus 0.75% of the stated value of \$25 per share, with a minimum dividend rate of 3.5% per annum. All dividends on the Series F Preferred Stock have been paid to date. In the event of the liquidation, dissolution or winding up of HSBC USA, whether voluntary or involuntary, holders of the Series F Preferred Stock are entitled to receive \$25 per share of Series F Preferred Stock, plus accrued and unpaid dividends for the then-current dividend period. The Series F Preferred Stock is redeemable, at the option of HSBC USA, in whole or in part, from time to time after April 7, 2010, at \$25 per share plus an amount equal to accrued and unpaid dividends for the then-current dividend period. Holders of the Series F Preferred Stock are entitled to two votes per share on any matters on which they are entitled to vote (representing one vote per \$50 of liquidation preference). The voting rights applicable to the Series F Preferred Stock are otherwise equivalent to the voting rights of all other outstanding series of preferred stock.

Floating Rate Non-Cumulative Preferred Stock, Series G. In October 2005, we issued 373,750 shares of Series G Preferred Stock, which are represented by 14,950,000 depositary shares. Holders of the depositary shares are entitled to receive their proportional interest in non-cumulative quarterly cash dividends at a floating annual rate equal to three-month LIBOR plus 0.75% of the stated value of \$25 per share, with a minimum dividend rate of 4.0% per annum. All dividends on the Series G Preferred Stock have been paid to date. In the event of the liquidation, dissolution or winding up of HSBC USA, whether voluntary or involuntary, holders of the depositary shares are entitled to receive their proportional interest in \$1,000 per share of Series G Preferred Stock, plus accrued and unpaid dividends for the then-current dividend period. The Series G Preferred Stock is redeemable, at the option of HSBC USA, in whole or in part, from time to time after January 1, 2011, at \$1,000 per share plus an amount equal to accrued and unpaid dividends for the then-current dividend period. Holders of the depositary shares are entitled to their proportional interest in twenty votes per share of Series G Preferred Stock on any matters on which they are entitled to vote (representing one vote per \$50 of liquidation preference). The voting rights applicable to the Series G Preferred Stock are otherwise equivalent to the voting rights of all other outstanding series of preferred stock.

6.50% Non-Cumulative Preferred Stock, Series H. In May 2006, we issued 373,750 shares of Series H Preferred Stock, which are represented by 14,950,000 depositary shares. Holders of the depositary shares are entitled to receive their proportional interest in non-cumulative quarterly cash dividends at an annual rate equal to 6.50% per annum of the stated value of \$25 per share. All dividends on the Series H Preferred Stock have been paid to date. In the event of the liquidation, dissolution or winding up of HSBC USA, whether voluntary or involuntary, holders of the depositary shares are entitled to receive their proportional interest in \$1,000 per share of Series H Preferred Stock, plus accrued and unpaid dividends for the then-current dividend period. The Series H Preferred Stock is redeemable, at the option of HSBC USA, in whole or in part, from time to time after July 1, 2011, at \$1,000 per share plus an amount equal to accrued and unpaid dividends for the then-current dividend period. Holders of the depositary shares are entitled to their proportional interest in twenty votes per share of Series H Preferred Stock on any matters on which they are entitled to vote (representing one vote per \$50 of liquidation preference). The voting rights applicable to the Series H Preferred Stock are otherwise equivalent to the voting rights of all other outstanding series of preferred stock.

Depository Shares

General. We may, at our option, elect to issue fractional shares of preferred stock, rather than full shares of preferred stock. In the event such option is exercised, we may elect to have a depository issue receipts for depository shares, each receipt representing a fraction, to be set forth in the applicable Prospectus Supplement, of a share of a particular series of preferred stock, as described below.

The shares of any series of preferred stock represented by depository shares will be deposited under a deposit agreement between us and a bank or trust company that we select. The depository must have its principal office in the United States and have a combined capital and surplus of at least \$50,000,000. Subject to the terms of the deposit agreement, each owner of a depository share will be entitled, in proportion to the applicable fraction of a share of Preferred Shares represented by such depository share, to all the rights and preferences of the preferred stock represented by the depository share, including dividend, voting, redemption and liquidation rights.

The depository shares will be evidenced by depository receipts issued pursuant to the deposit agreement. Depository receipts will be distributed to those persons purchasing the fractional shares of Preferred Shares in accordance with the terms of an offering of the preferred stock. Copies of the forms of deposit agreement and depository receipt are filed as exhibits to the registration statement of which this prospectus is a part, and the following summary is qualified in its entirety by reference to such exhibits.

Pending the preparation of definitive engraved depository receipts, the depository may, upon our written order, issue temporary depository receipts substantially identical to, and with all the same rights of, the definitive depository receipts but not in definitive form. Definitive depository receipts will be prepared without unreasonable delay, and temporary depository receipts will be exchangeable for definitive depository receipts at our expense.

Upon surrender of depository receipts at the office of the depository and upon payment of the charges provided in the deposit agreement, a holder of depository receipts may have the depository deliver to the holder the whole shares of preferred stock relating to the surrendered depository receipts. Holders of depository shares may receive whole shares of the related series of preferred stock on the basis set forth in the applicable Prospectus Supplement for such series of preferred stock, but holders of such whole shares will not after the exchange be entitled to receive depository shares for their whole shares. If the depository receipts delivered by the holder evidence a number of depository shares in excess of the number of depository shares representing the number of whole shares of the related series of preferred stock to be withdrawn, the depository will deliver to the holder at the same time a new depository receipt evidencing such excess number of depository shares.

Dividends and Other Distributions. The depository will distribute all cash dividends or other cash distributions received for the preferred stock to the record holders of depository shares relating to the preferred stock in proportion to the numbers of such depository shares owned by such holders.

In the event of a distribution other than in cash, the depository will distribute property received by it to the record holders of depository shares entitled thereto, unless the depository determines that it is not feasible to make distribution of the property. In that case the depository may, with our approval, sell such property and distribute the net proceeds from the sale to such holders.

Redemption of Depository Shares. If a series of preferred stock represented by depository shares is subject to redemption, the depository shares will be redeemed from the proceeds received by the depository resulting from the redemption, in whole or in part, of the series of preferred stock held by the depository. The redemption price per depository share will be equal to the applicable fraction of the redemption price per share payable with respect to the series of the preferred stock. Whenever we redeem shares of preferred stock held by the depository, the depository will redeem as of the same redemption date the number of depository shares representing shares of preferred stock redeemed by us. If less than all the depository shares are to be redeemed, the depository shares to be redeemed will be selected by lot or pro rata as may be determined by the depository.

Voting the Preferred Stock. Upon receipt of notice of any meeting at which the holders of the preferred stock are entitled to vote, the depository will mail the information contained in such notice of meeting to the record holders of the depository shares relating to such preferred stock. Each record holder of such depository shares on the record date, which will be the same date as the record date for the related preferred stock, will be entitled to instruct the depository as to the exercise of the voting rights pertaining to the amount of the preferred stock represented by such holder's depository shares. The depository will endeavor, insofar as practicable, to vote the amount of the preferred stock represented by such depository

shares in accordance with such instructions, and we will agree to take all action that may be deemed necessary by the depositary in order to enable the depositary to do so. The depositary will not vote the preferred stock to the extent it does not receive specific instructions from the holders of depositary shares representing such preferred stock.

Amendment and Termination of the Deposit Agreement. We and the depositary at any time may amend the form of depositary receipt evidencing the depositary shares and any provision of the deposit agreement. However, any amendment which materially and adversely alters the rights of the holders of depositary shares will not be effective unless such amendment has been approved by the holders of at least a majority of the depositary shares then outstanding. We or the depositary may terminate the deposit agreement only if all outstanding depositary shares have been redeemed, or there has been a final distribution in respect of the preferred stock in connection with any liquidation, dissolution or winding up of HSBC USA and such distribution has been distributed to the holders of depositary receipts.

Charges of Depositary. We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will pay charges of the depositary in connection with the initial deposit of the preferred stock and any redemption of the preferred stock. Holders of depositary receipts will pay other transfer and other taxes and governmental charges and such other charges as are expressly provided in the deposit agreement to be for their accounts.

Reports. The depositary will forward to the record holders of the depositary shares relating to such preferred stock all reports and communications from us that are delivered to the depositary.

Limitations on Liability. Neither we nor the depositary will be liable if either one is prevented or delayed by law or any circumstance beyond their control in performing the obligations under the deposit agreement. The obligations of HSBC USA and the depositary under the deposit agreement will be limited to performance in good faith of their duties thereunder, and they will not be obligated to prosecute or defend any legal proceeding in respect of any depositary shares or preferred stock unless satisfactory indemnity is furnished. HSBC USA and the depositary may rely upon written advice of counsel or accountants, or information provided by persons presenting preferred stock for deposit, holders of depositary receipts or other persons believed to be competent and on documents believed to be genuine.

In the event the depositary receives conflicting claims, requests or instructions from any holders of depositary receipts, on the one hand, and HSBC USA, on the other hand, the depositary will be entitled to act on such claims, requests or instructions received from HSBC USA.

Resignation and Removal of Depositary. The depositary may resign at any time by delivering to us notice of its election to do so, and we may at any time remove the depositary, any such resignation or removal to take effect upon the appointment of a successor depositary and its acceptance of such appointment. Such successor depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least \$50,000,000.

DESCRIPTION OF WARRANTS

HSBC USA may offer, from time to time, one or more series of warrants (“Warrants”). The following description of the Warrants sets forth certain general terms and provisions of the Warrants to which any Prospectus Supplement may relate. The particular terms of the Warrants offered by any Prospectus Supplement and the extent, if any, to which these general provisions may apply to such Warrants will be described in the Prospectus Supplement relating to such Warrants. In addition, we may issue a debt warrant separately or as part of a unit, as described below in “DESCRIPTION OF UNITS.”

General

HSBC USA will issue Warrants that are debt warrants, index warrants, interest rate warrants or universal warrants as described in the applicable Prospectus Supplement. Warrants may be offered independently of or together with one or more additional Warrants, any series of Debt Securities, preferred stock, purchase contracts or other securities or any combination thereof issued by HSBC USA or an entity affiliated or not affiliated with HSBC USA, as described in the applicable Prospectus Supplement.

Each series of warrants will be issued under a separate warrant agreement to be entered into between HSBC USA and one or more banks or trust companies, as warrant agent, as set forth in the applicable Prospectus Supplement and, if part of a unit, may be issued under a unit agreement as described below under “Description of Units.” The warrant agent will act solely as the agent of HSBC USA under the applicable warrant agreement and in connection with the certificates for any

series of Warrants, and will not assume any obligation or relationship of agency or trust for or with any holders of those warrant certificates of beneficial owners of those Warrants. HSBC USA may add, replace or terminate warrant agents from time to time. HSBC USA may also act as its own warrant agent.

The following briefly summarizes the material provisions of the warrant agreement and the Warrants, other than pricing and related terms disclosed in the applicable Prospectus Supplement. You should read the more detailed provisions of the applicable warrant agreement, including the defined terms, for provisions that may be important to you. You should also read the particular terms of a series of Warrants, which will be described in more detail in the applicable Prospectus Supplement. You can obtain a copy of the warrant agreement as described under the caption “WHERE YOU CAN FIND MORE INFORMATION.”

General Terms of Warrants

The applicable Prospectus Supplement may contain, where applicable, the following additional information relating to the Warrants:

- the specific designation and aggregate number of, and the price at which HSBC USA will issue, the Warrants;
- the currency, currency unit, currency index or currency basket based on or relating to currencies for which those Warrants may be purchased;
- the date on which the right to exercise those Warrants will begin and the date on which that right will expire or, if the holder may not continuously exercise the Warrants throughout that period, the specific date on which the holder may exercise the Warrants;
- whether the Warrants will be issued in registered form;
- whether the Warrants are extendible and the period or periods of such extendibility;
- any index, formula or any other method (including a method based on changes in the prices or performance of particular securities, currencies, intangibles, goods, articles, or commodities; or any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance), or a combination thereof, used to determine the amounts of any payments of principal or premium, if any, and interest, if any, on the Warrants, and the manner in which those amounts will be determined;
- whether the principal or premium, if any, or interest, if any, will be payable, at the election of HSBC USA or a holder, in cash, securities, other property, or a combination thereof, the terms and conditions upon which such election may be made and the time and the manner of determining such payment;
- whether those Warrants will be issued in book-entry form, as a global warrant certificate, or in certificated form;
- any applicable U.S. federal income tax consequences;
- the identity of the warrant agent for the Warrants and of any other depositories, execution or paying agents, transfer agents, registrars, determination or other agents;
- the proposed listing, if any, of the Warrants or any securities purchasable upon exercise of the Warrants on any securities exchange;
- whether the Warrants are to be sold separately or with other securities; and
- any other terms of the Warrants.

Debt Warrants

HSBC USA may issue, together with Debt Securities or separately, debt warrants for the purchase of Debt Securities on terms to be determined at time of sale.

