

HSBC Bank USA, N.A.

Global Lookback Allocator Certificates of Deposit

INDICATIVE TERMS

Issuer	HSBC Bank USA, N.A.
Issue	[6-6.5] Year Global Lookback Allocator CD
Issuer Rating	AA (S&P), Aa2 (Moody's)
Denomination	US Dollars (USD)
Trade Date	April 23, 2010
Index Set Date	April 26, 2010
Settlement Date	April 29, 2010
Maturity Date	[October 31, 2016]
Issue Price	100.00%
Index Basket	S&P 500 [®] Index DJ EURO STOXX 50 [®] Index The Hang Seng Index (1/3)
Redemption Proceeds At Maturity	Principal Amount x (100% + the greater of the Minimum Return and the Final Basket Return)
Final Basket Return	[50% x Best Average Index Return] + [30% x Second Best Average Index Return] + [20% x Worst Average Index Return]
Index Return	For each basket index: $\frac{\text{Average Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}}$ based on the quarterly average closing index level during the CD term.
Early Redemption	As described more fully herein, depositors redeeming prior to maturity will receive the current market value of their CDs minus any early redemption fees.
Minimum Denomination	\$1,000 and increments of \$1,000 thereafter subject to a minimum issuance amount of \$1 million
CUSIP	40431A5N8
OID Tax Rate	[3.30%]

CD Description

The Global Lookback Allocator CDs provide exposure to potential price appreciation in a basket of global equity indices and if held to maturity, 100% principal protection. These CDs can help reduce and diversify portfolio risk by providing broad exposure to equity markets in the U.S., Europe and Hong Kong/China. The principal protection applies only if held to maturity.

Highlights

- **Growth Potential:** Depositors receive uncapped upside participation in the quarterly average performance of a basket of three global equity indices.
- **"Lookback Allocation" Feature:** Potential for out performance vs. a traditional allocation, as the best performing index will receive a greater weighting (50%) than the other two indices (30% to the second best performer and 20% to the worst performer).
- **FDIC Insurance:** This deposit qualifies for FDIC coverage up to \$100,000 for non-qualified accounts and up to \$250,000 for qualified accounts.
- **IRA-eligible.**



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INDEX DESCRIPTIONS



The S&P 500® Index measures the performance of the broad domestic economy through changes in the aggregate market value of 500 U.S. stocks representing all major industries.



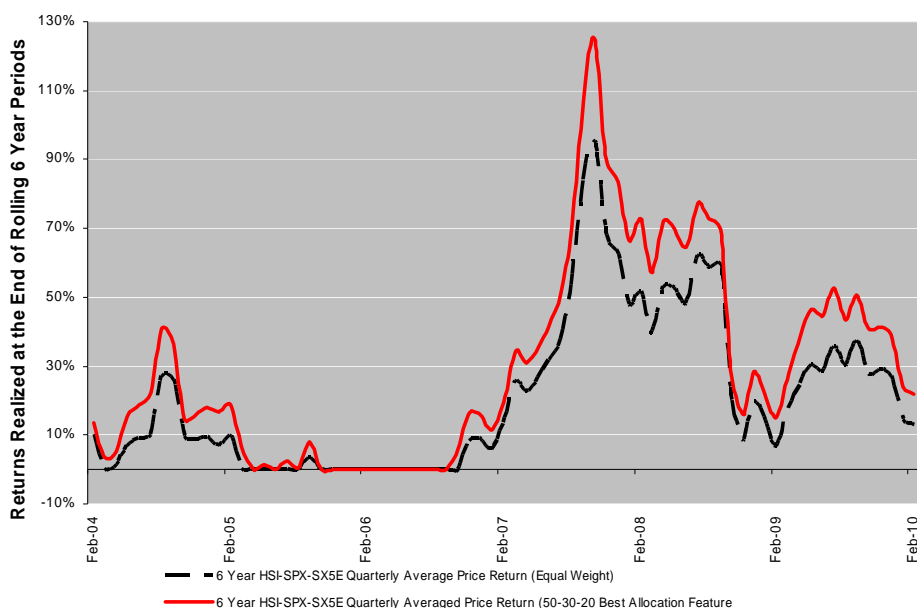
The Dow Jones EURO STOXX 50® Index consists of 50 large capitalization European stocks from those countries participating in the European Monetary Union.



The Hang Seng Index is a free-float capitalization-weighted index of selection of companies from the Stock Exchange of Hong Kong. The components of the index are divided into four subindexes: Commerce and Industry, Finance, Utilities and Properties.

HYPOTHETICAL 6 YEAR QUARTERLY AVERAGED CD LINKED TO SPX, SX5E AND HSI WITH 50-30-20 “LOOKBACK ALLOCATION” FEATURE RETURNS AS COMPARED WITH EQUALLY WEIGHTED QUARTERLY AVERAGE PRICE RETURNS FOR THE SAME UNDERLYING INDICES

The solid red line shows what a hypothetical 6 year quarterly averaged CD linked to SPX, SX5E And HSI with a 50%-30%-20% “lookback allocation” feature at maturity would have returned for maturities at the end of each month from February of 2004 through February of 2010. The dashed black line shows the 6 year equally weighted quarterly average price returns of the same underlying indices (equally weighted) over the same period of time.



Pricing Source: Bloomberg L.P. Past performance is not a prediction or guarantee of future results.

CERTAIN RISKS AND CONSIDERATIONS

Purchasing the CDs involves a number of risks. It is suggested that prospective depositors reach a purchase decision only after careful consideration with their financial, legal, accounting, tax and other advisors regarding the suitability of the CDs in light of their particular circumstances. See “Risk Factors” herein for a discussion of risks, which include:

- The principal amount is not guaranteed if the CDs are not held to maturity
- Payment of the principal amount, and any Final Return is the obligation of the Issuer and subject to the Issuer’s ability to pay obligations as they come due from its assets and earnings
- There may not be an active secondary trading market in the CDs and CDs should be viewed as long term instruments
- Return on the CDs does not necessarily reflect the full performance of the Basket Indices and movements in the level of the indices may affect whether or not depositors receive a return in excess of the minimum guaranteed return
- Depositors’ yield may be less than that of a standard debt security of comparable maturity
- Although holders will not receive any payment on the CDs until maturity, the original issue discount relating to the CDs (as described herein) will be included in income and taxable at ordinary income rates on an annual basis.

Important information regarding the CDs is also contained in the Base Disclosure Statement for Certificates of Deposit dated January 1, 2010, which forms a part of, and is incorporated by reference into, these Terms and Conditions. Therefore, these Terms and Conditions should be read in conjunction with the Base Disclosure Statement. A copy of the Base Disclosure Statement is available at www.us.hsbc.com/structuredcd or can be obtained from the Agent offering the CDs.

HSBC Bank USA, N.A.

Global Lookback Allocator Certificates of Deposit™

Indicative Terms and Conditions

Deposit Highlights

October 31, 2016

General

- Certificates of deposit (the "CDs") issued by HSBC Bank USA, National Association (the "Issuer")
- Full principal protection payable by the Issuer if the CDs are held to maturity
- No interest payments during the term of the CDs
- CDs are obligations of the Issuer and not its affiliates or agents
- CDs are FDIC insured within the limits and to the extent described herein and in the Base Disclosure Statement dated January 1, 2010 under the section entitled "FDIC Insurance"
- Early withdrawals are permitted at par in the event of death of the beneficial owner of the CDs

Key Terms

- Basket: An equally weighted basket of the Hang Seng Index (ticker: HSI) (the HSI), the S&P 500® Index (ticker: SPX) (the "SPX"), the Dow Jones EURO STOXX 50 (ticker: SX5E) (the "SX5E") and along with the HSI and the SPX each a "Basket Index" and together the "Basket Indices"
- Principal Amount: Each CD will be issued in denominations of \$1,000. Minimum deposit amount of \$1,000 per depositor (except that each Agent may, in its discretion, impose a higher minimum deposit amount with respect to the CD sales to its customers) and then in additional increments of \$1,000
- Pricing Date: With respect to HSI: April 26, 2010, with respect to SPX: April 26, 2010 and with respect to SX5E: April 26, 2010.
- Settlement Date: April 29, 2010
- Trade Date: April 23, 2010
- Maturity Date: The Maturity Date is expected to be [October 31, 2016]. The Maturity Date is subject to further adjustment as described herein
- Payment at Maturity: For each CD, the Maturity Redemption Amount
- Maturity Redemption Amount: Principal Amount x [100% + the greater of (i) the Minimum Return and (ii) the Final Return]
- Minimum Return: 0%
- Final Return: The sum of (i) 50% multiplied by the Best Index Return, (ii) 30% multiplied by the Second Best Index Return, and (iii) 10% multiplied by the Worst Index Return, as described herein
- Index Return: With respect to each Basket Index, the quotient of (i) the Average Closing Level of that Basket Index minus its Initial Level divided by (ii) its Initial Level, as described herein
- Average Closing Level: With respect to a Basket Index, the arithmetic average of the closing levels of that Basket Index as reported by the Reference Index Sponsor on each Observation Date
- Early Redemption Dates: April 29, 2011, April 30, 2012, April 30, 2013, April 30, 2013, April 30, 2014, April 30, 2015 and April 30, 2016 subject to adjustment as described herein
- Early Redemption Charge: A depositor electing to redeem his or her CDs prior to maturity will be subject to an Early Redemption Charge as described herein
- Form of CD: Book-entry
- Listing: The CDs will not be listed on any U.S. securities exchange or quotation system
- CUSIP: 40431A5N8
- Comparable Yield (for tax purposes): [3.30]%

Purchasing the CDs involves a number of risks. See "Risk Factors" beginning on page 10.

