



# HSBC Securities (USA) INC.

## Brokerage Brochure

Information and Disclosures for Our Customers and Prospective Customers Regarding Our Brokerage Services, Products, Conflicts and Compensation

April 2024

### HSBC Securities (USA) Inc.

Investment, annuities, and variable life insurance products are offered by HSBC Securities (USA) Inc. (HSI), member NYSE/FINRA/SIPC. In California, HSI conducts insurance business as HSBC Securities Insurance Services. License #: **OE67746**. HSI is an affiliate of HSBC Bank USA, N.A. Whole life, universal life, term life, and other types of insurance are offered by HSBC Insurance Agency (USA) Inc., a wholly owned subsidiary of HSBC Bank USA, N.A. Products and services may vary by state and are not available in all states. California license #: **OD36843**.

**Investments, Annuity and Variable Insurance Products are offered by HSBC Securities (USA) Inc., Member NYSE/FINRA/SIPC. Investment, Annuity and Insurance Products:**

<b>ARE NOT A BANK DEPOSIT OR OBLIGATION OF THE BANK OR ANY OF ITS AFFILIATES</b>	<b>ARE NOT FDIC INSURED</b>	<b>ARE NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY</b>	<b>ARE NOT GUARANTEED BY THE BANK OR ANY OF ITS AFFILIATES</b>	<b>MAY LOSE VALUE</b>
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All decisions regarding the tax implications of your investment(s) should be made in consultation with your independent tax advisor.



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## Introduction

### About Us

HSBC Securities (USA) Inc. (“HSBC Securities”) is registered with the U.S. Securities and Exchange Commission (“SEC”) as both a broker-dealer and an investment adviser (we are a “dual-registrant”), and is a licensed insurance agent in a number of states. In these roles, we offer our customers different ways to meet their investment and insurance needs, including a choice of investment and insurance products and service levels, and ways to pay for them. It is important to us that you are informed about the products and services we offer, their costs, and how we are paid for them, including the different sources of revenue generated to HSBC Securities and our representatives (“Representatives”) and affiliates, and the conflicts of interest that we have when serving our customers.

HSBC Securities is part of HSBC Group with affiliates across the globe and whose ultimate parent company is HSBC Holdings plc. in London. In the United States, our affiliates include HSBC Bank USA, N.A. (HSBC Bank), HSBC Insurance Agency (USA), Inc. (HSBC Insurance Agency), and HSBC Global Asset Management USA, Inc. (HSBC Asset Management).

### Regarding HSBC Securities’ Capacity

While brokerage and advisory services differ in many important ways, there are some similarities that can, at times, make it hard to tell whether a firm or its representative is acting in a brokerage or advisory capacity.

At HSBC Securities, we can serve your investment needs as a broker-dealer, an investment adviser, insurance agent, or – in the case of variable annuities and variable life insurance policies – a combination of the broker-dealer and insurance agent roles. Unless otherwise agreed in writing, we will act as a broker-dealer when recommending securities and investment strategies, including any recommendations we give about the type of account to open with us. We will act as an investment adviser under the Investment Advisers Act of 1940 only when we mutually agree to provide advice under a specific investment advisory agreement. We will act as an insurance agency when we recommend annuities and variable life insurance transactions.<sup>1</sup> If you have both brokerage and advisory relationships with us, when we provide recommendations and other services for your brokerage account, we will be acting as a broker-dealer, and when we provide recommendations and advice for your advisory accounts we will be acting as an investment adviser.

Unless it is otherwise evident, your Representative will tell you when he or she is providing you with a recommendation for your brokerage account, your advisory account or your variable insurance product. If you have any questions, please ask your Representative.

### A Layered Approach to Providing Information to You

Some information about our relationship with you is important for you to understand up-front. You will need to know other information over time depending on the services and products you choose or that we recommend. That is why we have taken a layered approach to disclosing information to you.

- First and foremost, we provide a short, high-level summary of our brokerage and advisory services to you. This summary is called the Customer Relationship Summary, or “Form CRS,” and is in a format that the SEC requires so you have key information to compare these services, and to compare our firm with other firms providing similar services.
- Next is this HSBC Brokerage Brochure (the “Brochure”), which goes beyond the brief summary in Form CRS to provide additional detail on important factors to consider about us and our services, with a focus on our brokerage services. A similar level of information about our advisory services is found in our Form ADV, Part 2A Brochures available online at <https://www.us.hsbc.com/investments/customer-relationship-summary/>. Information about traditional insurance products provided through HSBC Insurance Agency is available online at <https://www.us.hsbc.com/insurance/>.

- Following these key disclosure documents, we will provide more specific product and service information. As your relationship with us grows, and you make choices about investment products and other services, you will benefit from more details about your choices. Depending upon the product or service you are considering, this information may be in materials we prepare, including this Brochure, as well as risk acknowledgement forms that highlight features and risks of particular types of investments, trade confirmations, account statements, other educational materials and disclosures, fund prospectuses or other offering documents, or contracts with insurance carriers.

## About This Brochure

You should review this Brochure carefully, retain it with your records and refer to it when we provide you with an investment recommendation involving securities (including an account-type recommendation) as a broker-dealer. If you appoint someone as your agent, legal representative or designate a trusted contact person, please be sure that he or she has a copy of this Brochure as well. This Brochure (along with other disclosures we provide to you from time to time) is intended to satisfy our disclosure obligations under the SEC's Regulation Best Interest (Rule 15l-1 under the Securities Exchange Act of 1934, as amended).

Statements in this Brochure are subject to the terms and conditions in our Customer Agreement and other agreements you have with us (the "Customer Agreement"), which define and control our relationship with you. Unless otherwise defined herein, the words and phrases used in this Brochure shall have the same meanings as they do in the Customer Agreement. This Brochure should be read together with the Customer Agreement and the other disclosures and documents we provide or reference.

You can also visit us online at <https://www.us.hsbc.com/investments/customer-relationship-summary/> for related documents mentioned in this Brochure, or you can call 800.662.3343 M-F (8am-6pm) ET. From this website, you can access copies of our Customer Relationship Summary, this Brochure, our Form ADV, our Commission and Fee Schedules for the various segments, our Customer Agreement, and certain other sources of information mentioned in this Brochure.

## Updating our Form CRS and Brochure

The information contained in our Form CRS and this Brochure is current as of the date on the first page of each document and is subject to change at our discretion. The most up-to-date versions of our Form CRS and this Brochure are available online at <https://www.us.hsbc.com/investments/customer-relationship-summary/>. If we make changes that would require us to send you updated disclosures, we will send them to you by mail or electronically consistent with your elections and the SEC's requirements. We may amend this Brochure from time to time, and if you continue to accept our services after we deliver the amended disclosures to you, the amended disclosures will apply to you.

In addition to being available online at <https://www.us.hsbc.com/investments/customer-relationship-summary/>, we encourage you to discuss these disclosures with your Representative and you can ask for additional copies at any time, free of charge.

## General Investment Risks

Although HSBC Securities is affiliated with a bank and we do much of our business on bank premises and with customers of the bank, it is very important that you understand, that when you invest through HSBC Securities, if you purchase an investment, you should be aware of the following:

Investments, annuity and insurance products are:

- Not deposits or other obligations of the HSBC Bank or any of its affiliates;
- Not FDIC insured;
- Not insured by any federal government agency of the United States;

- Not guaranteed by the HSBC Bank or any of its affiliates;
- Subject to investment risk, including possible loss of principal invested.

In addition, it is important to consider that:

- Investments may fluctuate in value;
- Past performance is not a guarantee of future results; and,
- Performance is NOT guaranteed.

We do not guarantee the performance of any investment or that your investment objectives will be achieved. ***Investing in securities involves the risk of loss, including the potential loss of principal invested, that you should be prepared to bear.*** Before making any investment decision, it is your responsibility to fully understand the investment product and the associated risks. Our Representatives may recommend certain products that are considered complex or higher risk, which have unique risk considerations. Information about the risks of particular investment products is typically available in the prospectus or offering document. Those documents are generally available online or you can ask your Representative to provide you with a copy. You can also talk to your Representative about the recommended product or transaction and associated risks.

***For customers located outside of the US*** – We, through our Representatives and through other methods, such as our public website, <https://www.us.hsbc.com> provide products and services governed by US laws and regulations. Our products and services, as well as their specific terms and conditions, are only provided in the English language, subject to change and may not be available in all countries or to all customers. All products and services are only offered to customers outside of the US in compliance with applicable US laws and rules and applicable laws of the country of your residence, which may limit the circumstances under which products may be offered to you. If you are not located in the US, the laws and regulations of your country of residence, or where you may be physically located, could affect the offering, negotiation, discussion, provision, and/or use of our products and services.

## **We Do Not Monitor Your Brokerage Account or Make Investment Decisions for You**

Our Representatives are here to help, but in a brokerage relationship, you are in control. Unless we state otherwise in writing, it is your responsibility to monitor your brokerage account and its investments — that means that you need to review your trade confirmations and account statements for inaccuracies, material changes in your portfolio and changes in your investment objectives or expectations and promptly notify us of any concerns or questions that you have by contacting your Representative or calling 800.662.3343 M-F (8am-6pm) ET. We and your Representative are not paid to monitor your brokerage accounts or for making regular or ongoing recommendations to you.

Unless we state otherwise in writing, we do not make decisions about what securities to buy or sell for you in your brokerage account(s). We will only implement investment transactions when you direct us to do so. You make the ultimate decision about your brokerage account investments (including timing). We have no obligation to update statements made, or information provided, with respect to a previous recommendation. Nor are we responsible for your decision to modify, decline or delay the implementation of our recommendation.

HSBC Securities (including its affiliates and Representatives) does not provide legal or tax advice, so you should also consider engaging the services of a professional estate planner, lawyer, and tax advisor, as needed.

## **Our View of Investing**

Consistent with HSBC's worldwide approach, we organize our offerings for US based retail customers around our customer segments. These segments are designed to follow our retail customers along a continuum from addressing

basic financial needs through wealth accumulation and then on to more complex solutions. These segments have changed recently as HSBC affiliates in the US implement a new strategy. Currently these segments are:

- **Premier** – Requires a Premier checking account and combined minimum deposit accounts and investment balances of at least \$75,000 with HSBC. Other banking relationship criteria (through Mortgage and Direct Deposit) will qualify customers for Premier. For full details and requirements please visit <https://www.us.hsbc.com/premier/>
- **Jade** – As of December 1, 2022, the Jade customer segment has been demised. Customers who were previously considered Jade may qualify for Premier offerings or may have been upgraded to the Private Banking offerings. If you have questions regarding what offerings you qualify for, please contact your Relationship Manager.
- **Private Banking** – Requires a minimum of \$2,000,000 investable assets with HSBC. For full details, please visit <https://www.hsbcprivatebank.com/en>.

To the extent that segments have changed recently at HSBC, customer may fall outside of the Premier or Private Banking segments, the recommendations available to these customers will largely fall into the Premier offering, unless program or product minimums cannot be met, based on an individual's facts and circumstances.