Additional Terms of Debt Warrants. The applicable Prospectus Supplement may contain, where applicable, the following additional information relating to any debt warrants:

- the designation, aggregate principal amount, currency and terms of the Debt Securities that may be purchased upon exercise of the debt warrants;
- the exercise price and whether the exercise price may be paid in cash, by the exchange of any other security or property offered with the Warrants or both and the method of exercising the debt warrants; and
- the designation, terms and amount of Debt Securities, if any, to be issued together with each of the debt warrants and the date, if any, after which the debt warrants and Debt Securities will be separately transferable.

Index Warrants

HSBC USA may issue index warrants entitling the holders thereof to receive from HSBC USA, upon exercise, an amount in cash determined by reference to any index, formula or any other method (including a method based on changes in the prices or performance of particular securities, currencies, intangibles, goods, articles, or commodities, or any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance), or a combination thereof.

Interest Rate Warrants

HSBC USA may issue interest rate warrants entitling the holders thereof to receive from HSBC USA, upon exercise, an amount determined by reference to the rate or rates, which may be fixed or floating, or the method by which the rate or rates will be determined, or any combination of thereof.

Additional Terms of Index and Interest Rate Warrants. The applicable Prospectus Supplement may contain, where applicable, the following additional information relating to any index and interest rate warrants:

- the exercise price, if any;
- for index warrants, the method of providing for a substitute index or indices or otherwise determining the amount payable in connection with the exercise of such index warrants if the index changes or ceases to be made available by the publisher of the index;
- the rate or rates, which may be fixed or floating, or the method by which the rate or rates will be determined;
- the strike amount, the method of determining the spot amount and the method of expressing movements in the yield or closing price of the debt instrument or in the level of the rate as a cash amount in the currency in which the interest rate cash settlement value of any interest rate warrants is payable;
- whether such Warrants shall be put warrants, call warrants or otherwise;
- the formula for determining the settlement value of each Warrant;
- the circumstances, if any, under which a minimum and/or maximum expiration value is applicable upon the expiration of such Warrants;
- any minimum number of Warrants which must be exercised at any one time, other than upon automatic exercise;
- the maximum number, if any, of such Warrants that may, subject to our election, be exercised by all holders on any day;
- any provisions for the automatic exercise of such Warrants other than at expiration;
- whether and under what circumstances such Warrants may be canceled by us prior to the expiration date; and
- any other procedures and conditions relating to the exercise of such Warrants.

Universal Warrants

HSBC USA may also issue universal warrants:

- to purchase or sell securities of one or more issuers, securities based on the performance of an issuer, securities based on the performance of an issuer but excluding the performance of a particular subsidiary or subsidiaries of that issuer, a basket of securities, or securities whose value is determined by reference to the performance, level, or value of, any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance, or any combination of the above;
- entitling the holders thereof to receive from HSBC USA, upon exercise, an amount in cash determined by reference to the right to purchase or the right to sell a specified amount of one or more currencies or currency units or any combination of the foregoing for a specified amount of one or more different currencies or currency units or any combination of the foregoing;
- to purchase or sell commodities; or
- in such other form as shall be specified in the applicable Prospectus Supplement.

The property referred to in the above clauses constitutes the warrant property. HSBC USA may satisfy its obligations, if any, with respect to any universal warrants by delivering the warrant property, cash or in the case of warrants to purchase or sell securities or commodities, the cash value of the securities or commodities, as described in the applicable Prospectus Supplement.

Additional Terms of Universal Warrants. The applicable Prospectus Supplement may contain, where applicable, the following additional information relating to any universal warrants:

- whether the universal warrants are put warrants or call warrants and whether the holder or HSBC USA will be entitled to exercise the warrants;
- the specific warrant property, and the amount or the method for determining the amount of the warrant property, that may be purchased or sold upon exercise of each universal warrant;
- the currency in which the exercise price, if any, and the cash settlement value of the Warrants is payable;
- the base currency and the reference currency for any currency warrants;
- the price at which and the currency with which the underlying securities or commodities may be purchased or sold upon the exercise of each universal warrant, or the method of determining that price;
- whether the exercise price may be paid in cash, by the exchange of any other security offered with the universal warrants or both and the method of exercising the universal warrants; and
- whether the exercise of the universal warrants is to be settled in cash or by delivery of the underlying securities or commodities or both.

Before you exercise your Warrants, you will not have any of the rights of (1) holders of the Debt Securities purchasable upon such exercise, including the right to receive payments of principal and premium, if any, or interest, if any, on those Debt Securities, or to enforce any of the covenants or rights in the relevant indenture or any other agreement or (2) holders of preferred stock or other securities purchasable upon such exercise, including the right to receive payments of dividends, if any, on such preferred stock or other securities or to exercise any applicable right to vote.

You may exchange registered Warrants of any series for registered Warrants of the same series representing in total the number of Warrants that you have surrendered for exchange. To the extent permitted, you may exchange warrant certificates and transfer registered Warrants at the corporate trust office of the warrant agent for that series of Warrants (or any other office indicated in the Prospectus Supplement relating to that series of Warrants).

Unless otherwise specified in the applicable Prospectus Supplement, Warrants will be issued in book-entry only form, and will be represented by a single global warrant certificate, registered in the name of the nominee of the depository of the Warrants.

Bearer warrants will be transferable by delivery. The applicable Prospectus Supplement will describe the terms of exchange applicable to any bearer warrants.

Exercise of Warrants

Holders may exercise their Warrants at the corporate trust office of the warrant agent (or any other office indicated in the Prospectus Supplement relating to those Warrants) up to 5:00 p.m., New York time, on the date stated in the Prospectus Supplement relating to those Warrants or as may be otherwise stated in the Prospectus Supplement. If a holder does not exercise the Warrants before the time on that date (or such later date that we may set), the holder's unexercised Warrants will become void.

Warrants will be deemed to have been exercised upon receipt of the warrant certificate and any payment, if applicable, at the corporate trust office of the warrant agent or any other office indicated in the applicable Prospectus Supplement and HSBC USA will, as soon as practicable after such receipt and payment, issue and deliver the warrant property or pay the settlement value in respect of the Warrants.

If fewer than all of the Warrants represented by such warrant certificate are exercised, a new warrant certificate will be issued for the remaining amount of the Warrants. Special provisions relating to the exercise of any bearer warrants or automatic exercise of Warrants will be described in the applicable Prospectus Supplement.

DESCRIPTION OF PURCHASE CONTRACTS

HSBC USA may offer, from time to time, one or more series of purchase contracts ("Purchase Contracts"). The particular terms of the Purchase Contracts offered by any Prospectus Supplement and the extent, if any, to which these general provisions may apply to such Purchase Contracts will be described in the applicable Prospectus Supplement. In addition, we may issue a Purchase Contract separately or as part of a unit as described below in "DESCRIPTION OF UNITS."

General

The following briefly summarizes the material provisions of the Purchase Contracts, other than pricing and related terms disclosed in the applicable Prospectus Supplement. You should read the more detailed provisions of the applicable Purchase Contracts, including the defined terms, for provisions that may be important to you. You should also read the particular terms of a series of Purchase Contracts, which will be described in more detail in the applicable Prospectus Supplement. You can obtain a copy of the Purchase Contracts as described under the caption "WHERE YOU CAN FIND MORE INFORMATION."

Purchase Contract Property

HSBC USA may offer Purchase Contracts for the purchase or sale of, or whose cash value is determined in whole or in part by reference to the performance, level or value of, one or more of the following:

- securities of one or more issuers, including our securities;
- one or more currencies;
- one or more commodities;
- any index, formula or any other method, including a method based on changes in the prices or performance of particular securities, currencies, intangibles, goods, articles, or commodities; or any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance, which may include any credit event relating to any company or companies or other entity or entities, which may include a government or governmental agency, other than us; and/or
- one or more indices or baskets of the items described above.

Each instrument, measure or event described above is referred to as a “Purchase Contract Property.”

Each Purchase Contract will obligate the holder to purchase or sell, and obligate HSBC USA to sell or purchase, on specified dates, one or more Purchase Contract Properties at a specified price or prices, or the holder or HSBC USA to settle the Purchase Contract with a cash payment determined by reference to the value, performance or level of one or more Purchase Contract Properties, on specified dates and at a specified price or prices.

Some Purchase Contracts may include multiple obligations to purchase or sell different Purchase Contract Properties, and both HSBC USA and the holder may be sellers or buyers under the same Purchase Contract.

Types of Purchase Contracts We May Issue

HSBC USA may issue Purchase Contracts in such amounts and in as many distinct series as HSBC USA wishes. HSBC USA may also “reopen” a previously issued series of Purchase Contracts and issue additional Purchase Contracts of that series. In addition, HSBC USA may issue a Purchase Contract separately or as part of a unit, as described below under “DESCRIPTION OF UNITS.”

General Terms of Purchase Contracts

The applicable Prospectus Supplement may contain, where applicable, the following information about your Purchase Contract:

- whether the Purchase Contract obligates the holder to purchase or sell, or both purchase and sell, one or more Purchase Contract Properties and the nature and amount of each of those properties, or the method of determining those amounts;
- whether the Purchase Contract is to be prepaid or not and the governing document for the contract;
- whether the Purchase Contract is to be settled by delivery, or by reference or linkage to the value, performance or level of, the Purchase Contract Properties;
- any acceleration, cancellation, termination or other provisions relating to the settlement of the Purchase Contract;
- any applicable U.S. federal income tax consequences;
- whether the Purchase Contract will be issued as part of a unit and, if so, the other securities comprising the unit and whether any unit securities will be subject to a security interest in our favor as described below; and
- whether the Purchase Contract will be issued in fully registered or bearer form and in global or non-global form.

If HSBC USA issues a Purchase Contract as part of a unit, the applicable Prospectus Supplement will state whether the Purchase Contract will be separable from the other securities in the unit before the contract settlement date. A Purchase Contract issued in a unit in the United States may not be separated before the 91st day after the unit is issued.

Prepaid Purchase Contracts

Some Purchase Contracts may require the holders to satisfy their obligations under the Purchase Contracts at the time the Purchase Contracts are issued. These Purchase Contracts are referred to as “Prepaid Purchase Contracts.” In certain circumstances, HSBC USA’s obligation to settle Prepaid Purchase Contracts on the relevant settlement date may be Senior Debt Securities or Subordinated Debt Securities, which are described above under “DESCRIPTION OF DEBT SECURITIES.” Prepaid Purchase Contracts may be issued under the applicable Indenture, as specified in the applicable Prospectus Supplement.

Non-Prepaid Purchase Contracts

Some Purchase Contracts do not require the holders to satisfy their obligations under the Purchase Contracts until settlement. These Purchase Contracts are referred to as “Non-Prepaid Purchase Contracts.” The holder of a Non-Prepaid Purchase Contract may remain obligated to perform under the Purchase Contract for a substantial period of time.

Non-Prepaid Purchase Contracts may be issued under a unit agreement, if they are issued in units, as described under “DESCRIPTION OF UNITS,” or under some other document, if they are not. The particular governing document that applies to your Non-Prepaid Purchase Contracts will be described in the applicable Prospectus Supplement.

Non-Prepaid Purchase Contracts will not be Senior Debt Securities or Subordinated Debt Securities and will not be issued under one of the Indentures, unless otherwise provided in the applicable Prospectus Supplement. Consequently, no governing documents for Non-Prepaid Purchase Contracts will be qualified as Indentures, and no third party will be required to qualify as a trustee with regard to those Purchase Contracts, under the Trust Indenture Act. Holders of Non-Prepaid Purchase Contracts will not have the protection of the Trust Indenture Act with respect to those Purchase Contracts.

Pledge by Holders to Secure Performance. The applicable Prospectus Supplement will describe the holder’s obligations under the Purchase Contract and the governing documents that may be secured by collateral. In that case, the holder, acting through the unit agent as its attorney-in-fact, if applicable, will pledge the items described below to a collateral agent named in the Prospectus Supplement, which will hold them, for the benefit of HSBC USA, as collateral to secure the holder’s obligations. This is referred to as the “Pledge.” The Pledge will create a security interest in and a lien upon and right of set-off against the holder’s entire interest in and to the unit (if the Purchase Contract is part of a unit):

- any common stock, preferred stock, debt security, debt obligations or other property that are, or become, part of units that include the purchase contracts, or other property as may be specified in the applicable Prospectus Supplement, which are referred to as the “Pledged Items;”
- all additions to and substitutions for the Pledged Items as may be permissible, if specified in the applicable Prospectus Supplement;
- all income, proceeds and collections received or to be received, or derived or to be derived, at any time from or in connection with the Pledged Items described above; and
- all powers and rights owned or thereafter acquired under or with respect to the Pledged Items.

The collateral agent will forward all payments from the Pledged Items to HSBC USA, unless the payments have been released from the Pledge in accordance with the Purchase Contract and the governing document. HSBC USA will use the payments from the Pledged Items to satisfy the holder’s obligations under the Purchase Contract.

Form

HSBC USA will issue each Purchase Contract in global (book-entry) form only, unless otherwise provided in the applicable Prospectus Supplement. Purchase Contracts in book-entry form will be represented by a global security registered in the name of a depository, which will be the holder of all the Purchase Contracts represented by the global security. Those who own beneficial interests in a Purchase Contract will do so through participants in the depository’s system, and the rights of these indirect owners will be governed solely by the applicable procedures of the depository and its participants, as described under “BOOK-ENTRY PROCEDURES.”