The CDs offered hereby are time deposit obligations of HSBC Bank USA, National Association, a national banking association organized under the laws of the United States, the deposits of which are insured by the Federal Deposit Insurance Corporation (the "FDIC") within the limits and to the extent described in the section entitled "FDIC Insurance" herein and in the Base Disclosure Statement. Since December 20, 2008, the Issuer's designated main office is located in McLean, VA.

Our affiliate, HSBC Securities (USA) Inc. and other unaffiliated distributors of the CDs may use these terms and conditions and the accompanying base disclosure statement in connection with offers and sales of the CDs after the date hereof. HSBC Securities (USA) Inc. may act as principal or agent in those transactions.

HSBC BANK USA, NATIONAL ASSOCIATION

Member FDIC

These Terms and Conditions were not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. These Terms and Conditions were written and provided by the Issuer in connection with the promotion or marketing by the Issuer, HSBC Securities (USA) Inc. and/or other distributors of the CDs. Each depositor should seek advice based on its particular circumstances from an independent tax advisor.

Important information regarding the CDs is also contained in the Base Disclosure Statement for Certificates of Deposit, which forms a part of, and is incorporated by reference into, these Terms and Conditions. Therefore, these Terms and Conditions should be read in conjunction with the Base Disclosure Statement. A copy of the Base Disclosure Statement is available at www.us.hsbc.com/structuredcd or can be obtained from the Agent offering the CDs.

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SUMMARY OF TERMS

Set forth in these Terms and Conditions is a summary of certain of the terms and conditions of the Global Lookback Allocator Certificates of Deposit maturing [October 31], 2016. The following summary of certain terms of the CDs is subject to the more detailed terms of the CDs included elsewhere in these Terms and Conditions and should be read in conjunction with the Base Disclosure Statement.

- Issuer:** HSBC BANK USA, NATIONAL ASSOCIATION, acting through its New York Branch
- Issuer Rating:** Senior unsecured deposit obligations of the Issuer are rated Aa3 by Moody's Investors Service, Inc and AA by Standard & Poor's Financial Services LLC, a subsidiary of the McGraw-Hill Companies, Inc. The credit ratings pertain only to the creditworthiness of the Issuer and are not indicative of the market risk associated with the CDs.
- CDs:** Global Lookback Allocator Certificates of Deposit maturing [October 31], 2016
- Book-Entry Form:** The CDs will be represented by one or more master CDs held by and registered in the name of Depository Trust Company ("DTC"). Beneficial interests in the CDs will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants.
- Aggregate Principal Amount:** [_____]
- Minimum Deposit Amount:** \$1,000 Principal Amount (except that each Agent may, in its discretion, impose a higher minimum deposit amount with respect to the CD sales to its customers) and multiples of \$1,000 Principal Amount thereafter.
- Principal Amount:** The CDs will be issued in denominations of \$1,000.
- Pricing Date:** With respect to HSI: April 26, 2010, with respect to SPX: April 26, 2010 and with respect to SX5E: April 26, 2010..
- Settlement Date:** April 29, 2010
- Maturity Date:** [October 31], 2016
- Issue Price:** 100% of Principal Amount.
- Basket:** The Basket consists of a basket of [three] equity indices, comprised of each Basket Index, as defined on the cover (together the "Basket Indices"). The sponsors of the Basket Indices shall be referred to as the "Reference Index Sponsors". For summary descriptions of the Basket Indices and the Reference Index Sponsors, please refer to Annex A hereto.
- Maturity Redemption Amount:** The Maturity Redemption Amount is the total amount due and payable on each CD on the Maturity Date. On the Maturity Date, the depositor of each CD will receive an amount equal to: [Principal Amount x 100% plus the greater of (i) the Minimum Return and (ii) the Final Return]. The Maturity Redemption Amount will be calculated by the Calculation Agent on or subsequent to the final Observation Date. The Maturity Redemption Amount will not include dividends paid on the common stocks included in the Basket Indices. No interest, other than an amount in respect of the Variable Amount, if any, or an amount in respect of the Minimum Return, will be paid on the CDs at any time.
- Variable Amount:** (i) if the Final Return exceeds the Minimum Return, the Variable Amount will be the Final Return multiplied by the Principal Amount, and (ii) if the Final Return does not exceed the Minimum Return, the Variable Amount will be the Minimum Return multiplied by the Principal Amount.

Minimum Return:	0 %.
Final Return:	The sum of (i) 50% multiplied by the Best Index Return, (ii) 30% multiplied by the Second Best Index Return, and (iii) 20% multiplied by the Worst Index Return.
Index Return:	With respect to each Basket Index, the quotient of (i) the Average Closing Level of that Basket Index minus its respective Initial Level, divided by (ii) its respective Initial Level.
Best Index Return:	The highest of the Index Returns of each of the Basket Indices.
Second Best Index Return:	The second highest of the Index Returns of each of the Basket Indices.
Worst Index Return:	The lowest of the Index Returns of each of the Basket Indices.
Average Closing Level:	With respect to each Basket Index, the arithmetic average of the Closing Levels of that Basket Index on each Observation Date.
Initial Level:	With respect to each Basket Index, the value of that Basket Index on the Pricing Date.
Closing Level:	For each Basket Index and each Observation Date, the level of that Basket Index at the regular official weekday close of trading on that Observation Date.
Observation Dates:	For each Basket Index, the 26th calendar day of each April, July, October and January for each calendar year prior to Maturity Date, subject to adjustment as described below in the section "Description of the CDs". The first Observation Date for each Basket Index is scheduled to be in July of 2010 and the last Observation Date is scheduled to be in [October] of 2016.
Scheduled Trading Day:	For each Basket Index, any day on which all of the Relevant Exchanges and Related Exchanges are scheduled to be open for trading for each security then included in the Basket Index.
Relevant Exchange:	For each Basket Index, the primary exchanges for each share which is a component of that Basket Index.
Related Exchange:	For each Basket Index, the exchanges or quotation systems, if any, on which options or futures contracts on the relevant Basket Index are traded or quoted, and as may be selected from time to time by the Calculation Agent.
Exchange Business Day:	For each Basket Index, any day that is (or, but for the occurrence of a Market Disruption Event (as defined below), would have been) a trading day for each of the Relevant Exchanges and Related Exchanges for that Basket Index, other than a day on which trading on any such exchange is scheduled to close prior to its regular weekday closing time.
Early Redemption:	Each depositor will be entitled to redeem his or her CDs in whole, but not in part, on any Early Redemption Date (as defined on the front cover), subject to an Early Redemption Charge. No fewer than [ten] business days prior to an Early Redemption Date, a depositor, through the Agent from whom he or she bought the CDs, may obtain from the Calculation Agent an estimate of the Early Redemption Amount (as defined below) applicable to that Early Redemption Date. This estimate is provided for informational purposes only, and neither the Bank nor the Calculation Agent will be bound by the estimate. If a depositor redeems his or her CDs on any Early Redemption Date, he or she will be entitled solely to the actual Early Redemption Amount calculated by the Calculation Agent and will not be entitled to an amount in respect of the Minimum Return or the Variable Amount or any other return on his or her CDs. Further, the Early Redemption Amount will be subject to an Early Redemption Charge and may be less (and may be substantially less) than the Principal Amount paid for the CDs. A depositor may request early redemption of the CDs in whole, but not in part, on an Early Redemption Date by notifying the Agent from whom he or she bought the CDs, who must then notify the Bank no later than 3:00 p.m. on the fifth business day

before the Early Redemption Date. All early redemption requests (whether written or oral) are irrevocable. The Calculation Agent will determine the Early Redemption Amount on the third business day prior to the related Early Redemption Date (the “Early Redemption Observation Date”), and the depositor will receive the Early Redemption Amount for each CD so redeemed on the related Early Redemption Date.