Representatives who, use the title "Financial Consultants, or "Wealth Relationship Managers" provide brokerage services to our customers in the Premier segment. Representatives will also continue to service some remaining customers who do not yet qualify for Premier. Different services and tailored products are offered to those customers who have moved along our continuum of products and services, and are eligible for our Private Banking segment. Representatives who use the titles "Relationship Manager" or "Investment Counselor" provide brokerage services to Private Banking customers. In this Brochure, when referring to all of these professionals, we use the umbrella term "Representative".

To check the background of your Representative or HSBC Securities, visit FINRA Broker Check at <https://brokercheck.finra.org>.

#### **Products and services differ by segment**

As described in this Brochure, we differentiate our investment offerings by these segments, and we do not offer, or approve for recommendation, all products and services in every segment. The products and services approved for potential recommendations within our segments are subject to change as we periodically re-evaluate our customers' needs, market developments, and other factors that aid us in structuring our business platforms and offerings. The chart in Addendum A describes the products and services that your Representative can recommend to you, and the limitations for particular customer segments. To the extent that we provide any new recommendations to remaining customers who do not meet Premier qualifications, the Representative will be considering the products and services available to Premier customers and applying those to our customer's unique situation. Please note that additional products can be purchased from us as your broker upon your instruction within each segment, but our Representatives are not able to provide recommendations on such products. As HSBC continues to reposition its US Wealth and Personal Banking business to focus on the wealth management needs of globally connected affluent and high net worth clients, our segments may evolve.

#### **Our Advisory Services**

Generally, our view is that our customers receive the most benefit from comprehensive personalized investment advice from financial professionals like our Representatives. We believe that our retail customers particularly benefit from holistic, ongoing advice provided through one of our investment advisory programs (described in our Forms ADV) for eligible customers (outside of the Private Banking segment), or through our affiliate HSBC Bank's discretionary investment management program for Private Banking customers, for which they pay an ongoing asset based advisory fee.

If you are an eligible customer (outside of the Private Banking segment), as a broker-dealer, our Representatives may recommend that you utilize one or more of our advisory programs. Any recommendation will be based upon your particular circumstances as described to us. We currently offer the following investment advisory programs through our Representatives:



- **Spectrum** – offering advice on mutual funds and ETFs
- **Spectrum II** – a fully discretionary version of Spectrum, also offering investments in mutual funds and ETFs
- **Spectrum II ESG** - a fully discretionary version of Spectrum offering investments in HSBC approved ESG mutual funds and ETFs.
- **Managed Portfolio Accounts (MPA)** – A multi-product, fee-based separately managed account program that offers two investment account options: Separately Managed Accounts (“SMA”) and Unified Managed Accounts (“UMA”). MPA is designed to assist customers, including individuals, retirement accounts, and institutions, with their investment needs based on financial objectives, time horizon and risk tolerance.

Note that we also offer a web-based (digital investment management) program called **Wealth Track** whereby individuals receive online advisory services for which the technology interface (and not advisory services) is provided by a third party. **Wealth Track** is available for your choosing but does not include the assistance of or recommendations from an assigned Representative. Should a client require assistance in opening a Wealth Track account, online FAQs and help desk numbers are available, but an assigned representative will not be provided.

**These are the only programs under which HSBC Securities will act as an investment adviser to you** We are always seeking to develop new investment advisory programs to meet our customers’ evolving needs, including our Private Banking customers, and information on any new programs will be available at a later date. (For advisory services, the primary fees and cost are the “wrap program fees”. A wrap fee is asset-based meaning that it is calculated as a percentage of the assets invested in your advisory account. The more assets you invest in your account, the more you will pay in fees and therefore we have an incentive to encourage you to increase your advisory account assets with us. A wrap fee includes advice, reporting and most transaction costs and fees paid to broker-dealers or banks that execute and/or have custody of your assets (any exceptions are found in the Form ADV for the program) and therefore is typically higher than an asset based advisory fee that does not include transaction costs and fees.

The wrap fee does not cover miscellaneous fees in your account, such as wire fees, transfer fees, bank charges and mark ups imbedded in the price of fixed income transactions. You will pay your share of fees and expenses imbedded within investments such as mutual funds, ETFs, privately offered funds and annuities.

Information about our compensation, other fees and expenses, conflicts and additional information about any of these advisory programs is available at <https://www.us.hsbc.com/investments/customer-relationship-summary/>.

Although we believe that most retail investors benefit from receiving comprehensive, ongoing, professional investment advice and management services through one of our advisory programs or HSBC Bank discretionary management, we also believe choice is important and we understand that not all customers want, or are eligible for, these ongoing advice and management services. These customers may instead choose our brokerage services through which they take the lead and have access to investment education and periodic recommendations from a Representative, and pay for these services as part of the transaction based fee you incur when you choose to purchase or sell an investment product.

**A brokerage platform with dedicated Representatives and available guidance as a choice**

The products and services on our brokerage platform that our Representatives can recommend to you cover the asset classes that we consider generally appropriate to meet the needs of our retail customers under each segment. As described below, we are compensated for brokerage services through product sales charges, commissions, and mark ups, mark downs, selling concessions and other fee compensation we receive for particular transactions. Because you have access to a Representative who can provide you with recommendations and guidance tailored to your investment needs, these brokerage services are likely more expensive than services and products available on a self-directed platform without a dedicated representative.

**The products and services that we make available for recommendations on our brokerage platform may not fit the needs of all customers**

Because we have refined our list of products and services available for recommendation in each of these segments, it is possible that we will not have a recommended product or service available for every unique circumstance or customer preference.

**Our recommendations as a broker will be based on what we know about you**

Before we recommend that you work with us through a brokerage, advisory, insurance relationship, or invest your assets in a particular product, we will collect information about you, including your age, other investments, financial situation and needs, tax status, investment objectives, experience, time horizon, liquidity needs, risk tolerance, and other information you disclose to us. Your Representative will make investment recommendations to you on the basis of (i) the information you provide and (ii) the products' or services' potential risks, rewards, and costs. Thus, it is important for you to ensure that the information we have is up to date. If you would like to update your information with us or know more about the basis of a particular recommendation, talk to your Representative. In making our assessments, we generally rely on the information about the investment provided in its offering materials.

**Representatives Acting on Behalf of Other Affiliates in Offering Securities and Other Products**

Your Representative will also be authorized to act on behalf of HSBC Bank in some cases directly providing deposit accounts and lending products or introducing you to colleagues for additional bank services. For Representatives serving Private Banking customers, these products offered through HSBC Bank may also include certain securities products and services that US national banks may offer directly, such as discretionary investment management services under bank fiduciary powers, precious metals, foreign currency services (FX), non-listed options and the offering of certain non US investments including offshore Hedge Funds, other offshore private placements, and offshore mutual funds.

In most cases, your Representative will also be authorized to offer additional insurance products through HSBC Insurance Agency, including traditional life insurance products and certain property and casualty insurance (all from third party insurance carriers). These products and services compete with certain products and services offered through HSBC Securities and its affiliates. Acting for multiple affiliates and being compensated by them presents conflicts because all these factors are considered in your Representative's objectives and measures of overall performance, which in turn impacts his or her opportunity for variable discretionary compensation. For additional information, see the "Your Representative's Compensation" section of this Brochure.

**Additional products available directly on the website and not through a Representative**

As mentioned above, our view is that our customers generally benefit from advice provided through one of our Representatives. We hope to have the opportunity to serve you in that way. We and our Representatives have a conflict in offering those services because we make more money if you choose our Representative-assisted advice offerings, bring assets to us for management or transaction based recommendations, and remain with us. However, we continue to provide choices for the self-directed individuals specific to and by customer segments.

The options below are available primarily in Premier segments unless otherwise noted:

- for those who prefer to transact on their own without advice at all, self-directed accounts that are not assigned to any particular Representative and for which we will provide no recommendations, can be opened directly;
- for those who prefer to do some of their transactions on their own without advice but still maintain a relationship with a professional, these customers can enter their own unsolicited transactions through our Representatives (this option is available for Private Banking customers as well)
- through our telephone centers or on line (some countries of residence excepted); and
- for those who want to use a customer-initiated investment advisory service without the assistance of a dedicated Representative. That service is known as Wealth Track. You choose whether or not that account is right for you, without an account type recommendation, but if you enroll, HSBC Securities will provide ongoing investment advice to you as described in our Form ADV Part 2A brochure. Although this is an advisory service, it is different

from our other advisory services provided through our Representatives. In Wealth Track, you have fewer investment options and do not receive individualized advice from a dedicated individual Representative.

Going without advice from a Representative means that you can transact at lower cost. Still, we hope that you will see the value in allowing us to guide you with recommendations, for which you will compensate us through asset-based fees (investment advisory programs) or through transaction costs on our brokerage platform that will be higher than self-directed costs due to the services we give you.

### **Choosing your Relationship with Us**

Our services, fees, compensation, and conflicts differ depending on whether you work with us in a brokerage, advisory, or insurance relationship. You should carefully consider and discuss with your Representative which type of service is more appropriate for you. Not all of our Representatives are licensed to sell all services and products offered by us. Additionally, all our Representatives are employees of our affiliate HSBC Bank, and some may specialize in recommending products or services of the Bank or our affiliated insurance agency, HSBC Insurance Agency.

Our Form CRS provides a high-level summary of the differences between brokerage and advisory services. It can be found at <https://www.us.hsbc.com/investments/customer-relationship-summary/or> ask your Representative for a copy. The chart below highlights the key differences between HSBC Securities' primary service offerings and should be read together with detail provided throughout this Brochure.

	<b>Brokerage with Recommendations</b>	<b>Investment Advisory</b>	<b>Insurance (Annuities and Variable Life Only)</b>
<b>Type of advice</b>	Recommendations provided from time to time or upon your request; investor information and educational materials are also available to help you make decisions	Ongoing, for so long as you are enrolled in an advisory program	Recommendations provided from time to time or upon your request; investor information and educational materials are also available to help you make decisions
<b>Monitoring</b>	None, unless stated in writing	Generally yes, subject to the terms of your advisory agreement	None, unless stated in writing
<b>Decision-making authority</b>	You decide whether, when and how to implement our recommendations	A professional investment manager makes investment decisions for you (discretionary) to the extent agreed in the investment advisory agreement; we can recommend securities to you, you make the decision, and then the professional manager implements your decision ("non-discretionary")	You decide whether, when and how to implement our recommendations
<b>How we trade</b>	As your agent with another broker-dealer's account, or as principal with our own accounts	Typically as agent with another market participant's account  (We can only trade as principal with our own account if you consent to the trade)	As insurance agent with insurance carriers

<p><b>Primary costs and fees and compensation</b></p>	<p>Transaction Based – you pay costs and fees for each individual trade in your account</p> <p>We also receive compensation from products and product sponsors you invest in</p>	<p>Generally, asset-based – you pay a percentage of your advisory assets to us and a model provider</p> <p>We also receive compensation from products and product sponsors you invest in</p>	<p>Transaction-based – we receive commissions from the insurance carriers based on the insurance premiums you pay</p> <p>We also receive compensation from products and product sponsors you invest in</p>
<p><b>Account minimums</b></p>	<p>None, but investment products have minimums</p>	<p>Yes, account minimums apply</p>	<p>Yes, insurance products have minimums</p>
<p><b>Available investments and products</b></p>	<p>Depending on the segment: Stocks, bonds, mutual funds, exchange-traded funds ("ETFs"), brokered certificates of deposit ("CDs"), structured products, such as structured market-linked CDs and notes, variable annuities, and Alternative Investments, among other products</p>	<p>Varies depending on the program selected, and can include mutual funds, ETFs, and individual stocks and bonds, among other products.</p>	<p>Depending upon the segment:</p> <ul style="list-style-type: none"> <li>• Single premium</li> <li>• immediate fixed annuities</li> <li>• Deferred income fixed annuities</li> <li>• Traditional fixed deferred annuities</li> <li>• Variable annuities, with investor controlled subaccounts, including Registered Index-Linked Annuities and Private Placement Variable Annuities</li> <li>• Variable universal life, with investor controlled subaccounts</li> </ul>