DESCRIPTION OF UNITS

General

HSBC USA may issue, from time to time, units comprised of any combination of one or more Debt Securities, preferred stock, depository shares, warrants and purchase contracts. Each unit will be issued so that the holder of the unit is also the holder of each security included in the unit. Accordingly, the holder of a unit will have the rights and obligations of a holder of each included security. The unit agreement under which a unit is issued may provide that the securities included in the unit may not be held or transferred separately, at any time or at any time before a specified date.

The applicable Prospectus Supplement may describe the designation and terms of the units and of the securities comprising the units issued by HSBC USA, securities of an entity affiliated or not affiliated with HSBC USA or other property constituting the units, including whether and under what circumstances those securities may be held or transferred separately; any provisions of the governing unit agreement that differ from those described below; any provisions for the issuance, payment, settlement, transfer or exchange of the units or of the securities comprising the units; and any applicable U.S. federal income tax consequences.

The applicable provisions described in this section, as well as those described under “DESCRIPTION OF DEBT SECURITIES,” “DESCRIPTION OF PREFERRED STOCK,” “DESCRIPTION OF WARRANTS” and “DESCRIPTION OF PURCHASE CONTRACTS” will apply to each unit and to any Debt Security, preferred stock, depositary shares, warrant or purchase contract included in each unit, respectively.

Series of Units We May Issue

HSBC USA may issue units in such amounts and in as many distinct series as HSBC USA wishes. HSBC USA may also “reopen” a previously issued series of units and issue additional units of that series. This section summarizes terms of the units that apply generally to all series.

General Terms of a Unit Agreement

The following provisions will generally apply to all unit agreements unless otherwise provided in the applicable Prospectus Supplement.

Enforcement of Rights. The unit agent under a unit agreement will act solely as the agent of HSBC USA in connection with the units issued under that agreement. The unit agent will not assume any obligation or relationship of agency or trust for or with any holders of those units or of the securities comprising those units. The unit agent will not be obligated to take any action on behalf of those holders to enforce or protect their rights under the units or the included securities.

Except as described in the next paragraph, a holder of a unit may, without the consent of the unit agent or any other holder, enforce its rights as holder under any security included in the unit, in accordance with the terms of that security and the indenture, warrant agreement or unit agreement under which that security is issued. Those terms are described elsewhere in this prospectus under the sections relating to Debt Securities, Warrants and Purchase Contracts.

Limitations affecting the ability of a holder of units issued under that agreement to enforce its rights, including any right to bring a legal action, will be described in the applicable Prospectus Supplement.

Modification Without Consent of Holders. HSBC USA and the applicable unit agent may amend or supplement any unit or unit agreement without the consent of any holder to cure any ambiguity; to correct or supplement any defective or inconsistent provision; or to make any other change that HSBC USA believes is necessary or desirable and will not adversely affect the interests of the affected holders in any material respect.

HSBC USA does not need any approval to make changes that affect only units to be issued after the changes take effect. HSBC USA may also make changes that do not adversely affect a particular unit in any material respect, even if they adversely affect other units in a material respect. In those cases, HSBC USA does not need to obtain the approval of the holder of the unaffected unit; HSBC USA needs only obtain any required approvals from the holders of the affected units.

The foregoing applies also to any security issued under a unit agreement, as the governing document.

Modification With Consent of Holders. HSBC USA may not amend any particular unit or a unit agreement with respect to any particular unit without the consent of the holder of that unit, if the amendment would:

- (1) impair the right of the holder to exercise or enforce any right under a security included in the unit if the terms of that security require the consent of the holder to any changes that would impair the exercise or enforcement of that right;
- (2) materially adversely affect the holders’ rights and obligations under any purchase contract; or

- (3) reduce the percentage of outstanding units the consent of whose owners is required to amend that series or class, or the applicable unit agreement with respect to that series or class, as described below.

Any other change to a particular unit agreement and the units issued under that agreement would require the following approval:

- (1) If the change affects only the units of a particular series issued under that agreement, the change must be approved by the holders of a majority of the outstanding units of that series;
- (2) If the change affects the units of more than one series issued under that agreement, it must be approved by the holders of a majority of all outstanding units of all series affected by the change, with the units of all the affected series voting together as one class for this purpose.

These provisions regarding changes with majority approval also apply to changes affecting any securities issued under a unit agreement, as the governing document. In each case, the required approval must be given by written consent.

Unit Agreements Will Not Be Qualified Under Trust Indenture Act. No unit agreement will be qualified as an Indenture, and no unit agent will be required to qualify as a trustee, under the Trust Indenture Act. Therefore, holders of units issued under unit agreements will not have the protections of the Trust Indenture Act with respect to their units.

Mergers and Similar Transactions Permitted; No Restrictive Covenants or Events of Default

The unit agreements will not restrict the ability of HSBC USA to merge or consolidate with, or sell its assets to, another corporation or other entity or to engage in any other transactions. If at any time HSBC USA merges or consolidates with, or sells its assets substantially as an entirety to, another corporation or other entity, the successor entity will succeed to and assume our obligations under the unit agreements. HSBC USA will then be relieved of any further obligation under these agreements.

The unit agreements will not include any restrictions on the ability HSBC USA to put liens on its assets, including interests in its subsidiaries, nor will they restrict the ability HSBC USA to sell its assets. The unit agreements also will not provide for any events of default or remedies upon the occurrence of any events of default.

Form, Exchange and Transfer

HSBC USA will issue each unit in global (book-entry) form only. Only the depositary will be entitled to transfer or exchange a unit in global form, since it will be the sole holder of the unit. Units in book-entry form will be represented by a global security registered in the name of a depositary, which will be the holder of all the units represented by the global security. Those who own beneficial interests in a unit will do so through participants in the depositary's system, and the rights of these indirect owners will be governed solely by the applicable procedures of the depositary and its participants, as described under "BOOK-ENTRY PROCEDURES."

In addition, HSBC USA will issue each unit in registered form, unless otherwise specified in the applicable Prospectus Supplement.

BOOK-ENTRY PROCEDURES

Unless otherwise indicated in the Prospectus Supplement with respect to any series of offered securities, upon issuance, all offered securities will be represented by one or more global securities (the "Global Security"). The Global Security will be deposited with, or on behalf of, The Depository Trust Company ("DTC" or the "Depository") and registered in the name of Cede & Co. (the Depository's partnership nominee). Unless and until exchanged in whole or in part for offered securities in definitive form, no Global Security may be transferred except as a whole by the Depository to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository or by such Depository or any such nominee to a successor of such Depository or a nominee of such successor.

The Prospectus Supplement with respect to any offered securities will state whether investors may elect to hold interests in Global Securities through either the Depository (in the United States) or Clearstream Banking, société anonyme ("Clearstream Luxembourg"), or Euroclear Bank S.A./N.V., as operator of the Euroclear system ("Euroclear"), if they are participants in such systems, or indirectly through organizations that are participants in such systems. Clearstream

Luxembourg and Euroclear will hold interests on behalf of their participants through customers' securities accounts in Clearstream Luxembourg's and Euroclear's names on the books of their respective depositaries, which in turn will hold such interests in customers' securities accounts in the depositaries' names on the books of the Depositary. Unless otherwise indicated in the applicable Prospectus Supplement, Citibank, N.A. will act as depositary for Clearstream Luxembourg and JPMorgan Chase Bank N.A. will act as depositary for Euroclear (in such capacities, the "U.S. Depositaries").

So long as the Depositary, or its nominee, is a registered owner of a Global Security, the Depositary or its nominee, as the case may be, will be considered the sole owner or holder of offered securities represented by such Global Security for all purposes under the Indenture or other governing documents. Except as provided below, the actual owners of offered securities represented by a Global Security (the "Beneficial Owner") will not be entitled to have the offered securities represented by such Global Security registered in their names, will not receive or be entitled to receive physical delivery of the offered securities in definitive form and will not be considered the owners or holders thereof under the applicable Indenture or other governing documents. Accordingly, each person owning a beneficial interest in a Global Security must rely on the procedures of the Depositary and, if such person is not a participant of the Depositary (a "Participant"), on the procedures of the Participant through which such person owns its interest, to exercise any rights of a holder under the applicable Indenture. We understand that under existing industry practices, in the event that the Corporation requests any action of holders or that an owner of a beneficial interest that a holder is entitled to give or take under an Indenture or other governing documents, the Depositary would authorize the Participants holding the relevant beneficial interests to give or take such action, and such Participants would authorize Beneficial Owners owning through such Participants to give or take such action or would otherwise act upon the instructions of Beneficial Owners. Conveyance of notices and other communications by the Depositary to Participants, by Participants to Indirect Participants, as defined below, and by Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The following is based on information furnished by DTC:

DTC will act as securities depositary for offered securities. Offered securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One or more fully registered Global Securities will be issued for the offered securities in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its Participants deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants of DTC ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by The New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to DTC's system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of offered securities under DTC's system must be made by or through Direct Participants, which will receive a credit for offered securities on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the records of Direct Participants and Indirect Participants. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participants or Indirect Participants through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in offered securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in offered securities, except in the limited circumstances that may be provided in the applicable Indenture or other governing documents.

To facilitate subsequent transfers, all offered securities deposited with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of offered securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of offered securities. DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to offered securities. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the applicable record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts securities are credited on the applicable record date (identified in a listing attached to the Omnibus Proxy).

Payments on offered securities will be made in immediately available funds to DTC. DTC's practice is to credit Direct Participants' accounts on the applicable payment date in accordance with their respective holdings shown on the Depository's records unless DTC has reason to believe that it will not receive payment on such date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, any Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Any payment due to DTC on behalf of Beneficial Owners is the responsibility of the Corporation or the applicable agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to offered securities at any time by giving reasonable notice to the Corporation or the applicable agent. Under such circumstances, in the event that a successor securities depository is not obtained, offered security certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, offered security certificates will be printed and delivered.

Clearstream Luxembourg advises that it is incorporated under the laws of Luxembourg as a professional depository. Clearstream Luxembourg holds securities for its participating organizations ("Clearstream Participants") and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream Luxembourg provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream Luxembourg interfaces with domestic markets in several countries. As a professional depository, Clearstream Luxembourg is subject to regulation by the Luxembourg Monetary Institute. Clearstream Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, trust companies, clearing corporations and certain other organizations and may include the Underwriters. Indirect access to Clearstream Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Participant either directly or indirectly.

Distributions with respect to offered securities held beneficially through Clearstream Luxembourg will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures, to the extent received by the U.S. Depository for Clearstream Luxembourg.

Euroclear advises that it was created in 1968 to hold securities for its participants ("Euroclear Participants") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is owned by Euroclear Clearance System Public Limited Company (ECSplc) and operated through a license agreement by Euroclear Bank S.A./N.V., a bank incorporated under the laws of the Kingdom of Belgium (the "Euroclear Operator").

Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters or agents for offered securities. Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear Operator is regulated and examined by the Belgian Banking and Finance Commission and the National Bank of Belgium.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of Euroclear, and applicable Belgian law (collectively, the “Terms and Conditions”). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants, and has no record of or relationship with persons holding through Euroclear Participants.

Distributions with respect to offered securities held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by the U.S. Depository for Euroclear.

Global Clearance and Settlement Procedures

Initial settlement for offered securities will be made in immediately available funds. Secondary market trading between DTC Participants will occur in the ordinary way in accordance with the Depository’s rules and will be settled in immediately available funds using the Depository’s Same-Day Funds Settlement System. If and to the extent the Prospectus Supplement with respect to any offered securities indicates that investors may elect to hold interests in offered securities through Clearstream Luxembourg or Euroclear, secondary market trading between Clearstream Participants and/or Euroclear Participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream Luxembourg and Euroclear and will be settled using the procedures applicable to conventional eurobonds in immediately available funds.

Cross-market transfers between persons holding directly or indirectly through the Depository on the one hand, and directly or indirectly through Clearstream or Euroclear Participants, on the other, will be effected in the Depository in accordance with the Depository rules on behalf of the relevant European international clearing system by its U.S. Depository; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depository to take action to effect final settlement on its behalf by delivering or receiving offered securities in the Depository, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to the Depository. Clearstream Participants and Euroclear Participants may not deliver instructions directly to the Depository.

Because of time-zone differences, credits of offered securities received in Clearstream Luxembourg or Euroclear as a result of a transaction with a DTC Participant will be made during subsequent securities settlement processing and will be credited the business day following the Depository settlement date. Such credits or any transactions in offered securities settled during such processing will be reported to the relevant Euroclear or Clearstream Participants on such business day. Cash received in Clearstream Luxembourg or Euroclear as a result of sales of offered securities by or through a Clearstream Participant or a Euroclear Participant to a DTC Participant will be received with value on the Depository settlement date but will be available in the relevant Clearstream Luxembourg or Euroclear cash account only as of the business day following settlement in the Depository.