Early Redemption Amount:

For any Early Redemption Date, the Current Market Value, where “Current Market Value” means the bid price for the CDs as of that Early Redemption Observation Date as determined by the Calculation Agent based on its financial models and objective market factors less an Early Redemption Charge. If the Early Redemption Observation Date is not a Scheduled Trading Day with respect to a Basket Index, then the Early Redemption Observation Date will be the next Scheduled Trading Day for that Basket Index. If a Market Disruption Event exists with respect to a Basket Index on the Early Redemption Observation Date, then the Early Redemption Observation Date will be postponed for up to eight Scheduled Trading Days (in the same general manner used for postponing Observation Dates). If the Early Redemption Observation Date is so postponed, then the related Early Redemption Date will also be postponed until the third business day following the date to which the Early Redemption Observation Date is postponed and no interest will payable in respect of any such postponement. **A depositor will not be entitled to the Minimum Return or any other return on his or her CD if that depositor elects to redeem his or her CD on any Early Redemption Date. Further, the Early Redemption Amount may be less (and may be substantially less) than the Principal Amount of the CD.**

Early Redemption Charge:

For each CD redeemed on an Early Redemption Date, an amount equal to the Principal Amount multiplied by (i) for an Early Redemption Date from and including the Trade Date to (but excluding) the first anniversary of the Trade Date, three percent (3%); (ii) for an Early Redemption Date from and including first anniversary of the Trade Date to (but excluding) the second anniversary of the Trade Date, two percent (2%); (iii) for an Early Redemption Date from and including second anniversary of the Trade Date to (but excluding) the third anniversary of the Trade Date, one percent (1%), (iv) for an Early Redemption Date from and including third anniversary of the Trade Date to (but excluding) the fourth anniversary of the Trade Date, zero percent (0%), (v) for an Early Redemption Date from and including fourth anniversary of the Trade Date to (but excluding) the fifth anniversary of the Trade Date, zero percent (0%), and (vi) or an Early Redemption Date from and including fifth anniversary of the Trade Date to (but excluding) the sixth anniversary of the Trade Date, zero percent (0%). As set forth in tabular form:

YEAR	1	2	3	4	5	6
Early Redemption Charge	3.00%	2.00%	1.00%	0.00%	0.00%	0.00%

Early Redemption upon the Death of a Depositor:

In the event of the death of any depositor of CDs the full withdrawal of the Principal Amount of the CDs of that depositor will be permitted. In that event the successor of that depositor shall give prior written notice of the proposed withdrawal to the Issuer, together with appropriate documentation to support the request, within 180 days of the death of such depositor. In that event, only a full withdrawal of the Principal Amount of the CDs will be permitted. CDs so redeemed will not be entitled to any return on the Principal Amount in respect of interest, the Variable Amount or the Minimum Return.

Market Disruption Event:

As described in the Base Disclosure Statement.

Discontinuance/Modification of a Basket Index:

As described in the Base Disclosure Statement.

Calculation Agent:	HSBC Bank USA, National Association
	All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on the depositors of the CDs.
Listing:	None. See “Risk Factors” herein.
FDIC Insurance:	See “FDIC Insurance” herein and in the Base Disclosure Statement for details.
ERISA Plans:	See “Certain ERISA Considerations” in the Base Disclosure Statement for details.
Risk Factors:	The purchase of the CDs involves certain risks. See “Risk Factors” herein for a discussion of some of the factors which should be considered by prospective purchasers of the CDs.
Tax:	See “Certain U.S. Federal Income Tax Considerations” herein for a description of the tax treatment applicable to this instrument.
Governing Law:	New York

QUESTIONS AND ANSWERS

What Are the CDs?

The CDs are certificates of deposit issued by the Issuer. The CDs mature on the Maturity Date. Depositors of the CDs also have the right to cause the Issuer to redeem their CDs in whole, but not in part, as described below. Redemptions may also occur optionally upon the death of a depositor. See “Redemption upon the Death of a Depositor” in the Base Disclosure Statement.

Each CD represents an initial deposit by a depositor to the Issuer of \$1,000 Principal Amount, and the CDs will be issued in integral multiples of \$1,000 Principal Amount in excess thereof. Depositors will not have the right to receive physical certificates evidencing their ownership of the CDs except under limited circumstances; instead the Issuer will issue the CDs in book-entry form. Persons acquiring beneficial ownership interests in the CDs will hold the CDs through DTC in the United States if they are participants of DTC, or indirectly through organizations which are participants in DTC.

What Amount Will Depositors Receive at Maturity in Respect of the CDs?

At the scheduled maturity (and not upon an Early Redemption by the depositor), the amount depositors will receive for each CD will be equal to the Maturity Redemption Amount, which will equal A) the Principal Amount of the CD plus B) the greater of: (i) the Minimum Return multiplied by the Principal Amount; or (ii) the Final Return multiplied by the Principal Amount, as described in the Summary of Terms above and the “Maturity Redemption Amount” section in the Base Disclosure Statement. The annual percentage yield on the CD is only determinable at maturity.

The Maturity Redemption Amount and, consequently, the Variable Amount will not include dividends paid on the common stocks included in the Basket Indices. Apart from the Variable Amount, if any, or an amount in respect of the Minimum Return, no interest will be paid, either for periods prior to the Settlement Date, during the term of the CDs or at or after maturity.

For more information, see “Summary of Terms” above and “Sensitivity Analysis” below.

What Amount Will Depositors Receive if They Exercise Their Early Redemption Right?

The redemption proceeds paid by the Issuer upon an Early Redemption will be the Early Redemption Amount, which will equal the Current Market Value of the CD as determined by the Calculation Agent in good faith based on its financial models and objective market factors [less an Early Redemption Charge]. There is no guarantee that the depositor will receive his or her full Principal Amount. See “Early Redemptions” above in the Summary of Terms.

Are the CDs FDIC Insured?

The payment of principal at maturity of this CD is insured by the FDIC up to the standard maximum deposit insurance amount in effect (generally up to \$250,000 in aggregate for individual depositors through December 31, 2013 and thereafter \$100,000, and up to \$250,000 in aggregate for certain retirement plans and accounts, including IRAs). Please see “FDIC Insurance” in the Base Disclosure Statement for more details.

What is the Hang Seng Index?

The Hang Seng Index is a free-float capitalization-weighted index of selection of companies from the Stock Exchange of Hong Kong. The components of the index are divided into four subindexes: Commerce and Industry, Finance, Utilities, and Properties.

What is the Standard and Poor's 500 Index?

The Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

What is the Dow Jones EURO STOXX 50 (Price) Index?

The Dow Jones EURO STOXX 50 (Price) Index is a free-float market capitalization-weighted index of 50 European blue-chip stocks from those countries participating in the EMU. Each component's weight is capped at 10% of the index's total free float market capitalization.

What Are the U.S. Federal Income Tax Consequences of Purchasing the CDs?

The Issuer intends to treat the CDs as “contingent payment debt instruments” for U.S. federal income tax purposes. U.S. Holders (as defined under “Certain U.S. Federal Income Tax Considerations”) will be required to include in their taxable income for each year an amount of ordinary income equal to the “original issue discount” (“OID”) on the CDs for that year. The OID is included in income and taxable at ordinary income rates, even though holders will not receive any payment on the CDs until their maturity.

The amount of the OID that must be taken into income in each year will be calculated on the basis of the “comparable yield” of the CDs, which is the yield at which the Issuer would issue a non-contingent fixed-rate debt instrument having terms and conditions similar to those of the CDs. The comparable yield is determined by the Issuer as of the issuance date solely for U.S. federal income tax purposes and is neither a prediction nor a guarantee of what the actual yield will be on the CDs.

The Issuer will prepare a “projected payment schedule” that produces the comparable yield. If the actual Maturity Redemption Amount exceeds the corresponding amount on the projected payment schedule, the excess will be taxed as additional OID income to the U.S. Holder. Any gain recognized by a U.S. Holder on the sale, exchange or other disposition of a CD will constitute ordinary interest income.

Prospective depositors should see “Certain U.S. Federal Income Tax Considerations” below and consult their tax advisors regarding the tax consequences to them of a purchase of the CDs.

What about Liquidity?

There is currently no established secondary trading market for the CDs. There is no assurance that a secondary market for the CDs will develop, or if it develops, that it will continue. In the event that a depositor could find a buyer of his or her CD, it is likely that the price a buyer would be willing to pay would be net of the commissions paid or discount allowed to the Agents on the initial placement of the CDs. Prospective depositors should carefully consider all of the information set forth in these Terms and Conditions and the Base Disclosure Statement and, in particular, should evaluate the specific risk factors set forth under “Risk Factors”.

What about Fees?

The CDs will initially be distributed through an affiliate of the Issuer, HSBC Securities (USA) Inc. and certain other unaffiliated third party distributors (the “Agents”). Agents may receive a commission or be allowed a discount as compensation for their services. See “The Distribution” in the Base Disclosure Statement and below. The actual compensation paid may vary depending upon various factors including market conditions and the duration of the CD.

What about ERISA Eligibility?