<p><b>Primary Representative conflicts</b></p>	<p>As the determination of your Representative’s discretionary variable pay considers the amount of transaction-based compensation generated as a factor, such compensation creates incentives to recommend:</p> <ul style="list-style-type: none"> <li>• Investments that result in greater compensation to HSBC Securities</li> <li>• That you trade more frequently and in greater amounts</li> <li>• Investments offered by companies that provide Representatives with training, travel expenses, gifts, entertainment, and meals to encourage and aid in the understanding and recommending their products</li> </ul>	<p>As the determination of your Representative’s discretionary variable pay considers the amount of asset-based compensation generated as a factor, such compensation creates incentives to recommend:</p> <ul style="list-style-type: none"> <li>• That you increase the assets in your advisory account(s) to increase compensation to the firm</li> <li>• That you invest through programs with higher fees</li> <li>• Investments offered by companies that provide Representatives with training, travel expenses, gifts, entertainment, and meals to encourage and aid in the understanding and recommending their products</li> </ul>	<p>As the determination of your Representative’s discretionary variable pay considers the amount of asset-based compensation generated as a factor, such compensation creates incentives to recommend:</p> <ul style="list-style-type: none"> <li>• Investments that result in greater compensation</li> <li>• Investments offered by companies that provide Representatives with training, travel expenses, gifts, entertainment, and meals to encourage and aid in the understanding and recommending their products</li> </ul>
<p><b>Primary HSBC Securities conflicts</b></p>	<p>Transaction-based compensation creates incentives to:</p> <ul style="list-style-type: none"> <li>• Offer and promote products and services from companies that offer us greater compensation</li> <li>• Encourage you to trade more frequently (and in greater amounts)</li> <li>• Encourage you to trade with us as principal so that we benefit from price of the investment you buy or sell because we mark the price of</li> </ul>	<p>Asset-based compensation creates incentives to:</p> <ul style="list-style-type: none"> <li>• Recommend that you increase the assets in your advisory account(s) to increase our fees</li> <li>• Recommend that you Invest through programs with higher fees</li> <li>• Invest in, or recommend investment products and models that result in greater compensation to us, including allocations</li> </ul>	<p>Transaction-based compensation creates incentives to:</p> <ul style="list-style-type: none"> <li>• Offer and promote products and services from companies that offer us greater compensation</li> </ul>

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	<p>your investment up (“markup”) or down (“markdown”)</p> <ul style="list-style-type: none"><li>• Recommend products sponsored by us and our HSBC affiliates</li></ul>	<p>to cash through our sweep program</p> <ul style="list-style-type: none"><li>• Trade less in a wrap program</li></ul>	
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You may prefer a brokerage account or insurance relationship over an investment advisory relationship if you:

- Do not invest enough assets with us to meet the account minimums for our advisory programs;
- Do not desire, or do not want to pay for, ongoing advice, management, and monitoring services through an advisory program;
- Prefer to pay only for the investment transactions you choose to implement;
- Are comfortable making your own investment decisions, either with or without a recommendation from an investment professional;
- Are comfortable monitoring your account's performance and performing periodic rebalancing without the help of an investment professional;
- Are comfortable with the conflicts of interest transaction-based compensation creates for us and your Representative; or
- Choose to maintain concentrated positions, such as employer securities or cash equivalents.

The costs of a transaction-based brokerage or insurance relationship or a fee-based advisory relationship depend upon many factors such as the type of products you hold, the value of your assets, the frequency of transactions, and the types of fees that apply. Some products (including different share classes of mutual funds) pay greater fees than others to HSBC Securities or other affiliates. You should carefully consider the costs and services connected with each option.

Please talk to your Representative about whether a brokerage, insurance or advisory relationship (or combination thereof) is right for you.

### **The Standards that Apply to Our Services**

The standards that apply to our services depend on whether we are acting as a broker-dealer, investment adviser or insurance agent.

**When we act as a broker-dealer**, federal law requires us to treat you in a manner consistent with principles of fair dealing and high standards of honesty and integrity. Under the SEC's Regulation Best Interest, when we recommend a security or an investment strategy involving a security as a broker-dealer, we must, when dealing with a "retail customer", act in your best interest at the time the recommendation is made, without placing our financial or other interest ahead of your interest. Regulation Best Interest and the best interest obligation do not apply to activities and services we provide other than brokerage recommendations, such as marketing communications, trade execution, educational materials, statements of philosophy and investment principles, descriptions of strategies and risks, generic advice or recommendations that are not particularized to you, and any advice or services we provide through an advisory program. We are also subject to additional SEC and FINRA requirements, as well as applicable state laws.

You are a retail customer under Regulation Best Interest if you are a natural person or a legal representative of a natural person who receives and uses a securities recommendation primarily for personal, family or household purposes. You are not a retail customer if you are acting in a professional or corporate capacity, or are not using our recommendation primarily for personal, family, or household purposes.

**When we act as an investment adviser**, we are considered to have a **fiduciary relationship** with you under the Investment Advisers Act of 1940. Our responsibilities include the obligations to treat you fairly and equitably, to disclose or mitigate our conflicts, and, when providing investment advice, to act in your best interest and not put our interests ahead of yours. See our Form ADV for more information.



**When we act as an insurance agent,** we are subject to state insurance laws and regulations, which vary from state to state. But in all cases, our policies and procedures are designed so that our recommendations will always be made in compliance with the standards set by your state.

#### **A Note About Our Role for Retirement and Other Qualified Accounts**

When it comes to retirement and other qualified accounts (including IRAs, 401(k) plans, HSAs, and educational savings accounts, and other similar accounts), fiduciary status is highly technical and dependent on the service you choose.

The retirement laws, which are ERISA and the Internal Revenue Code, significantly limit the types of products and services we can offer and provide when we agree to act as a fiduciary to your retirement account.

For non-managed IRA accounts, we provide acknowledgment under Department of Labor Prohibited Transaction Exemption 2020-02 (under ERISA laws) which outlines fiduciary responsibility and places constraints on available products for recommendation for your retirement account. For managed IRA accounts, we are considered to have a fiduciary relationship with you under the Investment Advisers Act of 1940 on an ongoing basis.

If you would like us to manage your IRA accounts, please talk to your Representative about the services available through our advisory programs. If you have questions about our fiduciary status, your Representative can help.

#### **Rollovers to HSBC Securities Individual Retirement Accounts**

We provide educational material regarding the options available to customers in qualified plans, but we do not provide any type of investment advice or recommendations about a customer's qualified plan, **nor do we make any recommendations about whether or not to roll over a plan.** If you choose to roll over from a plan, we will then, at your request, make recommendations about our services and products for investments that the customer can choose to implement in an HSBC Securities IRA brokerage or advisory account or an IRA annuity. Because we will only be paid for our services if you choose to roll over your plan account to an account at HSBC, we have an incentive to encourage you to rollover to an account with us, which we mitigate through our policies and procedures. For more information about rollovers with us, please refer to our online page at <https://www.us.hsbc.com/investments/retirement/ira/> for educational material available. To request relevant acknowledgement forms, please contact your Representative, or call our Wealth Services Desk at 800.662.3343 M-F (8am-6pm) ET.

## Our Brokerage Services

As a broker-dealer, we take customer orders, execute securities transactions, and arrange for custody of customer assets with our clearing firm. If you choose to have a dedicated Representative, he or she can provide investment recommendations from time to time (or upon your request), and make available investment information, education and research. We offer access to cash and margin accounts, and our Representatives can facilitate obtaining services from our affiliates who provide other financial services, including banking and insurance services. We (and our clearing firm, Pershing LLC or "Pershing") also provide various services and features, as set forth in your Customer Agreement. You may be able to obtain the same investment products or services from other financial institutions at lower cost

We offer different account types, including but not limited to, individual brokerage and joint brokerage accounts; traditional IRA brokerage accounts and Roth IRA brokerage accounts (together "other retirement accounts"), custodial, estate, trust and partnership accounts all of which generally can be subject to an investment management agreement for the support of investment advisory services or maintained for brokerage services only. These account types, which may also be called registration types or ownership types, may be subject to certain restrictions and eligibility requirements, and certain services are not available to all customers and account types.

The type of brokerage account you choose will be driven by your own preferences, the legal standing of any trust or partnership or corporation you may use, and your tax situation, such as whether you are eligible for different types of retirement accounts. These initial choices are for you to make in consultation with your legal and/or tax advisor if you choose, and we will not be making any recommendations about your choice of these account types.

You will also have a choice of paying for your investments with cash, or opening a Margin account which involves borrowing money from our clearing firm, Pershing, to purchase securities, which will act as security for the loan. The choice of a Margin account is a very significant choice because it involves significant risks and costs. **We do not recommend Margin accounts as an investment strategy**, but we will provide a Margin Disclosure Statement to help you consider this choice. You are not automatically approved for a Margin account – we facilitate an application for that credit to Pershing, and you will need to enter into a separate Margin Agreement with Pershing. Note, however, that while we do not recommend Margin accounts per se, there are types of sophisticated investment products that we may recommend for certain customers, which in turn require a Margin account. For example, you will not be able to trade in Options without a Margin account, so the appropriateness of a Margin account is part of any options strategy recommendation we may make. Additionally, we have an incentive to encourage your use of margin since borrowing funds allows you to purchase more securities from us and/or to participate in options trading.

Another choice that you will have when opening the account or after is whether to use your investments within your account to secure loans from our affiliate HSBC Bank, called "securities-based lending." This program is available for customers that qualify for the program and eligibility requirements and minimums. Securities-based lending involves significant risks, which will be reviewed with you if you have an interest in this Bank service. This is not a recommended service of [HSBC Securities](#), but we have an incentive to encourage its use, since it provides revenue to our affiliate through your interest payments and — for certain types of loans available — the funds can be used to purchase additional securities from us. In addition, our Representative will be acting on behalf of the Bank to provide you with this service, and it will have an impact on factors considered for his or her discretionary variable pay. See "Your Representative's Compensation" section of this Brochure for additional information regarding conflicts.

Once you have told us what type of account you want to open, then our Representative at your request can make some recommendations of certain accounts that are specific to types of investing or investing strategies. Information about the brokerage services and investment products we offer, and related fees, costs, compensation, and conflicts of interest is included in the sections that follow the discussion of our compensation and your Representative's compensation.

## Compensation to the Firm; Sources of Revenue, Fees and Charges

When we act as your broker, we earn more, depending on the types, frequency and amounts of your trades and the products you choose to invest in. We are compensated by the transaction-based fee and account fees you pay us and the markups, markdowns and selling concessions we derive from principal trades. We also receive payments from third parties, including the investment products in which you invest and their sponsors. As discussed further in the following section on your Representative's compensation, the amount of revenue generated by your Representative for the firm is among the factors considered in measuring your Representative's overall performance and determining their opportunity for a discretionary variable pay.