Although the Depository, Clearstream Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of offered securities among participants of the Depository, Clearstream Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

LIMITATIONS ON ISSUANCES IN BEARER FORM

In compliance with U.S. federal income tax laws and regulations, we and any underwriter, agent or dealer participating in the offering of any Debt Security in bearer form will agree that, in connection with the original issuance of such Debt Security in bearer form and during the period ending 40 days after the issue date of such Debt Security in bearer form, such underwriter, agent or dealer will not offer, sell or deliver such Debt Security, directly or indirectly, to a U.S. person or to any person within the United States, except to the extent permitted under United States Treasury regulations.

Debt securities in bearer form will bear a legend to the following effect: “Any United States Person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.” The sections referred to in the legend provide that, with certain

exceptions, a U.S. person who holds Debt Securities in bearer form will not be allowed to deduct any loss with respect to, and will not be eligible for capital gain treatment with respect to any gain realized on a sale, exchange, redemption or other disposition of, such Debt Securities in bearer form.

As used herein, “U.S. person” means a person who is a citizen or resident of the United States, or that is a corporation, partnership or other entity treated as a corporation or partnership for U.S. federal income tax purposes created or organized in or under the laws of the United States or any political subdivision thereof, an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust if (1) a United States court is able to exercise primary supervision over the trust’s administration and (2) one or more United States persons have the authority to control all of the trust’s substantial decisions.

Pending the availability of a definitive global security or individual Debt Securities in bearer form, as the case may be, Debt Securities that are issuable in bearer form may initially be represented by a single temporary global security, without interest coupons, to be deposited with a common depository in London for Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream International, for credit to the accounts designated by or on behalf of the purchasers thereof. Following the availability of a definitive global security in bearer form, without coupons attached, or individual Debt Securities in bearer form and subject to any further limitations described in the applicable Prospectus Supplement, the temporary global security will be exchangeable for interests in such definitive global security or for such individual Debt Securities, respectively, only upon receipt of a Certificate of Non-U.S. Beneficial Ownership. A Certificate of Non-U.S. Beneficial Ownership is a certificate to the effect that a beneficial interest in a temporary global security in bearer form is owned by a person that is not a U.S. Person or is owned by or through a financial institution in compliance with applicable U.S. Treasury regulations. In no event will a definitive Debt Security in bearer form be delivered to a purchaser without the receipt of a Certificate of Non-U.S. Beneficial Ownership. No Debt Security in bearer form will be delivered in the United States or to a U.S. Person. If so specified in the applicable Prospectus Supplement, interest on a temporary global security will be paid to each of Euroclear and Clearstream with respect to that portion of such temporary global security held for its account, but only upon receipt as of the relevant interest payment date of a Certificate of Non-U.S. Beneficial Ownership.

Limitations on the offer, sale, delivery and exercise of Warrants in bearer form (including a requirement that a Certificate of Non-U.S. Beneficial Ownership be delivered upon exercise of a warrant in bearer form) will be described in the Prospectus Supplement relating to such Warrants in bearer form.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS RELATING TO DEBT SECURITIES

The following summary describes certain U.S. federal income tax considerations as of the date hereof of the acquisition, ownership and disposition of the Debt Securities to beneficial owners (“Holders”) purchasing Debt Securities. The following discussion may not be applicable to a particular series of Debt Securities, depending on the terms and conditions established for such Debt Securities in the appropriate Prospectus Supplement. This summary does not discuss the tax consequences of holding Warrants, Preferred Stock, Depositary Shares, Purchase Contracts or Units. This summary is based on the Internal Revenue Code of 1986, as amended as of the date hereof (the “Code”), its legislative history, administrative pronouncements, judicial decisions and final, proposed and temporary Treasury Regulations, changes to any of which subsequent to the date of this prospectus may affect the tax consequences described herein. Any such changes may apply retroactively.

This summary discusses only the principal U.S. federal income tax consequences to those Holders holding Debt Securities as capital assets, within the meaning of Section 1221 of the Code. It does not discuss all of the tax consequences that may be relevant to a Holder in light of the Holder’s particular circumstances or to Holders subject to special rules (including pension plans and other tax-exempt investors, banks, thrifts, real estate investment trusts, regulated investment companies, persons who hold Debt Securities as part of a straddle, hedging, integrated, constructive sale or conversion transaction, U.S. expatriates, insurance companies, dealers in securities or foreign currencies, persons liable for alternative minimum tax and U.S. Holders (as defined below) whose functional currency (as defined in Section 985 of the Code) is not the U.S. dollar).

The discussion below assumes that the Debt Securities will be classified for U.S. federal income tax purposes as debt of HSBC USA, and purchasers should note that in the event of an alternative characterization, the tax consequences would differ from those described below. Debt Securities could be characterized as something other than indebtedness for U.S. federal income tax purposes if they contain certain features including, for example, the potential for unlimited deferral of interest payments or contingent principal. Purchasers should consult their own tax advisors concerning the possibility that Debt Securities containing such features might not be respected as debt for U.S. federal income tax purposes.

If a partnership holds Debt Securities, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Persons that are partners in a partnership holding Debt Securities should consult their own tax advisors.

PERSONS CONSIDERING THE PURCHASE OF DEBT SECURITIES SHOULD CONSULT THEIR TAX ADVISORS WITH REGARD TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES TO THEM ARISING UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION.

Tax Consequences to U.S. Holders

As used herein, the term “U.S. Holder” means a beneficial owner of a Debt Security who or which is, for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States or of any political subdivision thereof; or
- an estate or trust treated as a United States person under Section 7701(a)(30) of the Code.

The term “Non-U.S. Holder” means a beneficial owner of a Debt Security (other than a partnership) that is not a U.S. Holder.

Taxation of Interest

The taxation of interest on a Debt Security depends on whether the interest is “qualified stated interest” (as defined below). Interest that is qualified stated interest will generally be includible in a U.S. Holder’s income as ordinary interest income when actually or constructively received (if such Holder uses the cash method of accounting for U.S. federal income tax purposes) or when accrued (if such Holder uses an accrual method of accounting for U.S. federal income tax purposes). Interest that is not qualified stated interest is includible in a U.S. Holder’s income under the rules governing “original issue discount” described below, regardless of such U.S. Holder’s regular method of tax accounting. Notwithstanding the foregoing, interest that is payable on a Debt Security with a maturity of one year or less from its issue date, referred to as a “Short-Term Note,” is included in a U.S. Holder’s income under the rules described below under “—Short-Term Notes.”

Definition of Qualified Stated Interest

Interest on a Debt Security is “qualified stated interest” if the interest is unconditionally payable, or will be constructively received under Section 451 of the Code, in cash or in property (other than debt instruments of HSBC USA) at least annually at a single fixed rate (in the case of a Debt Security that bears interest at a fixed rate (a “Fixed Rate Note”)) or at a single “qualified floating rate” or “objective rate” (in the case of a Debt Security that bears interest at a floating rate (a “Floating Rate Note”) and that qualifies as a VRDI, as defined below). If a Floating Rate Note that qualifies as a VRDI provides for interest other than at a single qualified floating rate or single objective rate, special rules apply to determine the portion of such interest that constitutes qualified stated interest. See “—Debt Securities that are VRDIs” below.

Definition of Variable Rate Debt Instrument (VRDI)

A Floating Rate Note will qualify as a variable rate debt instrument (“VRDI”) if all four of the following conditions are met. First, the “issue price” (as defined under “Taxation of Original Issue Discount”) of the Floating Rate Note must not exceed the total noncontingent principal payments by more than an amount equal to the lesser of (i) .015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date (or, in the case of a Floating Rate Note that provides for payment of any amount other than qualified stated interest before maturity, its weighted average maturity) and (ii) 15% of the total noncontingent principal payments. A Floating Rate Note that does not provide for contingent principal will satisfy this requirement as long as it is not issued at a significant premium.

Second, except as provided in the preceding paragraph, the Floating Rate Note must not provide for any principal payments that are contingent.

Third, the Floating Rate Note must provide for stated interest (compounded or paid at least annually) at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate or (iv) a single fixed rate and a single objective rate that is a “qualified inverse floating rate” (as defined below).

Fourth, the Floating Rate Note must provide that a qualified floating rate or objective rate in effect at any time during the term of the Floating Rate Note is set at the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

Definition of a Qualified Floating Rate

Subject to certain exceptions, a variable rate of interest on a Floating Rate Note is a “qualified floating rate” if variations in the value of the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Floating Rate Note is denominated. This definition includes a variable rate equal to (i) the product of an otherwise qualified floating rate and a fixed multiple that is greater than .65 but not more than 1.35 or (ii) an otherwise qualified floating rate plus or minus a spread. If the variable rate equals the product of an otherwise qualified floating rate and a single fixed multiple greater than 1.35 or less than or equal to .65, however, such rate will generally be an objective rate. A variable rate will not be considered a qualified floating rate if the variable rate is subject to a cap, floor, governor (*i.e.*, a restriction on the amount of increase or decrease in the stated interest rate) or similar restriction that is not fixed throughout the term of the Floating Rate Note and is reasonably expected as of the issue date to cause the yield on the Floating Rate Note to be significantly more or less than the expected yield determined without the restriction.

Definition of an Objective Rate

Subject to certain exceptions, an “objective rate” is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information that is neither within the control of HSBC USA (or a related party) nor unique to the circumstances of HSBC USA (or a related party). A rate is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the Floating Rate Note’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the term. The Internal Revenue Service (“IRS”) may designate rates other than those specified above that will be treated as objective rates. As of the date hereof, no such other rates have been designated. An objective rate is a “qualified inverse floating rate” if (i) the rate is equal to a fixed rate minus a qualified floating rate and (ii) the variations in the rate can reasonably be expected to reflect inversely contemporaneous variations in the cost of newly borrowed funds (disregarding any caps, floors, governors or similar restrictions that would not, as described above, cause a rate to fail to be a qualified floating rate).

If interest on a Floating Rate Note is stated at a fixed rate for an initial period of one year or less, followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period, and the value of the variable rate on the issue date is intended to approximate the fixed rate, the fixed rate and the variable rate together constitute a single qualified floating rate or objective rate.

Taxation of Original Issue Discount

U.S. Holders of Debt Securities issued with original issue discount (“OID”) will be subject to special tax accounting rules, as described in greater detail below. Additional rules applicable to Debt Securities having OID that are denominated in or determined by reference to a currency other than the U.S. dollar are described under “—Foreign Currency Notes” below. OID is the excess, if any, of a Debt Security’s “stated redemption price at maturity” over the Debt Security’s “issue price.” A Debt Security’s “stated redemption price at maturity” is the sum of all payments provided by the Debt Security (whether designated as interest or as principal) other than payments of qualified stated interest. The “issue price” of a Debt Security is the first price at which a substantial amount of the Debt Securities in the issuance that includes the Debt Security is sold for money (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). If a Debt Security is issued as part of an investment unit (*e.g.*, together with a Warrant), the issue price of the investment unit is determined in the same manner and allocated between the Debt Security and right (or rights) that comprise the unit based on their relative fair market values.

Holders of Debt Securities with OID (other than Short-Term Notes, as defined below) generally will be required to include such OID in income as it accrues in accordance with the constant yield method described below, irrespective of the receipt of the related cash payments. A U.S. Holder’s tax basis in a Debt Security is increased by the amount of accrued OID and decreased by each payment other than a payment of qualified stated interest.

The amount of OID with respect to a Debt Security will be treated as zero if the OID is less than an amount equal to .0025 multiplied by the product of the stated redemption price at maturity and the number of complete years to maturity (or, in the case of a Debt Security that provides for payment of any amount other than qualified stated interest prior to maturity, the weighted average maturity of the Debt Security). If the amount of OID is less than that amount, the OID that is not included in payments of stated interest is included in income as capital gain as principal payments are made. The amount includible with respect to a principal payment equals the product of the total amount of OID and a fraction, the numerator of which is the amount of such principal payment and the denominator of which is the stated principal amount of the Debt Security.

Inclusion of OID in Income—Fixed Rate Notes

In the case of a Fixed Rate Note issued with OID, the amount of OID includible in the income of a U.S. Holder for any taxable year is determined under the constant yield method, as follows. First, the “yield to maturity” of the Fixed Rate Note is computed. The yield to maturity is the discount rate that, when used in computing the present value of all interest and principal payments to be made under the Fixed Rate Note (including payments of qualified stated interest), produces an amount equal to the issue price of the Fixed Rate Note. The yield to maturity is constant over the term of the Fixed Rate Note and, when expressed as a percentage, must be calculated to at least two decimal places.

Second, the term of the Fixed Rate Note is divided into “accrual periods.” Accrual periods may be of any length and may vary in length over the term of the Fixed Rate Note, provided that each accrual period is no longer than one year and that each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period.

Third, the total amount of OID on the Fixed Rate Note is allocated among accrual periods. In general, the OID allocable to an accrual period equals the product of the “adjusted issue price” of the Fixed Rate Note at the beginning of the accrual period and the yield to maturity of the Fixed Rate Note, less the amount of any qualified stated interest allocable to the accrual period. The adjusted issue price of a Fixed Rate Note at the beginning of the first accrual period is its issue price. Thereafter, the adjusted issue price of the Fixed Rate Note is its issue price, increased by the amount of OID previously includible in the gross income of any holder and decreased by the amount of any payment previously made on the Fixed Rate Note other than a payment of qualified stated interest. For purposes of computing the adjusted issue price of a Fixed Rate Note, the amount of OID previously includible in the gross income of any U.S. Holder is determined without regard to “premium” and “acquisition premium”, as those terms are defined below under “—Premium and Acquisition Premium.”