The CDs are not eligible for purchase by, on behalf of or with the assets of, Plans (as defined in the Base Disclosure Statement) unless the purchase and holding of the CDs does not and will not constitute a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or Similar Law. In view of the fact that the CDs represent deposits with the Issuer, fiduciaries should take into account the prohibited transaction exemption described in ERISA Section 408(b)(4), relating to the investment of plan assets in deposits bearing a reasonable rate of interest in a financial institution supervised by the United States or a state, and/or Part IV of PTCE 81-8, relating to transactions involving short-term investments, specifically certificates of deposit. (See “Certain ERISA Considerations” in the Base Disclosure Statement.) Each initial purchaser of a CD and each transferee thereof shall be deemed to represent and covenant that, throughout the period that it holds CDs, either (a) it is not, and is not acquiring CDs with the assets of, a Plan, or (b) that its purchase, holding and disposition of the CDs will not constitute a non-exempt prohibited transaction under Section 406 of ERISA, section 4975 of the Code, or Similar Law.

RISK FACTORS

Purchasing the CDs is not equivalent to investing directly in the Basket Indices or the constituent stocks thereof. It is suggested that prospective depositors considering purchasing CDs reach a decision to purchase only after carefully considering, with their financial, legal, tax, accounting and other advisors, the suitability of the CDs in light of their particular circumstances and the risk factors set forth below and other information set forth in these Terms and Conditions and the accompanying Base Disclosure Statement.

As you review “Risk Factors” in the accompany Base Disclosure Statement, you should pay particular attention to the following sections:

- “— Risks Relating to All CD Issuances”;
- “— Additional Risks Relating to CDs with an Equity Security or Equity Index as the Reference Asset”; and
- “— Additional Risks Relating to Certain CDs with More than One Instrument Comprising the Reference Asset”

You will be subject to certain risks not associated with conventional fixed-rate or floating-rate CDs or debt securities.

The CDs are not suitable for purchase by all people. No person should purchase the CDs unless he or she understands and is able to bear the associated market, liquidity and yield risks.

Because of the numerous factors that may affect the value of the Basket Indices, no assurance can be given that depositors of the CDs will receive any Variable Amount in excess of the Minimum Return. Depositors must understand that they have no interests in the companies comprising the Basket Indices and neither they, nor the Issuer on their behalf nor any Agent on their behalf, will have any recourse against the Reference Index Sponsors or any rights in the Basket Indices either contractually or statutorily.

Return on the CDs does not necessarily reflect the full performance of the basket indices.

Since the Maturity Redemption Amount is based on the performance of [three] Basket Indices, declines in the level of one or more Basket Indices may offset increases in the levels of the other Basket Indices. Furthermore, even if the levels of the Basket Indices increase during the term of the CDs relative to their respective Initial Levels, the Maturity Redemption Amount and the relative weights of the Basket Indices will be based on the average of the respective levels of each Basket Index as of several Observation Dates. Your return on the CDs therefore may not reflect the full performance of the Basket Indices during the term of the CDs.

Depositors Are Not Guaranteed the Receipt of the Principal Amount of their CDs or a Minimum Return, and will be subject to an Early Redemption Charge, if they Redeem the CDs Early.

The CDs are designed so that if, and only if, they are held to maturity, the depositor will receive no less than the Principal Amount of his or her CDs plus a Minimum Return. If a depositor redeems the CDs early at his or her option, the depositor will not be entitled to, and may not receive, the Minimum Return or any other return on his or her CD. [In addition, the proceeds receive by such a depositor will be net of an Early Redemption Charge.] As a result, the proceeds payable upon an Early Redemption may be less (and may be substantially less) than the Principal Amount of the CDs. See “Summary of Terms—Early Redemption” in these Terms and Conditions.

Original Issue Discount Consequences of the CDs; U.S. Federal Income Tax Consequences.

The Issuer intends to treat the CDs as “contingent payment debt instruments” for U.S. federal income tax purposes. U.S. Holders (as defined under “Certain U.S. Federal Income Tax Considerations”) will be required to include in their taxable income for each year an amount of ordinary income equal to the “original issue discount” (“OID”) on the CDs for that year. The OID is included in income and taxable at ordinary income rates, even though holders will not receive any payment on the CDs until their maturity.

The amount of the OID that must be taken into income in each year will be calculated on the basis of the “comparable yield” of the CDs, which is the yield at which the Issuer would issue a non-contingent fixed-rate debt instrument having terms and conditions similar to those of the CDs. The comparable yield is determined by the Issuer as of the issuance date solely for U.S. federal income tax purposes and is neither a prediction nor a guarantee of what the actual yield will be on the CDs.

The Issuer will prepare a “projected payment schedule” based on the comparable yield. If the actual yield on the CDs exceeds the corresponding amount on the projected payment schedule, the excess will be taxed as additional OID income to the U.S. Holder. Any gain recognized by a U.S. Holder on the sale, exchange or other disposition of a CD will constitute ordinary interest income.

Prospective depositors should see “Certain U.S. Federal Income Tax Considerations” below and consult their tax advisors regarding the tax consequences to them of a purchase of the CDs.

No Secondary Market for the CDs Exists. Depositors May Require the Issuer to Redeem the CDs Prior to Maturity Pursuant to the Early Redemption Provisions, but Depositors May Suffer Losses.

There is currently no secondary market for the CDs. The Issuer does not intend to apply for listing of the CDs on any securities exchange, quotation of the CDs through the Nasdaq National Market System or designation for trading in the PORTAL market. There is no assurance that a secondary market for these CDs will develop, or if it develops, that it will continue. Even if a secondary market develops, there can be no assurance that it will provide significant liquidity. The Issuer intends to quote bid prices periodically upon depositor request, but is under no obligation to do so. In the event that the Issuer no longer provides such quotes, it may be difficult to obtain reliable information about the value of the CDs. The CDs are most suitable for purchasing and holding to maturity.

Adverse Economic Interests to Depositors.

HSBC Bank USA, National Association is the Calculation Agent and will be solely responsible for the determination and calculation of the CD's Maturity Redemption Amount (including the components thereof in connection with the Variable Amount) and any other determinations and calculations in connection with the CDs. Because the Issuer is the Calculation Agent, it may have economic interests adverse to those of the depositors, including with respect to certain determinations and judgments that the Calculation Agent must make in determining, for example, the Final Return, if any, at maturity or if a Market Disruption Event has occurred. However, the Calculation Agent is obligated to carry out its duties and functions as calculation agent in good faith and using its reasonable judgment.

DESCRIPTION OF THE CERTIFICATES OF DEPOSIT

The following information is a summary of the CD itself and the Basket Indices to which the CD is linked. Prospective depositors should also carefully review the “Description of the CDs” section in the Base Disclosure Statement. All disclosures contained in these Terms and Conditions regarding each Basket Index, including its respective composition, method of calculation, historical levels and changes in its components, are derived from publicly available information prepared by the Reference Index Sponsors of such Basket Indices.

Information with Respect to the Basket Indices

Each potential depositor of a CD should review the reports and other information which have been filed with the U.S. Securities and Exchange Commission (the “Commission”), posted on websites or otherwise made publicly available by the relevant Reference Index Sponsors with respect to each Basket Index. Depositors of the CDs are hereby informed that the reports and other information on file with the Commission or that is otherwise publicly available to which depositors are referred are not and will not be “incorporated by reference” herein. Neither the Issuer of the CDs nor any of its affiliates will undertake to review the financial condition or affairs of the Reference Index Sponsors during the life of the CDs or to advise any depositor or potential depositor in the CDs of any information coming to the attention of the Issuer of the CDs or any affiliate thereof. Additional information with respect to each of the Basket Indices is set forth in Annex A.

Early Redemptions

The Issuer will permit early Redemption of the CDs on the Early Redemption Dates as described in the “Summary of Terms—Early Redemption” section above and the “Early Redemptions” section of the Base Disclosure Statement.

Adjustments to Observation Dates

If any of the scheduled Observation Dates is not a Scheduled Trading Day with respect to a Basket Index, then the Observation Date for that Basket Index will be the next day that is a Scheduled Trading Day for that Basket Index. If a Market Disruption Event exists with respect to a Basket Index on an Observation Date, then the Observation Date for that Basket Index will be the next Scheduled Trading Day for that Basket Index on which a Market Disruption Event does not exist with respect to that Basket Index. If no Market Disruption Event exists with respect to a Basket Index on an Observation Date for that Basket Index, the determination of that Basket Index’s Closing Level will be made on the Observation Date, irrespective of the existence of a Market Disruption Event with respect to one or more of the other Basket Indices. If a Market Disruption Event exists with respect to a Basket Index on eight consecutive Scheduled Trading Days for that Basket Index, then that eighth Scheduled Trading Day will be the Observation Date for that Basket Index, and the Calculation Agent will determine the Closing Level of that Basket Index on that date in accordance with the formula for and method of calculating that Basket Index last in effect prior to the occurrence of that Market Disruption Event, using the Relevant Exchange traded or quoted price of each security comprised in that Basket Index (or if an event giving rise to a Market Disruption Event has occurred with respect to a relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security). If the final Observation Date for any Basket Index is postponed, then the Maturity Date will also be postponed until the third business day following the postponed final Observation Date for that Basket Index and no interest will be payable in respect of such postponement.