This creates an incentive for us and your Representative to recommend that you:

- Invest in investment products and use services that result in greater compensation to us (including products and services provided by us and our affiliates);
- Maintain cash balances in sweep products (including deposits at our bank affiliate or money market mutual funds sponsored by our affiliated asset manager);
- Trade more frequently and in larger amounts; and
- Trade with you on behalf of our own accounts as principal, including where we are participating in an underwriting or selling syndicate.

We mitigate our conflicts by disclosing them to you, by adopting reasonably designed policies and procedures and risk-based supervision to review product recommendations, and by establishing an incentive framework for our Representatives that is intended to mitigate the impact of these conflicts on his or her recommendations.

### Compensation to HSBC Securities Paid from Your Brokerage Account

- **Transaction-based fees.** You will pay us a "commission" or other "transaction-based" fee, such as an up-front load (a commission charged at the initial purchase that reduces the amount invested), a "trail" (an ongoing fee for the transaction that is charged as long as you hold the investment), or both an up-front load and a trail, for each trade. These fees include commissions on your purchases and sales of stocks, bonds, exchange traded funds (ETFs) and other products. We also earn sales loads, commissions, selling concessions, and trails when you buy and hold products such as mutual funds, structured notes, alternatives (such as Hedge Funds, private equity and real estate funds), 529 Savings Plans and certain insurance products, including annuities and variable life products. Some products (including different share classes of mutual funds) pay higher fees than others. Similarly, as an insurance agent, HSBC Securities earns fees from the sale of insurance and annuity products based on the products you purchase, some of which pay higher fees than others.

Transaction-based fees present conflicts of interest. Specifically, because we are paid per transaction and based on the amount you invest, we and our Representatives have an incentive to encourage you to trade more frequently and in greater amounts. Additionally, transaction-based fees vary from product to product (and share class to share class), and therefore, we earn more when you buy and sell products and share classes that pay us more than those that pay us less, or not at all. In addition, where commissions apply, the more transactions (and the larger amounts of those trades) you enter into, the more fees we receive. We also do not conduct or permit sales contests that are based on the sale of specific securities or types of securities.

Commission rates may be negotiated, and you may pay more or less than similar customers for identical transactions depending on your particular circumstances, including the size of your account, the services you have applied for, and any separate agreement between us.

For more information about the transaction-based fee for a particular investment product, please refer to the section of this Brochure for the type of product you are considering. Please also refer to the prospectus or other

offering documents, any applicable acknowledgement forms that we use in the sales process and the confirmation statements we provide to you after the transaction.

Please see our Commission and Fee Schedules, as may be amended from time to time, available at:

Commission and Fee Schedule for all segments other than Private Banking and the Commission and Fee Schedule for Private Banking segment both online at <https://www.us.hsbc.com/investments/customer-relationship-summary/>.

Note that the Commission and Fee Schedules are different for our separate segments, and reflect a higher level of service that is provided through the Private Banking segment.

- **Riskless Principal and Principal Trades.** When you place an order with us to buy certain securities, we may purchase them on the open market for our own account and then sell them to you from our inventory. Similarly, when you place an order to sell a security, we may find a buyer on the open market, and then purchase the security from you for our own account and sell it to the buyer from our inventory. These transactions are known as “riskless principal transactions.” In limited circumstances—generally with respect to certain debt or equity offerings underwritten by our affiliate or when our affiliate participates in a selling syndicate, we may sell securities to you that we hold in our inventory (without a prior customer order). These transactions are known as “principal transactions.” When we act as riskless principal or principal, we mark up the price you pay or mark down the price you receive, which is a benefit to us, but such markups and markdowns must fall within our internal guidelines. We may also receive a selling concession or benefit from any appreciation of the value of the securities, during the time any securities are held by us, and sold from our inventory in principal transactions, however, in such transactions there is also a risk of loss to us.

Markups, markdowns, and selling concessions may be negotiated, and you may pay more or less than similar customers for identical transactions depending on your particular circumstances, including the size of your account, the services you have applied for, and any separate agreement between us.

We commonly trade fixed income securities, preferred securities, IPOs, certain closed-end funds, structured products and municipal securities on a principal or riskless principal basis. We disclose the price of the securities we buy and sell on a principal or riskless principal basis on the confirmation you receive after the transaction.

Because we receive selling concessions, markups and markdowns on each transaction, we have an incentive to recommend securities where we are participating in an underwriting syndicate or that we trade on a riskless principal basis; and to trade more frequently and in larger amounts.

- **Miscellaneous Fees and Charges.** You may also pay other fees not related to transactions. These fees, for example, include safekeeping/foreign custody fees, transfer fees, overnight postage and handling fees, returned check fees, foreign stock transfer fees, inactivity fee and other miscellaneous fees and charges. These fees can include a profit or markup to us, and we can lower or waive some fees for certain customers. We may add, modify, or delete direct fees and charges upon prior notice to you.

These charges are set forth in our Commission and Fee Schedules, as may be amended from time to time, available at:

Commission and Fee Schedule for all segments other than Private Banking and the Commission and Fee Schedule for Private Banking segment both online at <https://www.us.hsbc.com/investments/customer-relationship-summary/>.

Note that the Commission and Fee Schedules are different for our separate segments, and reflect a higher level of service that is provided through the Private Banking segment.

### Third-Party Compensation We Earn with Respect to Your Investments

We receive ongoing compensation from mutual funds, annuities, 529 plan investments, Alternative Investments, and other sources. This compensation (commonly known as “12b-1 fees,” “trails” or “shareholder servicing fees”) is typically paid from the investment’s assets or other source under a distribution or servicing arrangement with the investment product or the product’s sponsor, adviser, manager, or affiliate (collectively, “Investment Sponsor”) and can be calculated as an annual percentage of invested assets or in the case of annuities the total account value. The amount of trails we receive varies from product to product, and creates an incentive for us to recommend that you purchase and hold investments that generate greater trails for us. For more information about trail compensation, please refer to the section of this Brochure for the type of security you are considering, and the applicable prospectus or offering document. (See “Products Available for Recommendation in Brokerage Accounts”).

### Additional Compensation from Investment Sponsors

From time to time, we and our employees (including your Representative) will receive non-cash compensation such as promotional items (e.g. coffee mugs, calendars or gift baskets), meals, and access to certain industry related conferences, from individuals or institutions, including investment sponsors. We and our employees receive these items consistent with customary industry practice and in accordance with our policies and procedures.

These gifts, meals and entertainment create a conflict of interest because the recipient or beneficiary, such as your Representative, has an incentive to use, recommend, offer or include the giver’s products or services. The giving and receipt of gifts and other benefits are limited under our policies and procedures.

From time to time, we receive marketing and training support payments, conference subsidies, and other types of financial compensation and incentives from product sponsors to support the sale of their products and services to our customers. The amount of product sponsor support or other payments is not dependent on or related to the level of assets invested in or with the products or services of the particular product sponsor. However, our receipt of these payments creates a conflict for us and for our Representatives to recommend a product sponsor’s services and products to customers. We mitigate this conflict by disclosing it to you.

### Compensation from Sweep Options

When opening an account with us, you may designate an FDIC insured HSBC Bank account or an HSBC money market mutual fund as your cash sweep option (the “Sweep Options”). Under our Sweep Options, otherwise uninvested cash balances in your brokerage account will be transferred on a daily basis, into your HSBC Bank account or used to purchase shares of your selected HSBC money market mutual fund. For more information about this service, please see our Sweep Options Disclosure Statement online at <https://www.us.hsbc.com/investments/customer-relationship-summary/> or contact your Representative or the Wealth Services Desk at 1-800-662-3343 to obtain a copy. You may also choose to decline to have a sweep option for your HSBC Securities Account. **If you decline to have a sweep option for your HSBC Securities Account, you understand that any cash balances in your account will remain there as free credit balances and shall earn no interest or other income.**

Deposits in HSBC Bank accounts are financially beneficial to our affiliate, HSBC Bank. HSBC Bank intends to use the funds to support a variety of activities, including, but not limited to, its lending activities. Like other depository institutions, the profitability of HSBC Bank is determined in large part by the difference between the interest paid to you and other costs incurred by HSBC Bank on bank deposits, and the interest or other income earned on HSBC Bank’s loans, investments, and other assets. The deposits obtained through the Sweep Options provide a stable source of funding for HSBC Bank. Borrowing costs incurred to fund the business activities of HSBC Bank have been reduced by the use of deposits from HSBC Securities customers. Customers must be customers of both HSBC Bank and HSBC Securities to participate in this Sweep Option. HSBC Securities does not receive any direct payments from HSBC Bank or any of its Affiliates for making the HSBC Bank account available as a Sweep Option.

Alternatively, you may select an HSBC money market mutual fund as your account's sweep option. Under this election, otherwise un-invested cash balances in your brokerage account will be automatically invested in shares of the selected money market fund. HSBC Securities makes available exclusively, certain classes of shares of money market mutual funds advised by its affiliate, HSBC Global Asset Management ("HSBC Money Market Funds"). We make available for all HSBC Money Market Funds a retail share class for most investors. We also offer an institutional share class for investors who maintain large money market fund balances, which offers investors lower annual fees and charges. Please see our Sweep Options Disclosure Statement and the individual HSBC Money Market Fund prospectuses for detailed eligibility and costs information. You should review the prospectus carefully before selecting a participating fund as your sweep option or sending money to invest in such participating fund.

HSBC Securities and/or its affiliate receive compensation from the HSBC Money Market Funds. Our clearing firm, Pershing, assesses fees, including asset-based fees, for developing and maintaining the HSBC Money Market Funds on the Pershing platform as sweep options (the "Platform Fee"). The Platform fee is paid by HSBC Global Asset Management or HSBC Securities. If HSBC Global Asset Management pays for the Platform Fee, then the fee is paid directly by the HSBC Money Market Funds but ultimately are borne by the shareholders in the HSBC Money Market Funds. HSBC Securities also receives a monthly share service fee based on the level of assets in the Money Market Funds directed to it from HSBC Global Asset Management's vendor that manages the Money Market Funds.

Please note that your Representative may recommend that you enroll in the Money Market Fund sweep option. The money placed in Money Market Funds is included in the measure of assets gathered or maintained by your Representative and therefore your Representative has a conflict when recommending that option.

**Compensation from HSBC Affiliated Products and Service (also called Proprietary Products)**

We offer for sale, and in some cases recommend to you, products that we or our affiliates sponsor or issue. We call these products and services "proprietary products" and they always present conflicts, because either we or an affiliate or both make more money from the sale of proprietary products and services than from the sale of third party (non-HSBC) products and services. When you invest in an HSBC proprietary product, we and our affiliates earn fees that are typically based on the amount you invest. This compensation creates an incentive for us to recommend proprietary products over non-proprietary products. Moreover, our due diligence of affiliate product providers is not the same as the due diligence that we perform on third party providers given our internal familiarity with HSBC enterprise-wide policies, procedures, personnel and financial circumstances.