Fourth, the “daily portions” of OID are determined by allocating to each day in an accrual period its ratable portion of the OID allocable to the accrual period.

A U.S. Holder includes in income in any taxable year the daily portions of OID for each day during the taxable year that such Holder held the Fixed Rate Note. Under the constant yield method described above, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Taxation of OID on Floating Rate Notes and Indexed Notes

The taxation of OID on a Floating Rate Note or a Debt Security for which the principal amount payable at the stated maturity, or the interest on the Debt Security, or both, may be determined by reference to currencies, currency units, commodity prices, financial or non-financial indices or other factors (an “Indexed Note”) will depend on whether the Floating Rate Note or Indexed Note is a VRDI, as that term is described above under “—Definition of Variable Rate Debt Instrument (VRDI).”

Debt Securities that are VRDIs

In the case of a VRDI that provides for qualified stated interest (as defined above) the amount of qualified stated interest and OID, if any, includible in income during a taxable year is determined under the rules applicable to Fixed Rate Notes (described above) by assuming that the variable rate of interest is a fixed rate equal to (i) in the case of a qualified floating rate or a qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, and (ii) in the case of an objective rate (other than a qualified inverse floating rate), the rate that reflects the yield that is reasonably expected for the Debt Security. Qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period.

If a Debt Security that is a VRDI does not provide for qualified stated interest, the amount of interest and OID accruals are determined by constructing an equivalent fixed rate debt instrument, as follows:

First, in the case of an instrument that provides for interest at a fixed rate, replace the fixed rate by a qualified floating rate (or qualified inverse floating rate, if applicable) such that the fair market value of the instrument as of the issue date would be approximately the same as the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate (or qualified inverse floating rate) rather than the fixed rate.

Second, determine the fixed rate substitute for each variable rate provided by the Debt Security. The fixed rate substitute for each qualified floating rate provided by the Debt Security is the value of that qualified floating rate on the issue date. If the Debt Security provides for two or more qualified floating rates with different intervals between interest adjustment dates, the fixed rate substitutes are based on intervals that are equal in length. The fixed rate substitute for an objective rate that is a qualified inverse floating rate is the value of the qualified inverse floating rate on the issue date. The fixed rate substitute for an objective rate (other than a qualified inverse floating rate) is a fixed rate that reflects the yield that is reasonably expected for the Debt Security.

Third, construct an equivalent fixed rate debt instrument that has terms that are identical to those provided under the Debt Security, except that the equivalent fixed rate debt instrument provides for the fixed rate substitutes determined in the second step, in lieu of the qualified floating rates or objective rate provided by the Debt Security.

Fourth, determine the amount of qualified stated interest and OID for the equivalent fixed rate debt instrument under the rules described above for Fixed Rate Notes. These amounts are taken into account as if the U.S. Holder held the equivalent fixed rate debt instrument. See “—Taxation of Interest,” “—Taxation of Original Issue Discount” and “—Inclusion of OID in Income—Fixed Rate Notes” above.

Fifth, make appropriate adjustments for the actual values of the variable rates. In this step, qualified stated interest or OID allocable to an accrual period is increased (or decreased) if the interest actually accrued or paid during the accrual period exceeds (or is less than) the interest assumed to be accrued or paid during the accrual period under the equivalent fixed rate debt instrument. In general, this increase or decrease is an adjustment to qualified stated interest for the accrual period if the equivalent fixed rate debt instrument constructed under the third step provides for qualified stated interest and the increase or decrease is reflected in the amount actually paid during the accrual period, and otherwise the increase or decrease is an adjustment to OID, if any, for the accrual period.

Contingent Notes

Unless otherwise noted in the applicable Prospectus Supplement, if any, Floating Rate Notes that are not VRDIs (“Contingent Notes”) will be treated as “contingent payment debt instruments” and will be taxable under the rules applicable thereto (the “Contingent Debt Regulations”) for U.S. federal income tax purposes. As a result, the Contingent Notes will generally be subject to the OID provisions of the Code and the Treasury Regulations thereunder, and a U.S. Holder will be required to accrue interest income on the Contingent Notes as set forth below.

At the time the Contingent Notes are issued, HSBC USA will be required to determine a “comparable yield” for the Contingent Notes. The comparable yield is the yield at which HSBC USA could issue a fixed rate debt instrument with terms and conditions similar to those of the Contingent Note (including the level of subordination, term, timing of payments and general market conditions, but not taking into consideration the riskiness of the contingencies or the liquidity of the Contingent Note), but is not less than the applicable federal rate (based on the overall maturity of the Contingent Note) announced monthly by the IRS (the “AFR”) and in effect for the month in which the Contingent Note is issued. The comparable yield may be greater than or less than the stated interest rate, if any, with respect to the Contingent Notes. In certain cases where contingent payments with respect to Contingent Notes are not based on market information and where Contingent Notes are marketed or sold in substantial part to tax-exempt investors or other investors for whom the prescribed inclusion of interest is not expected to have a substantial effect on their U.S. tax liability, the comparable yield for the Contingent Note, without proper evidence to the contrary, is presumed to be the AFR.

Solely for purposes of determining the amount of interest income that a U.S. Holder will be required to accrue (and which HSBC USA will be required to report on an IRS Form 1099), HSBC USA will be required to construct a “projected payment schedule” for the Contingent Notes, determined under the Contingent Debt Regulations (the “Schedule”), representing a series of payments the amount and timing of which would produce a yield to maturity on the Contingent Notes equal to the comparable yield. The Schedule is determined as of the issue date and generally remains in place throughout the term of the Contingent Notes. The Schedule includes each noncontingent payment and an amount for each contingent

payment as determined below. If a contingent payment is based on market information, the amount of the projected payment is the forward price of the contingent payment. If a contingent payment is not based on market information, the amount of the projected payment is the expected value if the contingent payment as of the issue date. The Schedule must produce the comparable yield determined as set forth above. Otherwise, the Schedule must be adjusted under the rules set forth in the Contingent Debt Regulations. **Neither the comparable yield nor the projected payment schedule constitutes a representation by HSBC USA regarding the actual amounts, if any, that the Contingent Notes will pay.**

HSBC USA is required to provide each U.S. Holder of a Contingent Note with the Schedule described above. If HSBC USA does not create a Schedule or the Schedule is unreasonable, a U.S. Holder must set its own projected payment schedule and explicitly disclose the use of the schedule and the reason therefor. Unless otherwise prescribed by the IRS, the U.S. Holder must make the disclosure on a statement attached to the U.S. Holder's timely filed U.S. federal income tax return for the taxable year in which the Contingent Note was acquired. A U.S. Holder of a Contingent Note, regardless of accounting method, will be required to accrue as OID the sum of the daily portions of interest on the Contingent Note for each day in the taxable year on which the U.S. Holder held the Contingent Note, calculated by reference to the comparable yield and adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments made on the Contingent Note as set forth below. The daily portions of interest in respect of a Contingent Note are determined by allocating to each day in an accrual period the ratable portion of interest on the Contingent Note that accrues in the accrual period. The amount of interest on a Contingent Note that accrues in an accrual period is determined by multiplying the comparable yield of the Contingent Note (adjusted for the length of the accrual period) by the Contingent Note's adjusted issue price at the beginning of the accrual period. The adjusted issue price of a Contingent Note at the beginning of the first accrual period will equal its issue price and for any accrual period after the first accrual period will be (i) the sum of the issue price of the Contingent Note and any interest previously accrued on the Contingent Note by a U.S. Holder, disregarding any positive or negative adjustments (as discussed below), minus (ii) the amount of any noncontingent payment and projected contingent payments on the Contingent Note for previous accrual periods.

A U.S. Holder will be required to recognize additional interest income equal to the amount of any net positive adjustment, *i.e.*, the excess of actual payments over projected payments, in respect of a Contingent Note for a taxable year. A net negative adjustment, *i.e.*, the excess of projected payments over actual payments, in respect of a Contingent Note for a taxable year will first reduce the amount of interest in respect of the Contingent Note that a U.S. Holder would otherwise be required to include in income in the taxable year and, to the extent of any excess, will give rise to an ordinary loss equal to that portion of this excess as does not exceed the excess of the amount of all previous interest inclusions under the Contingent Note over the total amount of the U.S. Holder's net negative adjustments treated as ordinary loss on the Contingent Note in prior taxable years. A net negative adjustment is not subject to the two percent floor limitation imposed on miscellaneous deductions under Section 67 of the Code. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the Contingent Note or to reduce the amount realized on a sale, exchange or retirement of the Contingent Note. When a U.S. Holder purchases a Contingent Note at a price other than the adjusted issue price of the Note, the difference between the purchase price and the adjusted issue price must be reasonably allocated to the daily portions of interest or projected payments with respect to the Contingent Note over its remaining term and treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated. Upon a sale, exchange or retirement of a Contingent Note, a U.S. Holder will generally recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the holder's adjusted tax basis in the Contingent Note. If HSBC USA delivers property, other than cash, to a holder in retirement of a Contingent Note, the amount realized will equal the fair market value of the property, determined at the time of retirement, plus the amount of cash, if any, received in lieu of property. A U.S. Holder's adjusted tax basis in a Contingent Note generally will equal the cost of the Contingent Note, increased by the amount of interest income previously accrued by the holder in respect of the Contingent Note, disregarding any positive or negative adjustments, and decreased by the amount of any noncontingent payments and all prior projected contingent payments previously made in respect of the Contingent Note. A U.S. Holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions over the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss.

Interest Payment Deferral

As described above under "Description of Debt Securities—Events of Default; Defaults," failure to pay interest on the Subordinated Debt Securities will not give rise to an Event of Default, but instead results in a deferral of interest. Under applicable Treasury Regulations, a contingency that stated interest will not be timely paid that is "remote" will be ignored in determining whether such debt instrument is issued with OID. As a result of the terms and conditions of the Subordinated Debt Securities, HSBC USA believes that the likelihood of it deferring payments of interest on the Subordinated Debt Securities is remote. Based on the foregoing, HSBC USA believes that the mere availability of the ability to defer payments of interest will not cause the Subordinated Debt Securities to be considered to be issued with OID at the time of their original

issuance unless and until HSBC USA defers interest on the Subordinated Debt Securities. If HSBC USA does in fact defer any payment of interest on the Subordinated Debt Securities, the Subordinated Debt Securities would at that time be treated as issued with OID, and all stated interest on the Subordinated Debt Securities would thereafter be treated as OID as long as the Subordinated Debt Securities remained outstanding. In such event, all of a U.S. Holder's taxable interest income with respect to the Subordinated Debt Securities generally would be accounted for as OID, as described above, regardless of such U.S. Holder's regular method of tax accounting, and actual distributions of stated interest would not be reported as taxable income. Consequently, a U.S. Holder would be required to include OID in gross income even though HSBC USA could not make any actual cash payments. The IRS has not issued specific guidance dealing with OID and the deferral of interest payments applicable to securities similar to the Subordinated Debt Securities. It is possible that the IRS could disagree with the treatment described above and take the position that the Subordinated Debt Securities are subject to the OID rules upon initial issuance. If the IRS were successful in this regard, U.S. Holders would be subject to the OID rules described above, regardless of whether HSBC USA defers payments of interest on the Subordinated Debt Securities.

Other Rules

Certain Debt Securities having OID may be redeemed prior to maturity. Such Debt Securities may be subject to rules that differ from the general rules discussed above relating to the tax treatment of OID. Purchasers of such Debt Securities with a redemption feature should carefully examine the applicable Prospectus Supplement and should consult their tax advisors with respect to such feature since the tax consequences with respect to interest and OID will depend, in part, on the particular terms and the particular features of the Debt Security.

Short-Term Notes

In the case of a Debt Security that matures one year or less from its date of issuance (a "Short-Term Note"), a cash method U.S. Holder generally is not required to accrue OID for U.S. federal income tax purposes unless such Holder elects to do so. U.S. Holders who make such an election, U.S. Holders who report income for U.S. federal income tax purposes on the accrual method and certain other U.S. Holders, including banks and dealers in securities, are required to include OID in income on such Short-Term Notes as it accrues on a straight-line basis, unless an election is made to accrue the OID according to a constant yield method based on daily compounding. In the case of a U.S. Holder who is not required, and does not elect, to include the OID in income currently, stated interest will generally be taxable at the time it is received and any gain realized on the sale, exchange or other disposition of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or other disposition (generally reduced by prior payments of interest, if any). In addition, such Holders will be required to defer deductions for all or a portion of any interest paid on indebtedness incurred to purchase or carry Short-Term Notes in an amount not exceeding the accrued OID not previously included in income.