Maturity Redemption Amount and Variable Amount

At the scheduled maturity (and not upon an Early Redemption by the depositor), the amount depositors will receive for each CD will be equal to the Maturity Redemption Amount, which will equal A) the Principal Amount of the CD plus B) the greater of: (i) the Minimum Return multiplied by the Principal Amount; or (ii) the Final Return multiplied by the Principal Amount, as described in the Summary of Terms above and the “Maturity Redemption Amount” section in the Base Disclosure Statement. The Final Return is the weighted average of the Return for each Basket Index. The annual percentage yield on the CD is only determinable at maturity.

The Maturity Redemption Amount and, consequently, the Variable Amount will not include dividends paid on the common stocks included in the Basket Indices. Apart from the Variable Amount, if any, or an amount in respect of the Minimum Return, no interest will be paid, either for periods prior to the Settlement Date, during the term of the CDs or at or after maturity

For more information, see “Summary of Terms” above and “Sensitivity Analysis” below.

Market Disruption Events

If a Market Disruption Event occurs for a Basket Index on an Observation Date, then the Observation Date for such Basket Index shall be postponed as described in “Summary of Terms—Market Disruption Event” above and the “Market Disruption Events” section of the Base Disclosure Statement.

Discontinuance or Modification of a Basket Index

If any Basket Index is discontinued or modified, the Calculation Agent may select a Successor Index or if there is no suitable Successor Index, the Calculation Agent may calculate the Basket Index level, as described in “Summary of Terms” above and in the “Discontinuance or Modification of an Index” section of the Base Disclosure Statement. **Notwithstanding these alternative arrangements, discontinuance of the publication any of the Basket Indices may adversely affect the value of, and trading in, the CDs.**

Redemption upon the Death of a Depositor

Please refer to the section entitled “Redemption upon the Death of a Depositor” in the Base Disclosure Statement.

Ratings

The CDs will not be rated by any rating agency.

The Calculation Agent

The Issuer is the Calculation Agent with regard to the CDs and is solely responsible for the determination and calculation of the Maturity Redemption Amount (including the components thereof), the Final Return, and any other determinations and calculations with respect to any distributions of cash in connection with the CDs, as well as for determining whether a Market Disruption Event has occurred and for making certain other determinations with regard to the Basket Indices. All determinations and calculations 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 Issuer and depositors of the CDs, absent manifest error and provided that the Calculation Agent shall be required to act in good faith in making any determination or calculation. If the Calculation Agent uses discretion to make a determination or calculation, the Calculation Agent will notify the Issuer, who will provide notice to DTC in respect of the CDs. The Calculation Agent may have economic interests adverse to those of the depositors of the CDs, including with respect to certain determinations and judgments that the Calculation Agent must make in determining the Average Closing Levels, the Initial Level, the Maturity Redemption Amount and the Final Return, in determining whether a Market Disruption Event has occurred, and in making certain other determinations with regard to the Basket Indices. The Calculation Agent is obligated to carry out its duties and functions in good faith and using its reasonable judgment. The Calculation Agent will not be liable for any loss, liability, cost, claim, action, demand or expense (including, without limitation, all costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) arising out of or in relation to or in connection with its appointment or the exercise of its functions, except such as may result from its own willful default or gross negligence or that of its officers or agents. Nothing shall prevent the Calculation Agent or its affiliates from dealing in the CDs or from entering into any related transactions, including any swap or hedging transactions, with any depositor of CDs. The Calculation Agent may resign at any time; however, resignation will not take effect until a successor Calculation Agent has been appointed.

Illustrative Examples

The following examples are provided for illustration purposes only and are hypothetical; they do not purport to be representative of every possible scenario concerning increases or decreases in the level of the Basket Indices relative to their respective Initial Levels. We cannot predict the Closing Level of any Basket Index on any Observation Date. The assumptions we have made in connection with the illustrations set forth below may not reflect actual events, and the hypothetical initial levels of the Basket Indices used in the illustrations below are not the actual Initial Levels of the Basket Indices. You should not take these examples as an indication or assurance of the expected performance of the Basket Indices, the Basket or the CDs.

The following examples indicate how the Maturity Redemption Amount would be calculated with respect to a hypothetical \$10,000 deposit in the CDs. These examples assume that there is no early redemption, that the CDs are held to maturity, the minimum return 0.00%, the term of the CD is [6] years and that the Initial Levels of the HSI, SPX, and SX5E are 20,000, 1,100 and 2,500, respectively.

Example 1: All three of the Basket Indices increase in value over the term of the CDs.

OBSERVATION DATES	HSI CLOSING LEVEL	SPX CLOSING LEVEL	SX5E CLOSING LEVEL
Initial Levels	20,000	1,100	2,500
Observation Date 1	20,800	1,120	2,580
Observation Date 2	21,600	1,140	2,660
Observation Date 3	22,500	1,160	2,740
Observation Date 4	23,400	1,180	2,820
Observation Date 5	24,300	1,200	2,900
Observation Date 6	25,300	1,220	2,990
Observation Date 7	26,300	1,240	3,080
Observation Date 8	27,400	1,260	3,170
Observation Date 9	28,500	1,290	3,270
Observation Date 10	29,600	1,320	3,370
Observation Date 11	30,800	1,350	3,470
Observation Date 12	32,000	1,380	3,570
Observation Date 13	33,300	1,410	3,680
Observation Date 14	34,600	1,440	3,790
Observation Date 15	36,000	1,470	3,900
Observation Date 16	37,400	1,500	4,020
Observation Date 17	38,900	1,530	4,140
Observation Date 18	40,500	1,560	4,260
Observation Date 19	42,100	1,590	4,390
Observation Date 20	43,800	1,620	4,520
Observation Date 21	45,600	1,650	4,660
Observation Date 22	47,400	1,680	4,800
Observation Date 23	49,300	1,710	4,940
Observation Date 24	51,300	1,740	5,090
Average Closing Level:	33,308	1,394	3,652
Average Index Return:	66.54%	26.76%	46.10%
Weighting Assignment	50%	20%	30%

The Maturity Redemption Amount equals the Principal Amount x [100% + the greater of (i) the Minimum Return and (ii) the Final Return]. Accordingly, at maturity, the Maturity Redemption Amount in this example would equal \$10,000 plus \$10,000 multiplied by the greater of (a) 52.45% and (b) 0.00%. Since the Final Return is greater than the Minimum Return, the CDs would pay \$15,245 at maturity.

Example 1 shows that where the Final Return exceeds the Minimum Return, the depositor will be paid a return based on the Final Return.

In addition, Example 1 shows that the Average Closing Level may be less than the index closing level on the final Observation Date for one or more Basket Indices. In that case the Maturity Redemption Amount does not reflect the full performance of the Basket Indices during the term of the CDs (i.e. does not reflect the full performance measured as the difference between the Initial Level and the closing level on the final Observation Date).

Here, the return to you is 52.45%.

Example 2: All three of the Basket Indices decline in value over the term of the CDs.

OBSERVATION DATES	HSI CLOSING LEVEL	SPX CLOSING LEVEL	SX5E CLOSING LEVEL
Initial Levels	20,000	1,100	2,500
Observation Date 1	20,800	1,120	2,580
Observation Date 2	21,600	1,140	2,660
Observation Date 3	19,900	1,160	2,450
Observation Date 4	18,300	1,180	2,520
Observation Date 5	16,800	1,170	2,510
Observation Date 6	15,500	1,160	2,500
Observation Date 7	15,700	1,150	2,490
Observation Date 8	15,900	1,140	2,480
Observation Date 9	16,100	1,130	2,430
Observation Date 10	16,300	1,150	2,380
Observation Date 11	16,500	1,170	2,330
Observation Date 12	16,700	1,190	2,280
Observation Date 13	16,900	1,210	2,230
Observation Date 14	17,100	1,230	2,190
Observation Date 15	17,800	1,250	2,150
Observation Date 16	18,500	1,150	2,110
Observation Date 17	19,200	1,060	2,070
Observation Date 18	20,000	980	2,030
Observation Date 19	20,800	900	1,990
Observation Date 20	21,600	830	1,950
Observation Date 21	22,500	760	1,910
Observation Date 22	23,400	700	1,870
Observation Date 23	24,300	640	1,830
Observation Date 24	25,300	590	1,820
Average Closing Level:	19,100	1,050	2,250
Average Index Return:	-4.50%	-4.51%	-9.98%
Weighting Assignment	50%	30%	20%

The Maturity Redemption Amount equals the Principal Amount x [100% + the greater of (i) the Minimum Return and (ii) the Final Return]. Accordingly, at maturity, the Maturity Redemption Amount in this example would equal \$10,000 plus \$10,000 multiplied by the greater of (a) -5.60% and (b) 0.00%. Since the Minimum Return is greater than the Final Return, the CDs would pay \$10,000 at maturity.