Our proprietary offerings, which may change over time, include

- **HSBC US Money Market Funds/HSBC Global Liquidity Funds** These HSBC Money Market Funds, advised by HSBC Global Asset Management USA, Inc. ("HSBC Global Asset Management") are the only funds available for money market fund sweep services for HSBC Securities accounts. At present, we do not offer any third party money market funds as sweep options.
- **HSBC US Mutual Funds (other than Money Market Funds).** HSBC Global Asset Management earns fees for services as investment adviser and/or administrator for mutual funds and it receives a management fee from each fund based on the fund's assets, as set forth in the fund's prospectus.
- **HSBC Offshore Mutual Funds (other than Money Market Funds).** HSBC affiliates, including HSBC Global Investment Funds ("HGIF") domiciled in Luxembourg and HSBC Global Liquidity Funds ("GLF") domiciled in Ireland offer funds other than money market mutual funds that are available outside the US for non US persons.
- **HSBC Structured Certificates of Deposit, issued by HSBC Bank USA, N.A., and HSBC Structured Notes, issued by HSBC USA, Inc. ("HUSI") or HSBC Bank Plc.** Structured Products are debt obligations of the issuer where the interest is paid based on the performance of another asset, such as a basket of stocks, an ETF, or an index. Currently our Representatives are able to recommend both proprietary HSBC Structured Products (issued by an HSBC affiliate) and a limited number of third parties issued Structured Products; however, the majority of the

structured product offering, consists of proprietary products. Please note that certain proprietary products such as Structured Notes and Fixed Income may have limitations for recommendation to retirement customers.

- **HSBC Alternative Investments:** HSBC affiliates, including HSBC Bank USA, N.A., HSBC Management (Guernsey) Limited, HSBC Investment Funds (Luxembourg) S.A. (“HIFL”) domiciled in Luxembourg as well as HSBC Alternative Investments Limited act in multiple capacities in connection with various private equity and real estate funds offered and earn fees for the various services they provide.

We and our affiliates generally earn more compensation when you invest in and hold our proprietary investments. Compensation to our affiliates is described in the relevant offering documents. We receive sales loads and selling concessions as we would with the sale of third party products. Refer to the section in this Brochure entitled “Your Representative’s Compensation” for more information.

More information regarding a specific product’s ongoing fees and expenses and overall expense ratio is available in its prospectus or offering materials, and in the product sections of this Brochure below.

#### **Error Correction**

If a trade error occurs in an account, and we determine that we, your Representative or our affiliate caused the error, we will reimburse your account for any resulting monetary loss, and your account will retain any monetary gain. If a trade correction is required as a result of your action or inaction (for example, if you do not make full payment for purchases or fail to deliver negotiable securities for sale before trade settlement), you will bear any resulting monetary loss, and we will retain any monetary gain.

#### **Compensation for Other Services**

We are a broker-dealer and investment adviser, and our Representative can offer various types of advisory and brokerage programs, as well as insurance services, and can refer you to HSBC Bank for deposits and other bank and trust services and our insurance affiliate for certain other insurance products. This presents a conflict of interest because, depending on the particular customer’s investment profile, it incentivizes us to recommend those services that we earn more from over those that we earn less. For example, we can earn more revenue from one type of advisory program over another. We mitigate these conflicts by disclosing them to you, and by establishing policies, procedures and risk-based supervision to review product recommendations.

#### **General Conflicts Associated with Operating as Part of a Global Financial Institution**

HSBC Securities is part of a leading global investment banking firm and a registered broker-dealer, investment adviser and futures commission merchant. Accordingly, HSBC Securities has a variety of interests in customer transactions across all these functions. HSBC Securities, through it and its subsidiaries and affiliates, provides broker-dealer, investment banking, financing, wealth management, advisory, asset management, insurance, lending and related products and services on a global basis. These products and services include: securities brokerage, trading and underwriting; investment banking, strategic advisory services (including mergers and acquisitions) and other corporate finance activities; wealth management products and services including financial, , retirement and generational planning; asset management and investment advisory and related record-keeping services; origination, brokerage, dealer and related activities in swaps, options, forwards, exchange-traded futures and other derivatives, and in commodities and foreign exchange products; securities clearance, settlement financing services and prime brokerage; private equity and other principal investing activities; proprietary trading of securities, derivatives and loans; banking, trust and lending services, including deposit-taking, consumer and commercial lending, including mortgage loans, and related services; insurance and annuities sales; and, research across numerous disciplines, including global equity strategy and economics, global fixed-income and equity-linked research, global fundamental equity research, and global wealth management strategy.

HSBC Securities, its affiliates, and each of their personnel, including Representatives assigned to your account, in compliance with its personal account dealing policies, are able to take positions in securities or take actions for their own accounts which may conflict with positions in your account. HSBC Securities or its affiliates may act as counterparty to any transaction executed for your account, subject to applicable law.

We and our affiliates may buy or sell securities for our own accounts, or may act as broker or agent for other customers. We and our affiliates may give advice and take action in the performance of our duties to a customer that may differ from advice given, or in the timing and nature of action taken, with respect to our own accounts or that of another customer.

### **Your Representative's Compensation**

Your Representative is paid a salary with the opportunity to receive discretionary variable pay which creates conflicts between you, us and your Representative. We base discretionary variable pay (or individual variable pay decisions) on the Representative's personal performance measured against established key performance indicators and objectives.

When measuring your Representative's overall performance and ability to meet objectives, we consider factors like gathering assets and income for HSBC Securities so your Representative has incentives to recommend that you invest assets with us and purchase investments. This also includes deposits and lending products (such as checking, savings, CDs, credit cards and mortgages). Please refer to the Compensation from Other Affiliates for Services Offering Securities and Other Products section below for additional information on Bank related activities. We earn more income from some investment recommendations (such as variable annuities) than others (such as mutual funds), for example, which gives your Representative an incentive to recommend products that will pay us more.

In the following section of this Brochure entitled "Products Available for Recommendation in Brokerage Accounts," we provide information about the income generated by recommendations of different products and services generally, and point to other materials, like prospectuses for example, that will describe the income we receive more specifically for the products you purchase. Please consider that information in connection with your Representative's compensation and conflicts. The differences in the amount of income and the frequency of the income generated to HSBC Securities has an impact on your Representative's opportunity to receive discretionary variable pay, and an impact on the amount of any potential award. This impact and the conflict exists because income is among the factors considered by us in judging your Representative's overall performance and ability to meet objectives.

Another of the financial factors impacting measurement of performance is the amount of assets gathered, including assets that are brought to us for the first time through your Representative's recommendations. This impact and the conflict exists because the amount of money brought into and maintained in accounts serviced by that Representative and the growth of the assets in accounts such as yours are also among the factors considered when judging your Representative's overall performance and ability to meet objectives.

Additional factors beyond asset gathering and income are also part of measuring your Representative's overall performance. We consider factors such as compliance with rules, policies, procedures, code of ethics, industry regulations and standards of conduct. We consider your Representative's activities in meeting with you and serving your financial needs. We will also assess the quality of your Representative's sales presentations to you, which assessment can involve contacting you and asking for your feedback.

The various factors of our discretionary variable pay decisions create conflicts, as your Representative has an interest in establishing a relationship with you, and for recommending our products and services.

Supervisors, are eligible for discretionary variable pay affected by your Representative's recommendations. To the extent that supervisors are reviewing transactions that generate income and assets for the accounts serviced by Representatives, they also have a conflict of interest. We mitigate that conflict through policies and procedures and by measuring the overall performance of those supervisors when considering whether and how much of a potential discretionary variable pay they may receive.

Internal Recognition Programs. Your Representative at times will be eligible to participate in HSBC internal recognition programs, consistent with industry practice and regulatory requirements, based upon overall personal performance. That personal performance is based on the factors noted above, including the gathering of assets and income to HSBC



Securities, creating further incentives to recommend that you invest with us. We also consider factors, such as compliance with rules, their activities in meeting with customers and fulfilling customers' financial needs.

**Title Designations.** Along with years of experience, factors such as the income generated by your Representative's recommendations of products and services, as well as the assets that they gather and maintain for us are considerations when determining if a Representative will be rewarded with an honor such as the title of "Senior Financial Consultant" or "Senior Wealth Relationship Manager." The opportunity to obtain such an honor further incentivizes your Representative to generate income and gather assets for us through the recommendation of our products and services to you.

**Other Benefits.** Your Representative is eligible to receive other benefits based on the amount of their compensation. Employees, including your Representative, whose total compensation is over \$250,000 are eligible for an elective portion of variable pay may be required to be deferred in the form of Restricted Share Units or deferred cash under guidelines established by our parent corporation deferral plan which allows them to defer the receipt of compensation. This does not represent additional compensation, and there is no benefit beyond the deferral of income taxes at the employee's election. This ability to defer income however further incentivizes your Representative to generate income and gather assets and otherwise impact the factors considered in determining his or her discretionary variable pay.

#### **Compensation from Other Affiliates for Services Offering Securities and Other Products**

Your Representative will also be authorized to act on behalf of HSBC Bank USA, N.A., in some cases directly providing deposit accounts and lending products or introducing you to colleagues for additional bank services. For Representatives serving Private Banking customers, these products offered through HSBC Bank may also include certain securities products and services that US national banks may offer directly. In most cases, your Representative will also be authorized to offer additional insurance products through HSBC Insurance Agency, including traditional life insurance products and certain property and casualty insurance (all for third party insurance carriers).

These products and services compete with certain products and services offered through HSBC Securities, and the purchase of these products and services can earn more income for our affiliates. Acting for multiple affiliates and being compensated by them presents conflicts because these factors are considered in your Representative's objectives and measures of overall performance, which in turn impacts his or her opportunity for variable compensation through discretionary variable pay.

**Representative's Outside Business Activities.** In addition to approved roles acting on behalf of our affiliates, your Representative is permitted, subject to our review and approval, to engage in certain other business activities, other than the provision of brokerage and advisory services through us. Your Representative could also engage in another business including a family owned business, or serving as an officer, director, partner or employee of or consultant to another business organization. These outside business activities can cause conflicts with the brokerage or advisory services your Representative provides to your brokerage account. Your Representative may receive more fees from the outside business than from us, and he or she could have an incentive for you to engage or transact through the outside business to earn additional compensation.

#### **Products Available for Recommendation in Brokerage Accounts**

The key product categories available for recommendation in brokerage accounts are described below. We include important information including a general description, the typical circumstances under which we might recommend these products, certain general risks, limitations on available products and recommendations (including in each segment, our compensation and conflicts, other fees and costs, and where to find additional information. Remember that we believe in a layered approach to providing information and it is not possible to give you every detail about every product in this general brochure. You will have the opportunity to spend more time with your Representative going over information about particular products before you make your choice.

## **Mutual Funds**

Mutual funds are a type of pooled investment vehicle. Shareholders of a mutual fund invest their money by purchasing shares of the fund. The money that they pay for the shares is pooled together and invested in a portfolio of securities, such as stocks, bonds, or money market instruments. Mutual funds are professionally managed and operated by money managers, who maintain the portfolio in accordance with the fund's investments objectives as stated in the prospectus.

Mutual funds are a core offering for retail investors, which offer built-in diversification along with professional management. The recommendation of particular mutual funds is based upon each customer's individual circumstances, including risk tolerance, goals and time horizon, and other information you disclose to us.