Market Discount

If a U.S. Holder acquires a Debt Security having a maturity date of more than one year from the date of its issuance and has an initial tax basis in the Debt Security that is less than its "stated redemption price at maturity" (or, in the case of a Debt Security with OID, less than its "adjusted issue price"), the amount of the difference will be treated as "market discount" for U.S. federal income tax purposes, unless such difference is less than .0025 multiplied by the product of the stated redemption price at maturity and the number of complete years to maturity (from the date of acquisition). Under the market discount rules of the Code, a U.S. Holder will be required to treat any principal payment (or, in the case of a Debt Security having OID, any payment that does not constitute a payment of qualified stated interest) on, or any gain on the sale, exchange or other disposition of, a Debt Security as ordinary income to the extent of the accrued market discount that has not previously been included in income. If such Debt Security is disposed of in certain otherwise nontaxable transactions, accrued market discount will be includible as ordinary income to the U.S. Holder as if such Holder had sold the Debt Security at its then fair market value. Market discount generally accrues on a straight-line basis over the remaining term of a Debt Security except that, at the election of the U.S. Holder, market discount may accrue on a constant yield basis. A U.S. Holder may not be allowed to deduct immediately all or a portion of the interest expense on any indebtedness incurred or continued to purchase or to carry such Debt Security. A U.S. Holder may elect to include market discount in income currently, as it accrues (either on a straight-line basis or, if the U.S. Holder so elects, on a constant yield basis), in which case the interest deferral rule set forth in the preceding sentence will not apply. An election to include market discount in income currently will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Premium and Acquisition Premium

A U.S. Holder that purchases a Debt Security having OID for an amount that is greater than its adjusted issue price but less than or equal to the sum of all remaining amounts payable on the Debt Security other than payments of qualified stated interest will be considered to have purchased such Debt Security at an “acquisition premium.” In such a case, the amount of OID otherwise includible in the U.S. Holder’s income during an accrual period is reduced by a fraction. The numerator of this fraction is the excess of the adjusted basis of the Debt Security immediately after its acquisition by the U.S. Holder over the adjusted issue price of the Debt Security. The denominator of this fraction is the excess of the sum of all amounts payable on the Debt Security after the purchase date, other than payments of qualified stated interest, over the Debt Security’s adjusted issue price. As an alternative to reducing the amount of OID otherwise includible in income by this fraction, the U.S. Holder may elect to compute OID accruals by treating the purchase as a purchase at original issuance and applying the constant yield method described above.

If a U.S. Holder purchases a Debt Security for an amount in excess of the sum of all amounts payable on the Debt Security after the date of acquisition (other than payments of qualified stated interest), such Holder will be considered to have purchased such Debt Security with “amortizable bond premium” equal in amount to such excess, and generally will not be required to include any OID in income. Generally, a U.S. Holder may elect to amortize such premium as an offset to qualified stated interest income, using a constant yield method similar to that described above (see “—Taxation of Original Issue Discount”), over the remaining term of the Debt Security (where such Debt Security is not redeemable prior to its maturity date). In the case of Debt Securities that may be redeemed prior to maturity, the premium is calculated assuming that the issuer or holder will exercise or not exercise its redemption rights in a manner that maximizes the U.S. Holder’s yield. A U.S. Holder who elects to amortize bond premium must reduce such Holder’s tax basis in the Debt Security by the amount of the premium used to offset qualified stated interest income as set forth above. An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by such Holder and may be revoked only with the consent of the IRS.

Election to Treat all Interest as OID

A U.S. Holder may elect to include in gross income its entire return on a Debt Security (*i.e.*, in general, the excess of all payments to be received on the Debt Security over the amount paid for the Debt Security by such Holder) in accordance with a constant yield method based on the compounding of interest. Such an election for a Debt Security with amortizable bond premium will result in a deemed election to amortize bond premium for all of the U.S. Holder’s debt instruments with amortizable bond premium and may be revoked only with the permission of the IRS. Similarly, such an election for a Debt Security with market discount will result in a deemed election to accrue market discount in income currently for such Debt Security and for all other debt instruments acquired by the U.S. Holder with market discount on or after the first day of the taxable year to which such election first applies, and may be revoked only with the permission of the IRS.

The application of the foregoing rules may be different in the case of Contingent Notes. Accordingly, prospective purchasers of Contingent Notes should consult with their tax advisors with respect to the application of the market discount, acquisition premium and amortizable bond premium rules.

Sale, Exchange or Other Disposition of the Debt Securities

Upon the sale, exchange or other disposition of a Debt Security, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or other disposition (not including any amount attributable to accrued but unpaid qualified stated interest) and such Holder’s adjusted tax basis in the Debt Security. To the extent attributable to accrued but unpaid qualified stated interest, the amount realized by the U.S. Holder will be treated as a payment of interest. See “—Taxation of Interest” above. A U.S. Holder’s adjusted tax basis in a Debt Security will equal the cost of the Debt Security to such Holder, increased by the amount of any market discount, discount with respect to a Short-Term Note and OID, in each case to the extent previously included in income by such Holder with respect to such Debt Security, and reduced by any amortized bond premium, acquisition premium and principal payments received by such Holder and, in the case of a Debt Security having OID, by the amounts of any other payments received included in the stated redemption price at maturity, as described above.

Generally, gain or loss realized on the sale, exchange or other disposition of a Debt Security will be capital gain or loss (except as provided under “—Contingent Notes,” “—Short-Term Notes” and “—Market Discount” above and “—Foreign Currency Notes” below), and will be long-term capital gain or loss if at the time of sale, exchange or other disposition the Debt Security has been held for more than one year. The excess of net long-term capital gains over net short-term capital losses is taxed at a lower rate than ordinary income for certain non-corporate taxpayers. The distinction between capital gain or loss and ordinary income or loss is also relevant for purposes of, among other things, limitations on the deductibility of capital losses.

Foreign Currency Notes

The following summary relates to Debt Securities that are denominated in, or provide for payments determined by reference to, a currency or currency unit other than the U.S. dollar ("Foreign Currency Notes").

A U.S. Holder of a Foreign Currency Note who receives a payment of interest in a foreign currency that is not required to be included in income by such Holder prior to its receipt (*e.g.*, qualified stated interest received by a U.S. Holder using the cash method of accounting) will be required to include in income the U.S. dollar value of such foreign currency payment determined on the date such payment is received, regardless of whether the payment is in fact converted to U.S. dollars at that time, and such U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency.

In the case of interest income on a Foreign Currency Note that is required to be included in income by a U.S. Holder prior to the receipt of payment (*e.g.*, stated interest on a Foreign Currency Note held by a U.S. Holder using the accrual method of accounting, accrued OID, or accrued market discount includible in income as it accrues), a U.S. Holder will be required to include in income the U.S. dollar value of the interest income (including OID or market discount but reduced by acquisition premium and amortizable bond premium, to the extent applicable) that accrued during the relevant accrual period. OID, market discount, acquisition premium, and amortizable bond premium of a Foreign Currency Note are to be determined in the relevant foreign currency. Unless the U.S. Holder makes the election discussed below, the U.S. dollar value of such accrued income will be determined by translating such income at the average rate of exchange for each business day during the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for each business day during the partial period within the taxable year. Such U.S. Holder will recognize ordinary income or loss with respect to accrued interest income on the date such income is actually received, reflecting fluctuations in currency exchange rates between the time the income accrued and the date of payment. The amount of ordinary income or loss recognized will equal the difference between the U.S. dollar value of the foreign currency payment received (determined on the date such payment is received) and the U.S. dollar value of interest income that has accrued during such accrual period (as determined above). A U.S. Holder may elect to translate interest income (including OID and market discount) into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last date of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. Such U.S. Holder will recognize ordinary income or loss with respect to accrued interest income on the date such income is actually received, equal to the difference (if any) between the U.S. dollar value of the foreign currency payment received (determined on the date such payment is received) and the U.S. dollar value of interest income translated at the relevant spot rate described in the preceding sentence. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

The amount of accrued market discount (other than market discount currently includible in income) taken into account upon receipt of any partial principal payment or upon the sale, exchange or other disposition of a Foreign Currency Note will be the U.S. dollar value of such accrued market discount determined on the date of receipt of such partial principal payment or on the date of such sale, exchange or other disposition.

Any gain or loss realized on the sale, exchange or other disposition of a Foreign Currency Note with amortizable bond premium by a U.S. Holder who has not elected to amortize such premium (under the rules described above) will be ordinary income or loss to the extent attributable to fluctuations in currency exchange rates determined as described in the second succeeding paragraph. Exchange gain or loss will be realized on any amortized bond premium with respect to any period by treating the bond premium amortized in such period as a return of principal as described in the second succeeding paragraph. Similar rules apply in the case of acquisition premium.

A U.S. Holder's tax basis in a Foreign Currency Note, and the amount of any subsequent adjustment to such Holder's tax basis, will be the U.S. dollar value of the foreign currency amount paid for such Foreign Currency Note, or the U.S. dollar value of the foreign currency amount of the adjustment, determined on the date of such purchase or adjustment. In the case of an adjustment resulting from an accrual of OID or market discount, such adjustment will be made at the rate at which such OID or market discount is translated into U.S. dollars under the rules described above. A U.S. Holder that converts U.S. dollars to a foreign currency and immediately uses that currency to purchase a Foreign Currency Note denominated in the same currency normally will not recognize gain or loss in connection with such conversion and purchase. A U.S. Holder who purchases a Foreign Currency Note with previously owned foreign currency will recognize ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the foreign currency and the U.S. dollar value of the Foreign Currency Note on the date of purchase.

Gain or loss realized upon the sale, exchange or other disposition of, or the receipt of principal on, a Foreign Currency Note, to the extent attributable to fluctuations in currency exchange rates, will be ordinary income or loss. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the foreign currency purchase price for such Foreign Currency Note, determined on the date such Foreign Currency Note is disposed of, and (ii) the U.S. dollar value of the foreign currency purchase price for such Foreign Currency Note, determined on the date such U.S. Holder acquired such Foreign Currency Note. Any portion of the proceeds of such sale, exchange or other disposition attributable to accrued interest income may result in exchange gain or loss under the rules set forth above. Such foreign currency gain or loss will be recognized only to the extent of the overall gain or loss realized by a U.S. Holder on the sale, exchange or other disposition of the Foreign Currency Note. In general, the source of such foreign currency gain or loss will be determined by reference to the residence of the U.S. Holder or the “qualified business unit” of such Holder on whose books the Foreign Currency Note is properly reflected. Any gain or loss realized by a U.S. Holder in excess of such foreign currency gain or loss will be capital gain or loss (except to the extent of any accrued market discount not previously included in such Holder’s income or, in the case of a Short-Term Note, to the extent of any OID not previously included in such Holder’s income).

A U.S. Holder will have a tax basis in any foreign currency received on the sale, exchange or other disposition of a Foreign Currency Note equal to the U.S. dollar value of such foreign currency, determined at the time of such sale, exchange or other disposition. Treasury Regulations provide a special rule for purchases and sales of publicly traded debt instruments by a cash method taxpayer under which units of foreign currency paid or received are translated into U.S. dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss will result from currency fluctuations between the trade date and the settlement of such a purchase or sale. An accrual method taxpayer may elect the same treatment required of cash method taxpayers with respect to the purchases and sale of publicly traded debt instruments provided the election is applied consistently. Such election cannot be changed without the consent of the IRS. U.S. Holders should consult their tax advisors concerning the applicability of the special rules summarized in this paragraph to Foreign Currency Notes.

A Foreign Currency Note that is denominated either in a so-called hyperinflationary currency or in more than one currency (e.g., a Foreign Currency Note providing for payments determined by reference to the exchange rate of one or more specified currencies relative to an indexed currency), or that is treated as a Contingent Note under the rules described above may be subject to rules that differ from the general rules discussed above. U.S. Holders intending to purchase Foreign Currency Notes with such features should carefully examine the applicable Prospectus Supplement and should consult with their own tax advisors with respect to the purchase, ownership and disposition of such Foreign Currency Notes.

Pursuant to certain Treasury Regulations (the “Disclosure Regulations”), any taxpayer that has participated in a “reportable transaction” and who is required to file a U.S. federal income tax return must generally attach a disclosure statement disclosing such taxpayer’s participation in the reportable transaction to the taxpayer’s tax return for each taxable year for which the taxpayer participates in the reportable transaction. The Disclosure Regulations provide that, in addition to certain other transactions, a “loss transaction” constitutes a “reportable transaction.” A “loss transaction” is any transaction resulting in the taxpayer claiming a loss under Section 165 of the Code in an amount equal to or in excess of certain threshold amounts. For certain taxpayers, the Disclosure Regulations specifically provide that a loss resulting from a “Section 988 transaction” will constitute a Section 165 loss. In general, a Foreign Currency Note will be subject to the rules governing foreign currency exchange gain or loss. Therefore, any exchange loss realized with respect to a Foreign Currency Note will constitute a loss resulting from a Section 988 transaction. Based upon the foregoing, in the absence of future administrative pronouncements to the contrary, certain U.S. Holders of Foreign Currency Notes that recognize an exchange loss with respect to the Foreign Currency Notes in an amount that exceeds the loss threshold amount applicable to such U.S. Holder may be required to file a disclosure statement (*i.e.*, IRS Form 8886 or other applicable form) as an attachment to the U.S. Holder’s tax return for the first taxable year in which the threshold amount is reached and to any subsequent tax return that reflects any amount of such Section 165 loss realized with respect to the Foreign Currency Notes. U.S. Holders purchasing Foreign Currency Notes should consult their own tax advisors regarding the potential application of the Disclosure Regulations to their investment in such Foreign Currency Notes.