Example 2 shows that the Minimum Return assures a return that is higher than the Final Return when the Final Return is less than 0.00%. Nonetheless, receipt of only a Minimum Return at maturity may be less than the rate that a depositor would have received if he or she had purchased a conventional CD or debt security.

Here, the return to you is 0.00%.

Example 3: One Basket Index suffers a negative Return, thereby reducing the benefit to depositors of the positive returns of the other two Basket Indices.

OBSERVATION DATES	HSI CLOSING LEVEL	SPX CLOSING LEVEL	SX5E CLOSING LEVEL
Initial Levels	20,000	1100	2,500
Observation Date 1	20,800	1,120	2,550
Observation Date 2	21,600	1,140	2,600
Observation Date 3	19,900	1,160	2,650
Observation Date 4	18,300	1,180	2,730
Observation Date 5	16,800	1,200	2,780
Observation Date 6	15,500	1,180	2,840
Observation Date 7	15,700	1,160	2,900
Observation Date 8	15,900	1,150	2,960
Observation Date 9	16,100	1,140	3,020
Observation Date 10	16,300	1,160	4,230
Observation Date 11	17,000	1,180	4,150
Observation Date 12	17,700	1,200	4,070
Observation Date 13	18,400	1,220	3,990
Observation Date 14	18,600	1,240	4,070
Observation Date 15	18,800	1,260	4,150
Observation Date 16	19,000	1,290	4,230
Observation Date 17	19,800	1,320	4,310
Observation Date 18	20,600	1,210	4,400
Observation Date 19	21,400	1,230	5,280
Observation Date 20	22,300	1,250	5,390
Observation Date 21	23,200	1,280	5,500
Observation Date 22	23,400	1,310	5,610
Observation Date 23	23,600	1,340	5,720
Observation Date 24	23,800	1,370	5,830
Average Closing Level:	19,380	1,216	3,938
Average Index Return:	-3.10%	10.51%	57.54%
Weighting Assignment	20%	30%	50%

Here, the return to you is 31.30%

The Maturity Redemption Amount equals the principal amount x [100% + the greater of (i) the Minimum Return and (ii) the Final Return]. Accordingly, at maturity, the Maturity Redemption Amount in this example would equal \$10,000 plus \$10,000 multiplied by the greater of (a) 31.30% and (b) 0.00%. Since the Final Return is greater than the Minimum Return, the CDs would pay \$13,130 at maturity.

Example 3 shows that the negative Return of one Basket Index can reduce the benefit to depositors of the positive Returns of the other Basket Indices.

Sensitivity Analysis – Hypothetical Payment at Maturity for Each \$10,000 CD

The table below illustrates the payment at maturity (including, where relevant, the payment in respect of the Final Return) on a \$10,000 CD for a hypothetical range of performance for the Final Return from -80% to +80%. The following results are based solely on the hypothetical examples cited. You should consider carefully whether the CDs are suitable to your financial objectives. The numbers appearing in the table below have been rounded for ease of analysis.

WEIGHTED AVERAGE OF THE "AVERAGE CLOSING LEVEL" OF EACH BASKET INDEX	FINAL RETURN	PRINCIPAL X GREATER OF MINIMUM RETURN (0.00 %) AND FINAL RETURN	PRINCIPAL	PAYMENT AT MATURITY	ANNUAL COMPOUNDED RETURN
180	80.00%	\$8,000	\$10,000	=\$18,000	10.29%
170	70.00%	\$7,000	\$10,000	=\$17,000	9.25%
160	60.00%	\$6,000	\$10,000	=\$16,000	8.15%
150	50.00%	\$5,000	\$10,000	=\$15,000	6.99%
140	40.00%	\$4,000	\$10,000	=\$14,000	5.77%
130	30.00%	\$3,000	\$10,000	=\$13,000	4.47%
120	20.00%	\$2,000	\$10,000	=\$12,000	3.09%
110	10.00%	\$1,000	\$10,000	=\$11,000	1.60%
100	0.00%	\$0	\$10,000	=\$10,000	0.00%
90	-10.00%	\$0	\$10,000	=\$10,000	0.00%
80	-20.00%	\$0	\$10,000	=\$10,000	0.00%
70	-30.00%	\$0	\$10,000	=\$10,000	0.00%
60	-40.00%	\$0	\$10,000	=\$10,000	0.00%
50	-50.00%	\$0	\$10,000	=\$10,000	0.00%
40	-60.00%	\$0	\$10,000	=\$10,000	0.00%
30	-70.00%	\$0	\$10,000	=\$10,000	0.00%
20	-80.00%	\$0	\$10,000	=\$10,000	0.00%

The table above assumes that the average of the Initial Level of each Basket Index was 100 and that the term of the CD was [6] years. Because the Minimum Return per \$10,000 CD will not be less than \$0 you will always receive at maturity at least \$0 per \$10,000 CD.

The CDs are intended to be long term deposits and, as such, should be held to maturity. They are not intended to be short-term trading instruments. The price at which you will be able to sell your CDs prior to maturity may be substantially less than the principal amount of the CDs, even in cases where each of the Basket Indices has appreciated since the pricing date of the CDs. The potential returns described here assume that your CDs are held to maturity.

THE DISTRIBUTION

Please refer to the section entitled "The Distribution" in the Base Disclosure Statement.

FDIC INSURANCE

The payment of principal at maturity of this CD is insured by the FDIC up to the standard maximum deposit insurance amount in effect (generally up to \$250,000 in aggregate for individual depositors through December 31, 2013 and thereafter \$100,000, and up to \$250,000 in aggregate for certain retirement plans and accounts, including IRAs). Please see "FDIC Insurance" in the Base Disclosure Statement for more details.

CERTAIN ERISA CONSIDERATIONS

Please refer to the section entitled "Certain ERISA Consideration" in the Base Disclosure Statement.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

Set forth below is a summary of certain U.S. federal income tax considerations relevant to the purchase, beneficial ownership, and disposition of a CD.

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

- an individual who is a citizen or a resident of the United States for U.S. federal income tax purposes;
- a corporation (or other entity that is treated as a corporation for U.S. 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, the income of which is subject to U.S. 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, as defined for U.S. 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 CD that is:

- a nonresident alien individual for U.S. federal income tax purposes;
- a foreign corporation for U.S. federal income tax purposes;
- an estate, the income of which is not subject to U.S. 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 no United States persons, as defined for U.S. federal income tax purposes, 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 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 U.S. federal income tax consequences described herein. This summary addresses only holders that purchase CDs at initial issuance and beneficially own such CDs as capital assets and not as part of a "straddle," "hedge," "synthetic security" or a "conversion transaction" for U.S. 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 depositors or to depositors subject to special treatment under the U.S. 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; mutual funds or real estate investment trusts; small business investment companies; S corporations; depositors that hold their CDs through a partnership or other entity treated as a partnership for U.S. federal tax purposes; depositors 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 CDs in tax-deferred or tax-advantaged accounts; or "controlled foreign corporations" or a "passive foreign investment companies" for U.S. 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 of CDs, or any state, local or foreign tax consequences of the purchase, ownership or disposition of the CDs.

The following summary was not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. The following summary was written in connection with the promotion or marketing by the Issuer, HSBC Securities (USA) Inc. and/or other distributors of the CDs. Each holder should seek advice based on its particular circumstances from an independent tax advisor.

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

In General

The Issuer intends to treat the CDs as indebtedness for U.S. federal income tax purposes and any reports to the Internal Revenue Service (the "IRS") and U.S. Holders will be consistent with such treatment, and each holder will agree to treat the CDs as indebtedness for U.S. federal income tax purposes. The discussion that follows is based on that approach. Depositors should be aware, however, that the IRS is not bound by the Issuer's characterization of the CDs as indebtedness, and the IRS could possibly take a different position as to the proper characterization of the CDs for U.S. federal income tax purposes. If the CDs are not in fact treated as debt instruments of the Issuer for U.S. federal income tax purposes, then the U.S. federal income tax treatment of owning and disposing of the CDs could differ from the treatment discussed below with the result that the timing and character of income, gain or loss recognized in respect of a CD could differ from the timing and character of income, gain or loss recognized in respect of the CD had the CD in fact been treated as a debt instrument of the Issuer for U.S. federal income tax purposes.

Tax Treatment of U.S. Holders

Accruals of Original Issue Discount

The CDs generally will be subject to special rules, set forth in Treasury regulations, governing contingent payment debt instruments ("CPDIs"), and the Issuer and the holders will agree to treat the CDs as CPDIs. Under the Treasury regulations governing CPDIs, accruals of income, gain, loss and deduction with respect to the CDs will be determined under the "noncontingent bond method." Under the noncontingent bond method, U.S. Holders of the CDs will accrue original issue discount ("OID") over the term of the CDs based on the CDs' comparable yield. In general, the comparable yield of the CDs 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 CDs, including level of subordination, term, timing of payments, and general market conditions. The comparable yield is determined by the Issuer as of the issuance date solely for U.S. federal income tax purposes and is neither a prediction nor a guarantee of what the actual yield will be on the CDs.