Mutual fund investments are subject to the general risks of investing noted above which include the fact that investment returns and the share value of all mutual funds fluctuate with market conditions or other factors. You may receive more or less than your original investment when you redeem your shares. A fund will invest the assets according to its own investment strategy outlined in the prospectus. The prospectus will also discuss the fund's risk profile, performance history, management, and fees. Importantly, since mutual funds allow for investing in a wide variety of underlying securities, the most important source for understanding the risks of a particular fund is its prospectus. Review the risk section carefully, and discuss the particular recommended fund or funds' risks with your Representative before acting on his or her recommendation.

When your Representative recommends a type of mutual fund for you, he/she will present you with a separate acknowledgement form so that he/she can highlight general risks and particular costs for you in more detail. The separate acknowledgement will not be needed for each later recommendation, but you can always ask for your Representative to review the risks and costs.

For all our segments, your Representative can help you choose from a broad selection of third-party mutual funds. We limit our Representatives' recommendations of funds to a selection of the fund companies we offer through brokerage. These fund companies have been screened and regularly reviewed by the HSBC's Global Manager Selection team ("GMS"). At any given time, the list of recommended fund companies will range from approximately 15 to 20 third party fund companies. We believe that these fund companies provide a broad offering of mutual funds in a variety of asset classes that are generally appropriate for our customers in all our segments.

In addition to these third party fund companies, our offering of recommended funds includes funds managed by our affiliates, including HSBC Asset Management. See the section above regarding our conflicts with respect to recommendations of proprietary products. We believe that these funds are generally appropriate for the needs of our customers. However, our menu of HSBC funds is less extensive and therefore the opportunity for breakpoints or other sales discounts may be less than for other fund companies. Generally, HSBC funds fill a particular need for a sector or sectors or investing as part of a well-diversified portfolio.

Importantly, the funds that we recommend are limited to those that impose sales charges that are deducted from your purchase price, which in turn compensate firms like ours for distribution. We do not provide recommendations for "no load funds," which are less expensive but also designed for investors who do their own research without the aid of a financial professional like our Representatives. As your broker, however, we will facilitate the execution of transactions in any fund that you choose provided that we have a selling agreement with the provider.

### **Our Compensation and Conflicts**

Mutual fund shares come in different classes, each with different fees and fee structures. We offer and recommend A and C share classes. Specific fees and fee structures of each share class, including the amount charged and when it is collected, vary depending on the particular mutual fund and are described in the mutual fund's prospectus, but here is a general discussion of the share class fee structures for mutual funds on our brokerage platform:

Class A – Class A shares charge an upfront sales fee, or front-end load, that is deducted from your initial investment and paid to us as a commission for selling the shares to you. Front-end loads vary, sometimes they are 0%, but typically range between 0 to 5.75%. Class A shares also pay us trails in the form of “Rule 12b-1 fees” for distribution. Rule 12b-1 fees vary and range from 0.25 to 1.0%.

**A Note About Breakpoints.** Certain mutual funds offer discounts or reduced sales charges on Class A shares based on the total amount you invest with the mutual fund company. The investment amount needed to receive a discount is known as a “breakpoint.” Mutual fund companies may allow you to combine your holdings with those of certain family members to reach a breakpoint. Each mutual fund prospectus describes its breakpoint policies, including how you can reach breakpoints.

Because we receive a lower front-end load when you reach a mutual fund breakpoint, we have an incentive to recommend that you invest in mutual funds that do not have breakpoints, or to invest in a number of different mutual fund families so that you do not reach a breakpoint with respect to a particular mutual fund family.

Class B – Class B shares generally do not impose a front-end sales charge but may impose a Contingent Deferred Sales Charge (CDSC) on share redemption and relatively high 12b-1 fee. The amount of the CDSC usually declines the longer the shares are held. Class B shares often automatically convert to Class A shares (with lower asset-based fees) after a period of time, usually after the CDSC declines to zero. All of the customer’s funds are invested at the time of purchase. Most of our approved fund families no longer offer Class B shares, and for those that do, we will not recommend Class B shares for aggregate investments over \$25,000.

Class C – Class C shares charge a level CDSC, typically 1%, that you pay for the first year you hold a share. The CDSC is paid to the mutual fund company and is not shared with us. Generally speaking, Class C shares convert to class A shares after 10 years. Please refer to your mutual fund’s prospectus regarding when your Class C shares would convert to Class A shares, if they are convertible. Class C shares pay us trails in the form of “Rule 12b-1 fees” for distribution. Rule 12b-1 fees vary and range up to 1%.

Because Class A shares pay us a front-end load when you buy a share and ongoing 12b-1 fees that are lower than those we receive for Class C shares, we and your Representative have an incentive to recommend that you trade in and out of Class A shares more frequently and to buy Class A shares of mutual fund companies that pay us additional and higher front-end loads and other compensation than those that do not pay us front-end loads, or that pay us less. Because Class C shares pay us higher 12b-1 fees for so long as you hold the shares, we have an incentive to recommend that you purchase and hold Class C shares for longer periods and to buy Class C shares of mutual fund companies that pay us higher 12b-1 fees than those that do not pay us 12b-1 fees or those that pay us less.

See the section entitled “Third-Party Compensation We Earn with Respect to Your Brokerage Investments” for more information about other compensation we receive from customer investments in mutual funds and our related conflicts of interest. See the section entitled “Your Representative’s Compensation” for more information about additional conflicts associated with your Representative’s recommendations.

### **Other Fees and Expenses**

Mutual fund shares incur a number of other fees and expenses, including management and redemption fees that are discussed in detail in mutual fund prospectuses. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis or based on your transactions. These fees can vary significantly.

### **Additional Information**

When you initially accept a recommendation from one of our Representatives, he or she will use our Mutual Fund / 529 Plan Disclosure & Acknowledgement Form to help highlight the fees specific to your fund purchase.

For more information about investing in mutual funds, please see the SEC’s “Mutual Funds,” available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/mutual-funds-and-exchange-traded-1>. If you are interested in investing in a particular mutual fund, please review the mutual fund’s prospectus,

which you can request from your Representative, or by calling us at 800.662.3343 M-F (8am-6pm) ET. In addition, we will provide acknowledgement forms as a tool to review certain risks and costs with you at the time of an initial recommendation.

NON US CUSTOMERS: If you are not a US Person, and reside outside the United States, you will want to discuss offshore mutual funds with your Representative. Since these are not US funds, some of the details about the share classes and other features will be different and you will need to go over this carefully with your Representative who will also use our Offshore Mutual Fund Customer Disclosure & Investment Acknowledgement Form and the funds' offering documents to convey important information about fees and risks. For eligible Premier customers, offshore funds are recommended from a subset of the third party providers approved for recommendation plus HSBC proprietary offshore funds. The menu of offshore mutual funds available for recommendation is more expansive for our Private Banking customers. For customers of Private Banking, however, offshore funds are currently offered through our affiliate HSBC Bank and through HSBC Securities.

### **Exchange Traded Funds (ETF)**

Like a mutual fund, an exchange-traded fund ("ETF") is a pooled investment fund that is professionally managed and invests pursuant to a specified investment strategy. ETFs can hold securities, as well as commodities and currencies.

We offer recommendations on ETFs to all our customers.. In addition to US domiciled ETFs, Offshore ETFs are ETFs that are domiciled in countries outside the United States which are available for non US investors only. Although the company offering the offshore ETF may be structured in any number of ways, we only recommend offshore ETFs that are offered through "UCITS" (Undertakings for Collective Investment in Transferable Securities), which is a regulatory framework of the European Commission. Any ETF recommended by our Representative must be a part of our approved ETF universe (whether onshore or offshore), which includes ETFs that have a Buy or a Hold rating from HSBC Private Banking's Global Fund Selection Team.

The risks associated with ETF investments depend on the fund's investment strategy and are disclosed in the prospectus. When you invest in an ETF, you purchase a share that represents your interest in the fund. Unlike mutual fund shares, ETF shares can be purchased and sold throughout the trading day.

Please consider the ETF's investment objectives, risks, charges and expenses carefully before investing. The prospectus, which contains this and other information, can be obtained by calling your HSBC Securities Representative or calling 800.662.3343 M-F (8am-6pm) ET. Read it carefully before you invest.

#### **Our Compensation and Conflicts**

Unlike mutual funds, ETFs do not have share classes. Instead, when you buy or sell an ETF, you will pay us a commission. The commission is based on your investment amount and is described on our Commission and Fee Schedule. We have an incentive to trade ETFs more frequently and in larger amounts to generate greater commissions. We generally earn more compensation for transactions in mutual funds (which have certain similarities to ETFs) than transactions in ETFs. For further information regarding related conflicts, see "Your Representative's Compensation" in this Brochure. For more information about how ETFs relate to these and other investment products we sell, please ask your Representative.

See the section entitled "Your Representative's Compensation" for more information about additional conflicts associated with your Representative's recommendations.

**Other Fees and Expenses.** ETFs deduct ongoing fees and expenses to cover the ETF's annual operating expenses and distribution activities, including investment management fees that are paid to the fund's manager. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis. These fees, which can vary significantly, are included in the ETF's expense ratio.

We, or our clearing firm, Pershing, collects from you an activity assessment fee for the sale of most stocks, ETFs, and options. This fee is required by our regulators. The fee is automatically deducted from the proceeds of your sale.

More information about ETFs, including their ongoing fees and expenses and overall expense ratio is available in the ETF's prospectus.

**Additional Information.** For more information about investing in ETFs, please see the SEC's "Exchange-Traded Funds," available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/mutual-funds-and-exchange-traded-2>. If you are interested in investing in a particular ETF, please review the ETF's prospectus, which you can request from your Representative or by calling us at 800.662.3343 M-F (8am-6pm) ET.

## **Annuities**

Annuities typically offer tax-deferred growth, guaranteed retirement income and death benefit options for customers looking to supplement retirement income. When you buy an annuity, you enter into a contract with an insurance carrier, which agrees to make periodic payments to you (or your beneficiary) based on the amount you invest. These payments can start immediately (an immediate annuity) or at some future time (a deferred annuity). As both a broker-dealer and insurance agent, we offer three types of variable annuities (traditional variable annuities, registered index-linked annuities ("RILAs"), and a private placement variable annuity ("PPVA")), and as an insurance agent, we offer three types of fixed annuities (single premium immediate annuities, deferred income annuities, and traditional deferred fixed annuities). All of our representatives are licensed to sell both variable and fixed annuities. We do not currently offer annuities to our Private Banking customers.

### **Fixed Annuities**

- Traditional Deferred Fixed Annuities guarantee a fixed interest rate either for the annuitant's life or a defined length of time, where payments begin at a point of time following an accumulation period. Premiums can be paid in a lump sum or in installments. We recommend these annuities based on our customer's investment profile and typically where the customer does not have an immediate need for income and seeks tax deferred growth and a guaranteed income stream in retirement.
- SPIAs and DIAs
  - » Single Premium Immediate Fixed Annuities ("SPIAs") require the premium to be paid up front in a lump sum. SPIAs do not have an accumulation period, so your income payouts can begin within 30 days of the contract being established.
  - » Deferred Income Annuities ("DIAs") work the same way as SPIAs but the guaranteed income begins at a specified future date.