Tax Consequences to Non-U.S. Holders

Subject to the discussion of effectively connected income, backup withholding and information reporting below, payments of principal and interest (including OID) with respect to a Debt Security by HSBC USA or any paying agent to a Non-U.S. Holder are not subject to the withholding of U.S. federal income tax, *provided* in the case of interest (including OID), that (i) the Non-U.S. Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of HSBC USA’s stock entitled to vote, is not a controlled foreign corporation related, directly or indirectly, to HSBC USA through stock ownership, and is not a bank receiving interest described in Section 881(c)(3)(A) of the Code;

(ii) the payments are not payments of contingent interest (generally, interest (including OID), the amount of which is determined by reference to receipts, sales, cash flow, income, profits, property values, dividends or comparable attributes of HSBC USA or a party related to HSBC USA); and (iii) in the case of Debt Securities in registered form, the statement requirement set forth in Section 871(h) or Section 881(c) of the Code has been fulfilled with respect to the Non-U.S. Holder, as discussed in the following paragraph.

The statement requirement set forth in Section 871(h) or 881(c) of the Code is satisfied if either (1) the beneficial owner of the Debt Security certifies, under penalties of perjury, to the last United States payor (or non-United States payor who is an authorized foreign agent of the United States payor, a qualified intermediary, a United States branch of a foreign bank or foreign insurance company, a withholding foreign partnership or a withholding foreign trust) in the chain of payment (the “withholding agent”) that such owner is a Non-U.S. Holder and provides other required certifications and such owner’s name and address or (2) a securities clearing organization, a bank or another financial institution that holds customers’ securities in the ordinary course of its trade or business (a “financial institution”) that holds the Debt Security certifies to the withholding agent, under penalties of perjury, that the certificate has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner and furnishes the withholding agent with a copy thereof. The beneficial owner’s certified statement must be made on an IRS Form W-8BEN, W-8ECI or W-8EXP, or substantially similar form, each of which is effective for the remainder of the year of signature plus three full calendar years unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, an IRS Form W-8BEN or an IRS Form W-8EXP with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, *provided* that the withholding agent reports at least one payment annually to the beneficial owner on IRS Form 1042-S. The beneficial owner must inform the withholding agent (or financial institution) within 30 days of any change in circumstances that makes any information on the form incorrect by furnishing a new IRS Form W-8BEN, W-8ECI or W-8EXP, or substantially similar form (and the financial institution must promptly so inform the withholding agent). A Non-U.S. Holder that is not an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding Debt Securities on its own behalf may have substantially increased reporting requirements. In particular, in the case of Debt Securities held by a non-withholding foreign partnership (or non-withholding foreign trust), the partners (or grantors or beneficiaries), rather than the partnership (or trust), are required to provide the certifications discussed above, and the partnership (or trust) is required to provide, in general, a Form W-8IMY and certain additional information. If a Debt Security in registered form is held through a non-U.S. securities clearing organization or a non-U.S. financial institution (other than a U.S. branch or office of such organization or institution) or a non-U.S. branch or office of a U.S. financial institution or U.S. clearing organization, the organization or institution must provide a signed statement on an IRS Form W-8IMY to the withholding agent. However, in such case, unless the organization or institution is a qualified intermediary, a withholding foreign partnership or withholding foreign trust, the signed statement must be accompanied by a copy of the IRS Form W-8BEN, W-8ECI, W-8EXP or W-9 or the substantially similar form provided by the beneficial owner (or Form W-8IMY provided by another intermediary along with the beneficial owner’s forms) to the organization or institution and such other information that is required by the IRS Form W-8IMY and Treasury Regulations, and such information must be updated as required. If the institution or organization is a qualified intermediary, withholding foreign partnership or withholding foreign trust that has entered into a qualified intermediary or similar agreement with the IRS, it must provide the withholding agent or other intermediary such additional information as is required by the agreement, IRS Form W-8IMY and Treasury Regulations.

If a Non-U.S. Holder of a Debt Security is engaged in a trade or business in the United States, and if interest (including OID) on the Debt Security is effectively connected with the conduct of that trade or business, the Non-U.S. Holder, although exempt from the withholding of tax discussed in the preceding paragraphs, will generally be subject to regular U.S. federal income tax on such interest in the same manner as if it were a U.S. Holder. The Non-U.S. Holder will be required to provide to the withholding agent an appropriate form (generally IRS Form W-8ECI), executed under penalties of perjury, in order to claim an exemption from withholding tax. In addition, if the Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or the lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. Generally, any gain or income (other than that attributable to accrued interest (including OID), which is taxable in the manner described above) realized by a Non-U.S. Holder on the disposition of a Debt Security is not subject to U.S. federal income tax unless (i) such gain or income is effectively connected with a United States trade or business of the Non-U.S. Holder; or (ii) in the case of a Non-U.S. Holder who is an individual, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and either (1) the individual has a “tax home” (as defined in Section 911(d)(3) of the Code) in the United States or (2) the gain is attributable to an office or other fixed place of business maintained by the individual in the United States.

Withholding of U.S. federal income tax with respect to accrued OID may apply to payments on a redemption (or certain other sales or dispositions) of a Debt Security held by a Non-U.S. Holder that does not provide appropriate certification to the withholding agent.

Information Reporting and Backup Withholding

U.S. Holders

In general, information reporting requirements will apply to payments of principal, interest, OID and premium paid on Debt Securities and to the proceeds of sale of a Debt Security paid to U.S. Holders other than certain exempt recipients (such as corporations). A backup withholding tax may apply to such payments if the U.S. Holder fails to provide a taxpayer identification number and required certifications (generally on IRS Form W-9) or certification of foreign or other exempt status or if the withholding agent is informed by the IRS that the U.S. Holder failed to report in full dividend and interest income.

Any amounts withheld under backup withholding rules will be allowed as a refund or credit against such U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

Non-U.S. Holders

Information reporting will generally apply to payments of interest (including OID) and the amount of tax, if any, withheld with respect to such payments to Non-U.S. Holders of Debt Securities in registered form. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty.

In the case of Debt Securities in bearer form, backup withholding generally will not be required with respect to payments made by HSBC USA or any paying agent to Non-U.S. Holders. In the case of Debt Securities in registered form, backup withholding generally will not be required if the statement requirement set forth in Section 871(h) or Section 881(c) of the Code has been fulfilled with respect to the Non-U.S. Holder, as discussed above.

In addition, except as otherwise set forth in this discussion (and provided that the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person), backup withholding and information reporting will not apply to the amount payable (whether in respect of principal, interest, OID, premium or otherwise) in respect of a Debt Security paid or collected by a foreign office of a foreign custodian, foreign nominee or other foreign agent on behalf of the beneficial owner of such Debt Security, or to the payment outside the United States of the proceeds of a sale (including a redemption) of a Debt Security through a foreign office of a foreign "broker" (as defined in applicable United States Treasury Regulations). If, however, such nominee, custodian, agent or broker is, for U.S. federal income tax purposes, a United States person, a controlled foreign corporation, a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a United States trade or business or a foreign partnership, in which one or more United States persons, in the aggregate, own more than 50% of the income or capital interests in the partnership or which is engaged in a trade or business in the United States, then such payments will not be subject to backup withholding, but will be subject to information reporting unless such custodian, nominee, agent or broker has documentary evidence in its records that the beneficial owner is not a United States person and certain other conditions are met, or the beneficial owner otherwise establishes an exemption.

Payments on a Debt Security to the beneficial owner thereof by a United States office of a custodian, nominee or agent, or the payment by the United States office of a broker of the proceeds of sale (including a redemption) of a Debt Security, will be subject to both backup withholding and information reporting unless the beneficial owner certifies as to its non-U.S. status under penalties of perjury, and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person, or the beneficial owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against such Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE DEBT SECURITIES,

INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

PLAN OF DISTRIBUTION

Initial Offering and Sale

HSBC USA may sell the securities in their initial offering in any of four ways: (i) through underwriters or dealers for resale; (ii) directly to purchasers; (iii) through agents; or (iv) through a combination of any of these methods of sale. The securities HSBC USA distributes by any of these methods may be sold to the public, in one or more transactions, either (i) at a fixed price or prices, which may be changed; (ii) at market prices prevailing at the time of sale; (iii) at prices related to prevailing market prices; or (iv) at negotiated prices. Any underwriters, dealers and agents may include HSBC Securities (USA) Inc., an affiliate of HSBC USA, for offers and sales in the United States, and other affiliates for offers and sales outside of the United States, as described below. The applicable Prospectus Supplement will set forth the terms of the securities being offered, including the name or names of any underwriters, dealers or agents, the purchase price of the offered securities and the proceeds to HSBC USA from such sale, any underwriting discounts and other items constituting underwriters' compensation and any discounts and commissions allowed or paid to dealers. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

If the offered securities are sold through underwriters, the applicable Prospectus Supplement will describe the nature of the obligation of the underwriters to take and pay for the offered securities. The offered securities may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more underwriting firms acting alone. The underwriter or underwriters with respect to a particular underwritten offering of offered securities will be named in the applicable Prospectus Supplement, and, if an underwriting syndicate is used, the managing underwriter or underwriters will be set forth on the cover of such Prospectus Supplement. Unless otherwise set forth in the applicable Prospectus Supplement, the obligations of the underwriters to purchase the offered securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all the offered securities if any are purchased.

The offered securities may be sold directly by HSBC USA or through agents designated by HSBC USA from time to time. Any agent involved in the offer or sale of the offered securities in respect of which this prospectus is delivered is named, and any commissions payable by HSBC USA to such agent are set forth, in the applicable Prospectus Supplement.

Underwriters, dealers and agents who participate in the distribution of the offered securities may be entitled under agreements that may be entered into with HSBC USA, to indemnification by HSBC USA against certain liabilities, including liabilities under the Securities Act of 1933, or to contribution with respect to payments that the underwriters or agents may be required to make in respect thereof.

If so indicated in the applicable Prospectus Supplement, HSBC USA will authorize underwriters, dealers or other persons acting as HSBC USA's agents to solicit offers by certain institutions to purchase offered securities from HSBC USA pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by HSBC USA. The obligations of any purchaser under any such contract will not be subject to any conditions except that (i) the purchase of the offered securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject, and (ii) if the offered securities are also being sold to underwriters, HSBC USA must sell to such underwriters the offered securities not sold for delayed delivery. The underwriters, dealers and such other persons will not have any responsibility in respect of the validity or performance of such contracts.

In order to facilitate the offering of the securities, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the securities. Specifically, the underwriters may overallocate in connection with an offering, creating a short position in the securities for their own account. In addition, to cover overallocations or to stabilize the price of the securities, the underwriters may bid for, and purchase, the securities in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the securities in the offering, if the syndicate repurchases previously distributed securities in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the securities above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

Certain of the underwriters, dealers, agents or their affiliates have provided from time to time, and expect to provide in the future, investment or commercial banking services to HSBC USA and its affiliates, for which such underwriters, dealers, agents or their affiliates have received or will receive customary fees and commissions.

HSBC USA and HSBC Securities (USA) Inc. are wholly owned indirect subsidiaries of HSBC Holdings. HSBC Securities (USA) Inc., a broker-dealer subsidiary of HSBC Holdings, is a member of The Financial Industry Regulatory Authority (“FINRA”) and may participate in distributions of the offered securities. Accordingly, offerings of the offered securities in which HSBC Securities (USA) Inc. participates will conform to the requirements of Rule 2720 of the Conduct Rules of the National Association of Securities Dealers, Inc., and any underwriters offering the offered securities in such offerings will not confirm sales to any accounts over which they exercise discretionary authority without the prior approval of the customer. The maximum underwriting discounts and commissions to be received by any FINRA member or independent broker/dealer in connection with any distribution of offered securities will not exceed of 8% of the principal amount of such offered securities.

Each series of offered securities will be a new issue of securities and will not have an established trading market prior to its original issue date. Any underwriters to whom offered securities are sold for public offering and sale may make a market in such offered securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The offered securities may or may not be listed on a national securities exchange or admitted for trading in an automated quotation system. No assurance can be given as to the liquidity or trading market for any of the offered securities.

Unless otherwise specified in the applicable Prospectus Supplement, payment of the purchase price for the securities will be required to be made in immediately available funds on the date of settlement.

Market-Making Resales by Affiliates

This prospectus together with the applicable Prospectus Supplement and your confirmation of sale may also be used by HSBC Securities (USA) Inc. in connection with offers and sales of the offered securities in market-making transactions at negotiated prices related to prevailing market prices at the time of sale. In a market-making transaction, HSBC Securities (USA) Inc. may resell a security it acquires from other holders after the original offering and sale of the security. Resales of this kind may occur in the open market or may be privately negotiated, at prevailing market prices at the time of resale or at related or negotiated prices. In these transactions, HSBC Securities (USA) Inc. may act as principal or agent, including as agent for the counterparty in a transaction in which HSBC Securities (USA) Inc. acts as principal, or as agent for both counterparties in a transaction in which HSBC Securities (USA) Inc. does not act as principal. HSBC Securities (USA) Inc. may receive compensation in the form of discounts and commissions, including from both counterparties in some cases. Other affiliates of HSBC USA may also engage in transactions of this kind and may use this prospectus for this purpose. Neither HSBC Securities (USA) Inc. nor any other affiliate of HSBC USA has an obligation to make a market in any of the offered securities and may discontinue any market-making activities at any time without notice, in its sole discretion.