Based on these factors, [the Issuer estimates that] the comparable yield on the CDs, solely for U.S. federal income tax purposes, is [3.30%] per annum (compounded annually). [However, the actual comparable yield may vary depending upon market conditions on the date the CDs are issued and will be reported in the Final Terms and Conditions.]

Accordingly, U.S. Holders will generally accrue OID in respect of the CDs at a rate equal to the comparable yield. The amount of OID allocable to each annual accrual period will be the product of the "adjusted issue price" of the CDs at the beginning of each such accrual period and the comparable yield. The "adjusted issue price" of the CDs at the beginning of an accrual period will equal the issue price of the CDs plus the amount of OID previously includible in the gross income of the U.S. Holder. The issue price of the CDs will be the first price at which a substantial amount of the CDs are sold. The amount of OID includible in the income of each U.S. Holder for each taxable year will generally equal the sum of the "daily portions" of the total OID on the CDs allocable to each day during the taxable year on which a U.S. Holder held the CDs. Generally, the daily portion of the OID is determined by allocating to each day in any accrual period a ratable portion of the OID allocable to such accrual period. Such OID is included in income and taxed as ordinary income. Information returns indicating the amount of OID accrued on CDs held by persons of record other than corporations and certain other "exempt recipients" will be filed with the IRS and sent to such record holder.

The Issuer also is obligated by applicable U.S. federal income tax regulations to determine, solely for U.S. federal income tax purposes, a projected payment schedule for the CDs that reflects a projected payment at maturity and that produces the comparable yield. In accordance with the noncontingent bond method, the projected payment schedule will consist of one payment at maturity equal to \$[1,235.57] on the maturity date in respect of each deposit of \$1,000. [However, the actual projected payment schedule may vary depending upon market conditions on the date the CDs are issued and will be reported in the Final Terms and Conditions.] Based upon [the estimates of] the comparable yield and the projected payment schedule for the CDs, a US Holder that pays taxes on a calendar

year basis, and buys a CD for \$1,000 and holds it to maturity, will be required to pay taxes on the following amounts of ordinary income from the CD each year: \$[22.24] in 2010, \$[33.73] in 2011, \$[34.85] in 2012, \$[36.00] in 2013, \$[37.19] in 2014, \$[38.41] in 2015, and \$[33.16] in 2016. However, for 2016 the amount of ordinary income that a US Holder will be required to pay taxes on from owning a CD may be greater or less than \$[33.16], depending on the payment at maturity. In addition, if the payment at maturity is less than \$[1,235.57], a US Holder may have a loss for 2016.

Under the noncontingent bond method, the projected payment schedule is not revised to account for changes in circumstances that occur while the CDs are outstanding.

A U.S. Holder is generally bound by the comparable yield and the projected payment schedule established by the Issuer for the CDs. However, if a U.S. Holder believes that the projected payment schedule is unreasonable, a U.S. Holder must determine the comparable yield and set its own projected payment schedule for the CD and explicitly disclose the use of such schedule and the reason therefore on its timely filed federal income tax return for the taxable year in which it acquires the CDs.

The comparable yield and projected payment schedule are provided solely to comply with the applicable U.S. federal income tax regulations in order to determine the amount of OID to be accrued by the holders of the CDs solely for U.S. federal income tax purposes and do not constitute assurances by the Issuer as to the actual yield of the CDs. The Issuer makes no representation as to what such actual amounts will be, and the comparable yield and the projected payment schedule do not necessarily reflect the expectations of the Issuer regarding the actual yield of the CDs.

Taxation of the Maturity Redemption Amount

If the actual Maturity Redemption Amount is greater than the payment projected in the projected payment schedule as the final payment, the excess will be a “positive adjustment,” which is treated as additional OID income. If the actual Maturity Redemption Amount is less than the payment projected in the projected payment schedule as the final payment, the deficiency will be a “negative adjustment.” The negative adjustment will be applied first to reduce the OID accrued for the year in which the Maturity Redemption Amount is paid and any remainder of such negative adjustment will be treated as an ordinary loss to the extent of the net ordinary income of the U.S. Holder in respect of the CD, not subject to limitations on the deductibility of miscellaneous deductions. Any remaining negative adjustment will reduce the U.S. Holder’s amount realized on the retirement of the CD.

Sale, Exchange, or Disposition of the CDs

A U.S. Holder of a CD will recognize gain or loss on the taxable sale, exchange, or other disposition of the CD, to the extent that the amount realized is more or less than its purchase price, increased by the OID previously accrued by the owner on the CD. In general, any gain realized by a U.S. Holder on the taxable sale, exchange, or other disposition of a CD will be treated as ordinary interest income. Any loss recognized on the taxable sale, exchange, or other disposition of a CD will generally be treated as an ordinary loss to the extent of the OID previously accrued by such U.S. Holder on the CD, which would not be subject to the limitations on the deductibility of miscellaneous deductions. Any loss in excess of such accrued OID would be treated as a capital loss. The deductibility of capital losses by U.S. Holders is subject to limitations.

Tax Treatment of Non-U.S. Holders

Taxation of Interest and Disposition of the CDs

In general, Non-U.S. Holders will not be subject to any U.S. federal income or withholding tax on any interest income from a CD so long as the income or gain is not effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States. Additionally, Non-U.S. Holders will not be subject to any U.S. federal income or withholding tax on any gain on the sale, early withdrawal, maturity or other dispositions of a CD so long as the income or gain is not effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States and the Non-U.S. Holder is not an individual present in the United States for 183 days or more in the taxable year in which the gain is recognized.

U.S. Federal Estate Tax Treatment of Non-U.S. Holders

CDs held (or treated as held) by an individual who is a Non-U.S. Holder at the time of his or her death will not be subject to U.S. federal estate tax, provided that the individual would not be subject to any U.S. federal income or withholding tax with respect to income or gain on the CDs.

Information Reporting and Backup Withholding

Under certain circumstances, the Code requires “information reporting” annually to the IRS and to each holder of the CDs, and “backup withholding” with respect to certain payments made on or with respect to the CDs. Information reporting and backup withholding generally will not apply to U.S. Holders that are corporations or certain other “exempt recipients” if the U.S. Holder provides the Issuer with a properly completed IRS Form W-9, and will not apply to a Non-U.S. Holder if the Non-U.S. Holder provides the Issuer with a properly completed Form W-8BEN. Interest paid to a Non-U.S. Holder who is an individual who resides in Canada will be reported on IRS Form 1042S that is filed with the IRS and sent to the Non-U.S. Holder.

Backup withholding is not an additional tax and may be refunded (or credited against a depositor’s U.S. federal income tax liability, if any), if certain required information is furnished.

The preceding discussion is only a summary of certain of the tax implications of purchasing the CDs. Prospective depositors are urged to consult with their own tax advisors prior to purchasing to determine the tax implications of a purchase in light of that depositor’s particular circumstances.

ANNEX A: DESCRIPTION OF THE BASKET INDICES

General

These Terms and Conditions are not an offer to sell and it is not an offer to buy interests in any Basket Index or any of the securities comprising any Basket Index. All disclosures contained in these Terms and Conditions regarding the Basket Indices, including their make-up, method of calculation and changes in their components, are derived from publicly available information. We take no responsibility for the accuracy or completeness of any information relating to the Basket Indices contained in these Terms and Conditions.

Below is a brief description of each Basket Index and index levels for each Basket Index for each quarter from the beginning of December 31, 2003. The index level information contained herein is from [Bloomberg Financial Markets], and we believe such information to be accurate. In addition, information regarding the Reference Index Sponsors may have been obtained from other sources, including, but not limited to, press releases, newspaper articles and other publicly disseminated documents. The information contained herein is furnished as a matter of information only. Fluctuations in or levels of the Basket Indices that have occurred in the past are not necessarily indicative of fluctuations in or levels of the closing index levels of the Basket Indices that may occur over the term of the CDs. Neither the Issuer nor any of its affiliates makes any representation as to the performance of the Basket Indices.

We urge you to read the section “Information with Respect to the Indices and Shares” on page 4 of the related Base Disclosure Statement.

What is the Hang Seng Index?

The Hang Seng Index is a free-float capitalization-weighted index of selection of companies from the Stock Exchange of Hong Kong. The components of the index are divided into four subindexes: Commerce and Industry, Finance, Utilities, and Properties.