We recommend these annuities based on our customer's investment profile and typically where the customer has a lump sum and desires guaranteed income stream beginning either immediately, or in the future.

### **Variable Annuities**

A variable annuity's investment returns depend on the performance of the annuity's underlying "sub-account" investments, or, in the case of RILAs, the index or indices to which the investments are linked. Some contracts have optional living benefit riders that may help to protect returns from market downturns. We recommend these annuities based on our customer's investment profile and typically where the customer does not have an immediate need for income and seeks tax deferred growth.

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**Registered Index-Linked Annuities**

RILAs are structured variable annuities with subaccounts linked to index performance. Like other structured products, RILAs offer caps and buffers, which afford investors some downside protection against market risk in return for an upside ceiling. As with all annuities, income generated within the RILA accumulates on a tax-deferred basis. From a market risk perspective, RILAs fall between fixed annuities and traditional variable annuities. Unlike fixed annuities, which guarantee a fixed interest rate of return, RILAs are securities with market risk exposure. But the buffers offered with RILAs can afford customers some downside protection against market risk, unlike traditional variable annuities which do not offer the ability to limit downside protection. As such, RILAs would be appropriate for investors seeking the advantage of tax-deferred growth and who have some market risk tolerance but are willing to trade off their upside investment potential for the ability to limit their downside exposure. RILAs do not guarantee the return of principal investment. Returns on RILAs are tied to the performance of underlying investment options for the particular RILA and may fluctuate based on market or other conditions. RILAs that offer buffers or guards only protect a portion of the principal investment against market declines, and market declines in the selected investment options beyond any buffer, guard or other partial protection feature result in losses to principal investment.

**Private Placement Variable Annuity**

The PPVA is a customized variable annuity and unregistered security product (exempt offering) distributed by HSBC Securities and manufactured by Lombard International Life Assurance Company. PPVA can only be sold to “accredited investors” as defined by the SEC and thus is subject to net worth requirements. PPVA has a \$1 million minimum investment requirement which grow in a tax-advantaged insurance policy state until withdrawn or distributed from the annuity contract. PPVA is designed to meet the needs of the ultra-high net worth customer segment for those customers seeking greater investor control of investments that are tailored to their unique needs and investment appetite. HSBC Securities’ affiliate(s), HSBC Bank, manages the underlying investment portfolio, and receives separate compensation for those services, which creates a conflict for HSBC Securities.

We generally recommend investments in annuities when a customer’s investment profile indicates that a long-term, tax-deferred investment with some down-side protection would be appropriate to meet the customer’s investment objectives. Annuities’ unique benefits such as tax deferred accumulation and the potential for guaranteed retirement income sets them apart from other wealth products that do not offer these benefits. Some variable annuities also offer optional death benefit riders.

The risks associated with annuities depend on the type and structure of the annuity and are disclosed in the annuity’s prospectus and/or contract. If you withdraw money from an annuity before reaching certain ages, you may be subject to an “early withdrawal penalty” or “early surrender charge.” Early withdrawals may impact annuity cash values and death benefits. An additional 10% IRS penalty may apply to withdrawals prior to age 59½ subject to the IRS laws and any changes outlined at <https://www.irs.gov/retirement-plans>. If you are investing in an annuity through a tax-advantaged retirement plan such as an IRA, you will receive no additional tax advantage from an annuity. Under these circumstances, you should only consider buying an annuity if it makes sense because of the annuity’s other features, such as lifetime income payments and death benefit protection. Features that provide lifetime income are optional and can be purchased at an additional cost. Please consult your independent tax advisor for more information about the tax implications of investments in annuities. Other risks associated with annuities are liquidity risk and insurance carrier financial risk, and in the case of variable annuities, added complexity, market risk, and no principal guarantee.

We offer a limited number of annuity products that we believe are competitively priced and offer features and benefits consistent with our customers' general needs. Currently, annuities are available for recommendations to eligible customers, as outlined in Addendum A but may not be available to all customers.

### **Compensation and Conflicts**

HSBC Securities earns a commission from the insurance carrier when it sells an annuity. The commission is a percentage of the insurance premium you paid. The amount of the upfront sales commission, or first-year commission, that we receive for selling you an annuity varies, and is based upon the specific product and its terms and conditions.

The commission ranges are:

Traditional Deferred Fixed Annuities: 1% – 5%

SPIAs: 1% – 5%

DIAAs: 1% – 5%

Variable annuities: 4% – 7%

RILAs: Commission ranges from 3% to 6%. Note also that some RILA contracts have a no fee option while other alternatives have a 1.25% annual product fee calculated as a percentage of the charge base, which is the contract value on the preceding quarterly contract anniversary, adjusted for subsequent purchase payments and withdrawals. The annual fee in turn provides higher caps.

Other fees or costs, as applicable, to consider are:

- Contract Maintenance Charges: \$50 annually (waived for contract values of \$100,000 or more)
- Rider Costs
- Variable Investment Option Fees

PPVA: Initial set-up charge: 10 basis points (bps) of the investment amount not to exceed \$10,000

Trailing commissions (charged quarterly) as follows:

- 15 bps for less than \$10M investment
- 10 bps for investments from \$10M to \$40M
- 5 bps for investments over \$40M

For some variable annuity products, we may also receive trailing commissions and/or asset-based cash accumulation values or a combination of both. Trailing commissions are generally between 50bps and 4% but can be as low as 5bps and up to 7% of the total account value starting in year two, and generally last between two years and 10 years, depending upon the annuity.

The compensation that we earn from your investments in annuities when we act as your broker creates incentives for us to promote and recommend that you purchase them from us. Further, we may earn more from some annuities than others, which creates an incentive for us to promote and recommend those annuities that pay us more over those that pay us less.

See the section entitled "Third-Party Compensation We Earn with Respect to Your Brokerage Investments" for more information about other compensation we receive from customer investments in annuities and our related conflicts of interest.

See the section entitled "Your Representative's Compensation" for more information about additional conflicts associated with your Representative's recommendations.

### **Other Fees and Expenses**

Annuities incur a number of other fees and expenses (charged the carrier) that are discussed in detail in annuity contracts and prospectuses. These fees and expenses vary depending on the type of annuity you purchase and other factors, and can include annual fees and expenses, withdrawal fees, and maintenance fees.

### **Additional Information**

For more information about investing in annuities, please see the SEC's "Annuities," available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/insurance-products/annuities>. If you are interested in investing in a particular annuity, please consider the investment objectives, risks, charges and expenses. Review the annuity's contract or prospectus carefully before you invest, which you can request from your Representative, or call us at 800.662.3343 M-F (8am-6pm) ET. Other relevant documents you can review include:

- Carrier product summaries (where available)
- Prospectus (Variable Annuities only) or offering memorandum (for PPVA)
- Carrier Application and Disclosure forms
- Applicable HSBC Disclosure forms
- Annuity Contract

### **529 Education Savings Plans**

529 Education Savings Plans (or "529 Plans") are tax-advantaged savings plans designed to encourage saving for future education costs. 529 Plans, also known as "qualified tuition plans," are sponsored by states, state agencies, or educational institutions and are authorized by Section 529 of the Internal Revenue Code. 529 Plans are currently offered for recommendations only through Representatives serving eligible customers, as outlined in Addendum A, but may not be available to all customers. We recommend 529 Plans based on our customer's investment profile and generally where the customer desires tax-deferred growth and savings for future education expenses.

When you enroll in a 529 Plan, you will select an investment portfolio from the investment options offered by the plan. The investment options generally consist of mutual fund asset allocation portfolios that are based on the beneficiary's age and other factors. The features of 529 Plans vary depending on the state's plan and may include limitations on investment options, the ability to change investments, and aggregate contributions for all beneficiaries. The tax implications and benefits of investing in a 529 Plan also vary and you should consult with your independent tax advisor when choosing a plan. Your Representative can assist you in choosing a 529 Plan and investment options within the plan for your specific situation.

529 Plan investments are subject to market volatility and other investment risks associated with mutual fund investments, and, as a result, you may lose money on your investments and your savings in the 529 Plan may not be enough to cover education costs.

For more information about risks associated with mutual fund investments, please see the section "Mutual Funds" in this Brochure. The first time you make a 529 Plan investment, your representative will also provide you with risk acknowledgement forms that highlight the 529 Plan's risks.

We offer and recommend 529 Plans in a number of states, but we do not offer 529 Plans in every state where our customers reside. You may purchase 529 Plans that are "out-of-state," but you may forgo certain state income tax and other benefits that are available when you invest in a 529 Plan in your state. The tax treatment of 529 Plans vary from state to state and can be a major factor in deciding which plan to select. State tax or other benefits should be one of many factors to be considered prior to making a decision to invest in a 529 Plan. Please consult your independent tax advisor for more information.



Our offerings are limited to “advisor-sold” plans. “Direct-sold” plans may also be available to you and are generally less expensive than “advisor-sold” plans.

#### Compensation and Conflicts

Our compensation on the sale of 529 Plans depends on the mutual fund shares you purchase through the plan. Specific fees and fee structures of each share class, including the amount charged and when it is collected, vary depending on the particular 529 Plan and underlying mutual funds in which you invest and are described in 529 Plan’s offering circular and mutual fund prospectuses. Please see the section of this Brochure entitled “Mutual Funds” for more information about our fees and compensation and conflicts for mutual fund transactions, including for different share classes.

Please refer to the offering material for the particular 529 Plan or plans under consideration with your Representative for the fees specific to your fund purchase. Additionally, we will highlight the costs of the investment in our separate 529 Plan Customer Acknowledgment form.

The compensation that we earn from your investments in 529 Plans when we act as your broker creates incentives for us to promote and recommend that you purchase these investments from us. Further, we may earn more from some 529 Plans that we offer than others and more from the sale of some share classes than others, which creates an incentive for us to promote and recommend those 529 Plans, and investments within the plans, that pay us more over those that pay us less.

See the section entitled “Third-Party Compensation We Earn with Respect to Your Brokerage Investments” for more information about other compensation we receive from customer investments in 529 Plans and our related conflicts of interest.

See the section entitled “Your Representative’s Compensation” for more information about additional conflicts associated with your Representative’s recommendations.

#### **Additional Information**

For more information about 529 Plans, you may find the following resources helpful:

- <https://www.investor.gov/introduction-investing/investing-basics/glossary/529-plans>.
- FINRA website (<https://www.finra.org/investors>)
- [savingsforcollege.com](https://www.savingsforcollege.com) website
- MSRB website Education Center (<https://www.msrb.org/EducationCenter/Municipal-Market/529-Plans>)

If you are interested in investing in a 529 Plan, please refer to the 529 Plan’s offering circular, which you can request from your Representative or by calling us at 800.662.3343 M-F (8am-6pm) ET. Other relevant documents you can review are:

- The relevant state’s 529 Plan’s disclosure documents (including for example any offering circular, disclosure statement, or similar document) from the sponsor of the 529 Plan (available through the sponsor websites)
- HSBC Securities Mutual Fund/529 Customer Disclosure & Investment Acknowledgment Form
- HSBC Securities 529 Plan Customer Acknowledgment Form

#### **Equities**

Investing in individual equities provides direct access to specific companies and gives the investor shares of ownership, or “equity”, in these companies. These shares are bought and sold in the public stock market which generally provides daily liquidity. These shares may be purchased as an initial public offering (“IPO”) or in the day to day secondary market. Individuals and firms buy shares of stock on a stock exchange in anticipation of income from profits in the form

of cash or stock distributions (called dividends) and an increase in the value of their shares (called capital gains). Of course, if the company or the overall market is not doing well, then the dividend may be reduced or eliminated and the value of the stock may decline.