The securities to be sold in market-making transactions include securities to be issued after the date of this prospectus, as well as securities that have previously been issued.

HSBC USA does not expect to receive any proceeds from market-making transactions. HSBC USA does not expect that HSBC Securities (USA) Inc. or any other affiliate that engages in these transactions will pay any proceeds from its market-making resales to HSBC USA.

Information about the trade and settlement dates, as well as the purchase price, for a market-making transaction will be provided to the purchaser in a separate confirmation of sale.

Unless HSBC USA or an agent informs you in your confirmation of sale that your security is being purchased in its original offering and sale, you may assume that you are purchasing your security in a market-making transaction.

NOTICE TO CANADIAN INVESTORS

The offering of the offered securities in Canada is being made solely by this prospectus and any accompanying Prospectus Supplement and any decision to purchase offered securities should be based solely on information contained in or incorporated by reference into these documents. No person has been authorized to give any information or to make any representations concerning this offering other than those contained in or incorporated by reference into these documents.

These documents constitute an offering in Canada of the offered securities described herein only in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec (the “Private Placement Provinces”).

Responsibility

Except as otherwise expressly required by applicable law or as agreed to in contract, no representation, warranty, or undertaking (express or implied) is made and no responsibilities or liabilities of any kind or nature whatsoever are accepted by any dealer as to the accuracy or completeness of the information contained in this prospectus or any accompanying Prospectus Supplement or any other information provided by HSBC USA in connection with the offering of the offered securities in Canada.

Resale Restrictions

The distribution of the offered securities in Canada is being made only on a private placement basis exempt from the requirement that HSBC USA prepare and file a prospectus with the securities regulatory authorities in each of the Private Placement Provinces. Accordingly, any resale of the offered securities in Canada must be made in accordance with applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with the available statutory exemptions or pursuant to a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the offered securities.

HSBC USA is not a “reporting issuer”, as such term is defined under applicable Canadian securities laws, in any Private Placement Province or elsewhere in Canada. Canadian investors are advised that HSBC USA currently does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the offered securities to the public in any province or territory of Canada in connection with this offering.

Representations of Purchasers

Each purchaser of offered securities in Canada will be deemed to have represented to HSBC USA and any dealer who sells offered securities to such purchaser that: (a) the offer and sale of the offered securities was made exclusively through the final version of the prospectus and any accompanying Prospectus Supplement and was not made through an advertisement of the offered securities in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada; (b) such purchaser has reviewed and acknowledges the terms referred to above under “Resale Restrictions”; (c) where required by law, such purchaser is purchasing as principal for its own account and not as agent for the benefit of another person; and (d) such purchaser, or any ultimate purchaser for which such purchaser is acting as agent, is entitled under applicable Canadian securities laws to purchase such offered securities without the benefit of a prospectus qualified under such securities laws, and without limiting the generality of the foregoing: (i) in the case of a purchaser resident in a Private Placement Province other than Ontario, without the dealer having to be registered, (ii) in the case of a purchaser resident in British Columbia, Alberta, Saskatchewan, Manitoba or Québec, such purchaser is an “accredited investor” as defined in section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions* (“NI 45-106”); (iii) in the case of a purchaser resident in Ontario, such purchaser, or any ultimate purchaser for which such purchaser is acting as agent (1) is an “accredited investor”, other than an individual, as defined in NI 45-106 and is a person to which a dealer registered as an international dealer in Ontario may sell offered securities or (2) is an “accredited investor”, including an individual, as defined in NI 45-106 who is purchasing offered securities from a registered investment dealer within the meaning of section 98 of the Regulation to the *Securities Act* (Ontario).

In addition, each resident of Ontario who purchases offered securities will be deemed to have represented to HSBC USA and each dealer from whom a purchase confirmation is received, that such purchaser: (a) has been notified by HSBC USA (i) that HSBC USA is required to provide information (“personal information”) pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the number and value of any offered securities purchased), which Form 45-106F1 is required to be filed by HSBC USA under NI 45-106; (ii) that such personal information will be delivered to the Ontario Securities Commission (the “OSC”) in accordance with NI 45-106; (iii) that such personal information is being collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario; (iv) that such personal information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and (v) that the public official in Ontario who can answer questions about the OSC’s indirect collection of such personal information is the Administrative Assistant to the Director of Corporate Finance at the OSC, Suite 1903, Box 5520 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-8086; and (b) has authorized the indirect collection of the personal information by the OSC. Further, the purchaser

acknowledges that its name, address, telephone number and other specified information, including the number of offered securities it has purchased and the aggregate purchase price to the purchaser, may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable Canadian securities laws. By purchasing the offered securities, each Canadian purchaser consents to the disclosure of such information.

Certain Relationships and Related Transactions

HSBC USA and certain of the dealers who may effect sales of offered securities in Canada are indirect subsidiaries of HSBC Holdings plc. By virtue of such common ownership, HSBC USA is a “related issuer” and may be a “connected issuer” for the purposes of Canadian securities legislation. This relationship and other related matters are set forth in greater detail in this prospectus and any accompanying Prospectus Supplement. See “HSBC USA, INC.,” “USE OF PROCEEDS” and “PLAN OF DISTRIBUTION” in this prospectus and the description of the use of proceeds and underwriting arrangements in any accompanying Prospectus Supplement. Any decision of HSBC Securities (Canada) Inc. to act as dealer in respect of the offered securities will be made independently of its affiliates.

Taxation and Eligibility for Investment

Any discussion of taxation and related matters contained in this prospectus and any accompanying Prospectus Supplement does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the offered securities and, in particular, does not address Canadian tax considerations. Canadian investors should consult their own legal and tax advisers with respect to the tax consequences of an investment in the offered securities in their particular circumstances and with respect to the eligibility of the offered securities for investment by such investor under relevant Canadian legislation and regulations. Canadian investors should likewise consult with their own legal and tax advisers concerning the foreign income tax consequence of an investment in the offered securities, if any.

Rights of Action for Damages or Rescission

Securities legislation in certain of the Canadian Private Placement Provinces provides purchasers of securities with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where this prospectus and any accompanying Prospectus Supplement and any amendment to them contains a “Misrepresentation”. Where used herein, “Misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation.

Ontario

Section 130.1 of the *Securities Act* (Ontario) provides that every purchaser of securities pursuant to an offering memorandum (such as this prospectus and any accompanying Prospectus Supplement) shall have a statutory right of action for damages or rescission against the issuer and any selling security holder in the event that the offering memorandum contains a Misrepresentation. A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the Misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and any selling security holder provided that:

if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any;

the issuer and the selling security holders, if any, will not be liable if they prove that the purchaser purchased the securities with knowledge of the Misrepresentation;

the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and

in no case shall the amount recoverable exceed the price at which the securities were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of:
 - 180 days from the day that the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - three years from the day of the transaction that gave rise to the cause of action.

This prospectus and any accompanying Prospectus Supplement are being delivered in reliance on exemptions from the prospectus requirements contained under NI 45-106 (the “accredited investor” exemption). The rights referred to in section 130.1 of the *Securities Act* (Ontario) do not apply in respect of an offering memorandum (such as this prospectus and any accompanying Prospectus Supplement) delivered to a prospective purchaser in connection with a distribution made in reliance on the exemption from the prospectus requirement in section 2.3 of NI 45-106 if the prospective purchaser is:

- (a) a Canadian financial institution (as defined in NI 45-106) or a Schedule III bank,
- (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada), or
- (c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

Enforcement of Legal Rights

All of HSBC USA’s directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon HSBC USA or such persons. All or a substantial portion of the assets of HSBC USA and such persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against HSBC USA or such persons in Canada or to enforce a judgment obtained in Canadian courts against HSBC USA or such persons outside of Canada.

Language of Documents

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu’il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d’achat ou tout avis) soient rédigés en anglais seulement.*

CERTAIN ERISA MATTERS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain restrictions on employee benefit plans (“ERISA Plans”) that are subject to Title I of ERISA and on persons who are fiduciaries with respect to such ERISA Plans. In accordance with ERISA’s general fiduciary requirements, a fiduciary with respect to any such ERISA Plan who is considering the purchase of offered securities on behalf of such ERISA Plan should determine whether such purchase or holding is permitted under the governing ERISA Plan documents and is prudent and appropriate for the ERISA Plan in view of its overall investment policy and the composition and diversification of its portfolio. Other provisions of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”) prohibit certain transactions between an ERISA Plan or other plan subject to Section 4975 of the Code, including individual retirement accounts and other plans described in Section 4975(e)(1) of the Code (such plans and ERISA Plans, “Plans”) and persons who have certain specified relationships to the Plan (“parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of Section 4975 of the Code). Thus, a Plan fiduciary or other person considering the purchase of offered securities

should consider whether such a purchase or holding might constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code.

HSBC USA, the underwriter, dealer or agent selling offered securities, may be considered a “party in interest” or a “disqualified person” with respect to many Plans. The purchase and/or holding of offered securities by a Plan that is subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 4975 of the Code (including individual retirement accounts and other plans described in Section 4975(e)(1) of the Code) and with respect to which HSBC USA, or the underwriter, dealer or agent selling offered securities, is a party in interest or a disqualified person may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless such offered securities are acquired and is held pursuant to and in accordance with an applicable exemption, such as Prohibited Transaction Class Exemption (“PTCE”) 84-14 (an exemption for certain transactions determined by an independent qualified professional asset manager), PTCE 91-38 (an exemption for certain transactions involving bank collective investment funds), PTCE 95-60 (an exemption for certain transactions involving life insurance general accounts), PTCE 96-23 (an exemption for certain transactions determined by in-house investment managers), or PTCE 90-1 (an exemption for certain transactions involving insurance company pooled separate accounts), although there can be no assurance that all of the conditions of any such exemptions will be satisfied. By purchase of the offered securities, a Plan will be deemed to represent that such purchase and the subsequent holding of the offered securities will not result in a non-exempt prohibited transaction. **Each pension or other employee benefit plan proposing to acquire any offered securities should consult with its counsel.**

WHERE YOU CAN FIND MORE INFORMATION

HSBC USA files annual, quarterly and special reports and other information with the SEC. You may read and copy any document filed by HSBC USA at the SEC’s Public Reference Room at 100 Fifth Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC filings are also available to the public on the SEC’s Internet site at <http://www.sec.gov>.

The SEC allows us to “incorporate by reference” the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file with the SEC later will automatically update and supersede this information. We incorporate by reference the HSBC USA documents listed below and any future filings made by HSBC USA with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until we sell all of the securities:

- Annual Report on Form 10-K for the year ended December 31, 2008; and
- Current Reports on Form 8-K filed January 14, 2009, February 4, 2009 and February 24, 2009.

You may request a copy of these filings, at no cost, by writing, emailing or telephoning us at: HSBC USA Inc., 26525 North Riverwoods Boulevard, Mettawa, Illinois 60045, Attention: Corporate Secretary, email: helen.kujawa@us.hsbc.com, Telephone: (224) 544-2000. These filings are also available on the website HSBC USA maintains at www.hsbcusa.com.

You should rely only on the information incorporated by reference or provided in this prospectus or any Prospectus Supplement. We have not authorized anyone else to provide you with different or additional information. You should not assume that the information in this prospectus or any Prospectus Supplement is accurate as of any date other than the date on the front of those documents.

LEGAL OPINIONS

The legality of certain of the offered securities will be passed upon for HSBC USA by Mick Forde, Senior Vice President, Deputy General Counsel—Corporate and Assistant Secretary of HSBC USA. The legality of the preferred stock offered hereby will be passed upon for HSBC USA by Wilmer Cutler Pickering Hale and Dorr LLP. Sidley Austin LLP, Chicago, Illinois has acted as special tax counsel to HSBC USA in connection with tax matters related to the issuance of the securities. Certain legal matters will be passed upon for the underwriters and agents by Simpson Thacher & Bartlett LLP, New York, New York, or such other counsel as is named in the applicable Prospectus Supplement. Mr. Forde is an officer of HSBC USA and owns equity securities of HSBC.

EXPERTS

The consolidated financial statements of HSBC USA Inc. as of December 31, 2008 and 2007 and for each of the years in the three-year period ended December 31, 2008 and management's assessment of the effectiveness of internal control over financial reporting of HSBC USA Inc. as of December 31, 2008, which are included in our Annual Report on Form 10-K, have been incorporated by reference in this prospectus and in the registration statement in reliance upon the reports of KPMG LLP, an independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.



**\$250,000,000
ELEMENTSSM
Linked to the
S&P Commodity Trends Indicator — Total Return
due June 16, 2023**


PRICING SUPPLEMENT

April 9, 2009

Nuveen Investments

**As Agents for
HSBC USA Inc.**

Merrill Lynch & Co.

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CUSIP Number: 4042EP602