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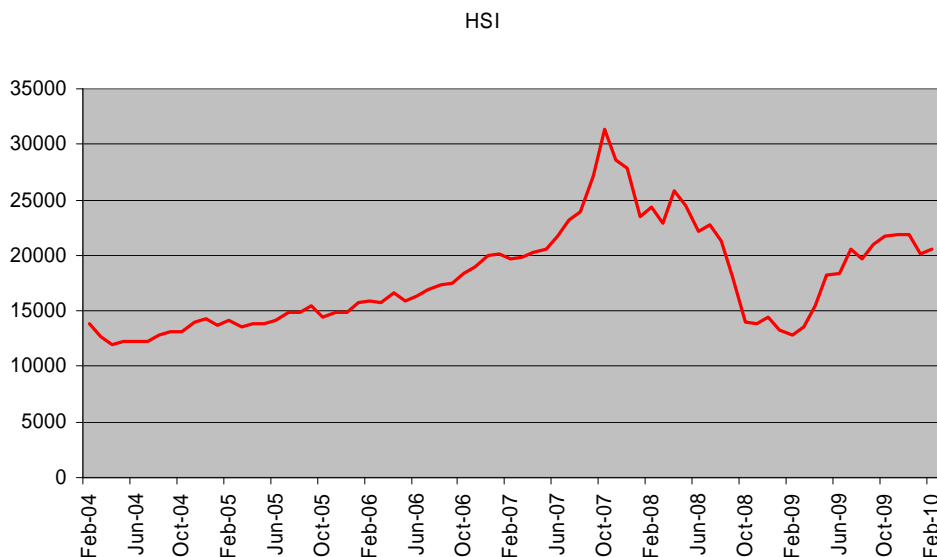
Historical Performance of the HSI

The following table sets forth the quarterly high and low intraday levels, as well as end-of-quarter closing levels, of the HSI for each quarters below. We obtained the data in the following table from Bloomberg, LP, without independent verification by us.

Historical levels of the HSI should not be taken as an indication of future performance.

QUARTER ENDING	QUARTERLY HIGH	QUARTERLY LOW	QUARTERLY CLOSE
December 31, 2003	12740.50	11372.53	12575.94
March 31, 2004	14058.21	12400.35	12681.67
June 30, 2004	13126.15	10917.65	12285.75
September 30, 2004	13356.88	11862.68	13120.03
December 31, 2004	14339.06	12743.42	14230.14
March 31, 2005	14272.54	13320.53	13516.88
June 30, 2005	14365.05	13337.44	14201.06
September 30, 2005	15508.57	13920.87	15428.52
December 30, 2005	15493.00	14189.47	14876.43
March 31, 2006	15999.31	14843.97	15805.04
June 30, 2006	17328.43	15204.86	16267.62
September 29, 2006	17683.45	15948.76	17543.05
December 29, 2006	20049.03	17428.10	19964.72
March 30, 2007	20971.46	18659.23	19800.93
June 29, 2007	22085.59	19672.94	21772.73
September 28, 2007	27254.97	19386.72	27142.47
December 31, 2007	31958.41	25861.73	27812.65
March 31, 2008	27853.60	20572.92	22849.20
June 30, 2008	26387.37	21773.67	22102.01
September 30, 2008	23369.05	16283.72	18016.21
December 31, 2008	18285.68	10676.29	14387.48
March 31, 2009	15763.55	11344.58	13576.02
June 30, 2009	19161.97	13411.79	18378.73
September 30, 2009	21929.79	17185.96	20955.25
December 31, 2009	23099.57	20305.06	21872.50
December 31, 2003 through December 31, 2009	31958.41	10676.29	21872.50

The following graph sets forth the ten year historical levels of the HSI Index using monthly data obtained from Bloomberg LP. **Historical levels of the HSI should not be taken as an indication of future performance.**



S&P 500[®] Index

The S&P 500[®] Index measures the performance of the broad domestic economy through changes in the aggregate market value of 500 U.S. stocks representing all major industries.

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Historical Performance of the SPX

The following table sets forth the quarterly high and low intraday levels, as well as end-of-quarter closing levels, of the SPX for each quarters below. We obtained the data in the following table from Bloomberg, LP, without independent verification by us.

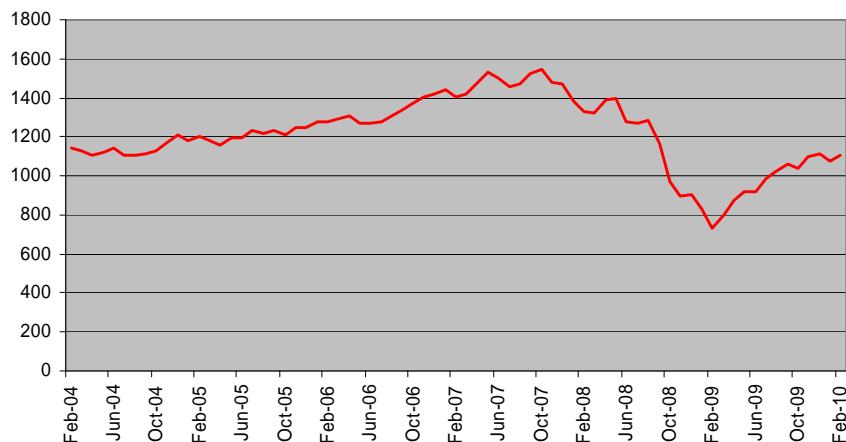
Historical levels of the SPX should not be taken as an indication of future performance.

QUARTER ENDING	QUARTERLY HIGH	QUARTERLY LOW	QUARTERLY CLOSE
December 31, 2003	1112.56	995.97	1111.92
March 31, 2004	1163.23	1087.06	1126.21
June 30, 2004	1150.57	1076.32	1140.84
September 30, 2004	1140.84	1060.72	1114.58
December 31, 2004	1217.33	1090.19	1211.92
March 31, 2005	1229.11	1163.69	1180.59
June 30, 2005	1219.59	1136.15	1191.33
September 30, 2005	1245.86	1183.55	1228.81
December 30, 2005	1275.80	1168.20	1248.29
March 31, 2006	1310.88	1245.74	1294.83
June 30, 2006	1326.70	1219.29	1270.20
September 29, 2006	1340.28	1224.54	1335.85
December 29, 2006	1431.81	1327.10	1418.30
March 30, 2007	1461.57	1363.98	1420.86
June 29, 2007	1540.56	1416.37	1503.35
September 28, 2007	1555.90	1370.60	1526.75
December 31, 2007	1576.09	1406.10	1468.36
March 31, 2008	1471.77	1256.98	1322.70
June 30, 2008	1440.24	1272.00	1280.00
September 30, 2008	1313.15	1106.42	1166.36
December 31, 2008	1167.03	741.02	903.25
March 31, 2009	943.85	666.79	797.87
June 30, 2009	956.23	783.32	919.32
September 30, 2009	1080.15	869.32	1057.08
December 31, 2009	1130.38	1019.95	1115.10
December 31, 2003 through December 31, 2009	1576.09	666.79	1115.10

The following graph sets forth the ten year historical levels of the SPX Index using monthly data obtained from Bloomberg LP.

Historical levels of the SPX should not be taken as an indication of future performance.

SPX



DJ Euro Stoxx 50® Index

The Dow Jones EURO STOXX 50® Index consists of 50 large capitalization European stocks from those countries participating in the European Monetary Union.

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Historical Performance of the SX5E

The following table sets forth the quarterly high and low intraday levels, as well as end-of-quarter closing levels, of the SX5E for each of the quarters below. We obtained the data in the following table from Bloomberg, LP, without independent verification by us.

Historical levels of the SX5E should not be taken as an indication of future performance.

QUARTER ENDING	QUARTERLY HIGH	QUARTERLY LOW	QUARTERLY CLOSE
December 31, 2003	2771.510	2382.760	2760.660
March 31, 2004	2965.150	2680.040	2787.490
June 30, 2004	2919.570	2630.210	2811.080
September 30, 2004	2842.810	2559.880	2726.300
December 31, 2004	2960.970	2727.760	2951.010
March 31, 2005	3117.770	2914.000	3055.730
June 30, 2005	3198.890	2911.480	3181.540
September 30, 2005	3438.760	3079.890	3428.510
December 30, 2005	3621.890	3212.070	3578.930
March 31, 2006	3881.690	3515.070	3853.740
June 30, 2006	3897.400	3379.660	3648.920
September 29, 2006	3921.150	3462.770	3899.410
December 29, 2006	4147.380	3858.870	4119.940
March 30, 2007	4278.220	3906.150	4181.030
June 29, 2007	4572.820	4163.770	4489.770
September 28, 2007	4564.030	4028.720	4381.710
December 31, 2007	4502.800	4176.300	4399.720
March 31, 2008	4411.590	3417.250	3628.060
June 30, 2008	3900.300	3298.050	3352.810
September 30, 2008	3456.810	2924.130	3038.200
December 31, 2008	3130.250	2128.290	2447.620
March 31, 2009	2608.150	1765.490	2071.130
June 30, 2009	2549.320	2021.530	2401.690
September 30, 2009	2915.710	2258.600	2872.630
December 31, 2009	3001.560	2693.800	2964.960
December 31, 2003 through December 31, 2009	4572.820	1765.490	2964.960

The following graph sets forth the ten year historical levels of the SX5E Index using monthly data obtained from Bloomberg LP.

Historical levels of the SX5E should not be taken as an indication of future performance.