We offer two ways to purchase equity shares either at an IPO or in the secondary market, which is the day-to-day stock market where shares of established public companies are traded every day the stock exchanges are open. IPOs are often risky investments because the company going public has a lack of public operating history. Moreover, although we occasionally participate in IPO offerings and make them available to all customer segments, the opportunity for retail investors who submit indications of interest to actually obtain allocations of IPOs is limited. In addition to the limitations based on underwriter allocations, our customers must meet certain minimum criteria that we establish.

A Note About IPOs. As stated in our Customer Agreement with you, we allocate investment opportunity among accounts that submit indications of interest in a manner that we determine to be appropriate. We may make allocations with reference to numerous factors. These factors may include but are not limited to timing of a customer's subscription to or indication of interest in the investment, relative size of applicable accounts and their expected future sizes, the capacity of portfolio funds, investment objectives and guidelines and financial circumstances, risk tolerance, availability of other investment opportunities, and available cash for investment. You may be offered the opportunity to participate if we believe that such investments are consistent with your account type, investment objectives, and financial circumstances. Other factors may also be taken into consideration in connection with allocation of IPOs and other offerings, including that we may choose to offer participation to only a small group of customers. Our allocation policies and procedures are subject to amendment from time to time.

For established public companies already trading on stock exchanges, we make the ability to buy and sell individual equities available to all customers with a brokerage account who want to do so on an unsolicited basis, which means without a Representative's recommendation or advice. Our offering through Representatives includes recommendations of individual equities or equity ownership strategies. Through a Registered Representative, we provide access to recommendations for equities in both the US markets as well as international markets in both developed and developing countries.

We recommend individual equities to all our customers based on their investment objectives and other factors in the customer's investment profile.

Any recommended purchase of equity securities must be a part of our equity focus list, which consists of stocks that have a Buy or a Hold rating from our approved equity research providers (we primarily rely on HSBC Global Research and secondarily on CFRA, a third-party vendor used when HSBC Global Research does not cover certain companies).

In addition, the Global Private Bank has an Equity team, with Equity Specialists based across our global network. This team creates and maintains equity focus lists, which filter our equity investment universe down to a selection of approximately 120 high conviction and thematic stocks. Your Representative can draw from our equity focus list to help you select stocks that will work toward meeting your investing goals.

The main risks associated with stocks depend on the particular company whose stock is being purchased and are disclosed in the company's Form 10-K that is filed with the SEC and available at <https://www.sec.gov/edgar/searchedgar/companysearch.html>, and can include:

- Stock prices rise and fall based on changes in an individual company's financial condition and overall market conditions (Market Risk).
- At certain times, there may be increased volatility in equity markets meaning the value of stocks can fluctuate significantly over short period of time and you may not be able to recover from losses as quickly as you experience them (Volatility Risk).

- If you invest in the stock of a company outside your home country, you may also be exposed to currency risk when we have to convert your home country's currency to another country's currency to complete the trade, the risk that you may get less value due to unfavorable changes in currency exchange rates. (Currency Risk). Foreign equities carry additional risks, such as less developed or less efficient trading markets, political instability, a lack of company information, differing auditing and legal standards, volatility and, potentially, less liquidity. International investing including emerging markets involves a greater degree of risk and increased volatility that is heightened when investing in emerging markets. Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade.
- The liquidity, settlement and transaction costs associated with international equities will often vary from equities traded on US stock exchanges.

### **Compensation and Conflicts**

We charge commissions on equity trades according to our Commission and Fee Schedule. These commissions and fees are differentiated based upon the level of service provided in each customer segment we offer.

Minimum commissions apply and differ by segment.

For all IPO transactions, we trade with you as riskless principal, and the price of the IPO that you buy from us is set by the underwriting syndicate. We are compensated by a selling concession that is paid by the underwriter to us, you do not pay this fee.

The compensation we earn by charging commissions on equity securities transactions (buys and sells) or receiving a dealer concession in an IPO creates incentives for us to:

- recommend more frequent transactions;
- recommend transactions in larger amounts.

### **Global Research / Due Diligence Providers**

Our Global Research and Due Diligence Providers (collectively "Research Providers) provide important sources of information to the firm in its selection; management and offering of products and services to you. However, you should understand the potential conflicts of interest our Research Providers might face. For example, our Research Providers cover products and services that the firm may underwrite or issue. Research Providers may also own the securities of the companies they cover including their individual analysts – either directly or indirectly, such as through employee stock-purchase pools in which they and their colleagues participate. These situations as well as others are a conflict of interest for our Research Providers. We mitigate these conflicts through policies and procedures; training; and compensation practices that mitigate these conflicts of interest.

See the section entitled "Your Representative's Compensation" for more information about additional conflicts associated with your Representative's recommendations.

### **Other Fees and Expenses**

We, or our clearing firm, Pershing, collects from you an activity assessment fee for the sale of most stocks, ETFs, and options. This fee is required by our regulators. The fee is automatically deducted from the proceeds of your sale.

Additional Information. For more information about investing in stocks, please see the SEC's "Stocks," available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/stocks> and for information on IPOs please see <https://www.sec.gov/fast-answers/answersipohtm.html>. If you are interested in investing in a particular stock, please review the company's disclosures, including its Form 10-K, which you can request from

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your Representative, or by calling us at 800.662.3343 M-F (8am-6pm) ET. See the HSBC Securities Commission and Fee Schedule for Private Banking online at <https://www.us.hsbc.com/investments/customer-relationship-summary/>.

## **Fixed Income**

Fixed income securities are debt securities that make scheduled payments to the investor through the security's maturity date. We offer a variety of fixed income securities, including U.S., state, municipal, governmental agency, sovereign, corporate and emerging market bonds, commercial paper and brokered certificates of deposit ("CDs"). Fixed income securities can be bought directly from the issuer, or as secondary market securities that were previously issued and traded, including by us and our affiliates. We generally trade fixed income securities with you as principal (or riskless principal), buying securities from you and selling them to you for our own account. On occasion a fixed income trade may be executed on an agency basis in which case a commission will be charged.

Our offerings include, but are not limited to, bonds, commercial paper and CDs that we and our affiliates issue. While we offer access to a wide variety of bonds available in the market, our recommendations are limited to securities that we consider generally suitable for a specific customer segment. For example, we limit recommendations to Premier customers to investment grade bonds, senior ranked or higher, and that have a maturity of less than 30 years. The parameters for recommendation to our Private Banking customers are not the same; recommendations for customers of Private Banking include a more expansive offering of bonds that, for example, carry additional risks or more sophisticated features, including a wider variety of bonds, and contingent convertible securities. The offering of recommendations to Private Banking customers does have certain limits, such as not recommending securities rated CCC or below or municipal bonds rated BBB- or below.

We recommend fixed income securities based on our customers' investment profiles and generally where a customer has a current income need and seeks reduced risk to their capital, as opposed to those who seek higher rates of return and can withstand higher investment risks that other products, such as equity securities offer. Investments in fixed income securities may also be recommended to help customers diversify their holdings based on their investment objective, risk appetite, and time horizon. Please note that proprietary fixed income recommendations are not permitted to Retirement Investors.

The primary risks associated with fixed income securities depend on the particular security and include the risks that:

- the issuer will default and not be able to make interest and principal payments when they are due (Credit Risk);
- changing interest rates can negatively affect the security's price (Interest Rate Risk);
- you may be unable to reinvest interest or principal payments in investments paying a comparable rate of return as the security you hold (Reinvestment Risk);
- you may not be able to find a buyer if you want to sell prior to maturity and may be forced to sell at a discount to market value (Liquidity Risk); and
- inflation will outpace the return of the investment and reduce the purchasing power of the security's future interest and principal payments (Inflation Risk).

This is not a complete list of risks, and more information about a particular fixed income offering is available from your Representative or in the case of initial offerings, in the statements and other disclosures we make available to you.

## **Compensation and Conflicts**

The price of fixed income securities that you buy from us or sell to us in the secondary market includes a markup or markdown of the price of the security. The markup and markdown represents a profit to us over the price at which we buy or sell the security. Our policies and procedures limit the amount of the markup or markdown we can impose. When

we act as agent in a fixed income trade, we receive a commission. We only act as agent under certain circumstances and in those cases a commission negotiated with you will be charged.

When we act as underwriter in a fixed income offering and we sell fixed income securities we underwrite, we receive a selling concession from HSBC (USA) Inc. that ranges from .5% to 1.5% of the offering price of the securities for distributing the securities. Minimum markups apply and vary by segment. Refer to the applicable Commission and Fee Schedule for current information. Our fee schedules may be found at online at <https://www.us.hsbc.com/investments/customer-relationship-summary/>.

The compensation we earn by marking up the price of securities we sell to you, or by marking down the price of securities we buy from you creates incentives for us to:

- Recommend fixed income transactions more frequently and in larger amounts;
- Execute your trade against our proprietary accounts; and
- Increase the amounts of the markups and markdowns we impose;
- Recommend fixed income trades that earn more income than other transactions.

See the section entitled “Your Representative’s Compensation” for more information about additional conflicts associated with your Representative’s recommendations.

### **Execution of Foreign Currency Denominated Fixed Income Securities Orders**

With a few exceptions, your fixed income orders denominated in currencies other than USD are substantially routed to our affiliate, HSBC Private Bank Switzerland (“HSBC Switzerland”) for execution, in order to take advantage of their global positioning and wider breadth of international market counterparties, as opposed to our U.S. based execution venue. European markets and our affiliate HSBC Switzerland close at around 1pm EST so, applicable non-USD denominated fixed income orders placed after this time will be routed to a US based execution venue instead, which may not have access to equivalent international pricing, if any pricing at all, which means your order may not be executed and will need to be placed again on the next available business day. Our affiliate, HSBC Switzerland, charges HSI a smaller mark up or mark down fee which results in a lower end price to you. Our U.S. based execution venue charges a slightly higher fee in the same manner. Accordingly, when we route your non-USD bond order after 1pm, or as detailed below, to our U.S. based venue, the execution price will result in a slightly higher end price to you.

Exceptions:

- Mexican Pesos (MXN) denominated government issued bond orders (such as Cetes, MBonos, etc.) are always routed to our U.S. based venue for execution, regardless of time of day.
- Canadian Dollar (CAD) denominated bond orders, government and corporate issued, will be routed to HSBC Switzerland during European hours and then to our U.S. based venue if placed after 1pm EST, during U.S and Canadian business hours.
- Our affiliate HSBC Switzerland is open for business daily, during all US market trading days of the year, until 1pm EST.

### **Additional Information**

For more information about investing in fixed income, please see the SEC’s “Bonds,” available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/bonds-or-fixed-income-products/bonds> and “Certificates of Deposit (CDs),” available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/certificates-deposit-cds>. Additional information about individual municipal fixed income securities, including municipal disclosure documents, may be available from the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access information site at <https://www.emma.msrb.org>. If you are interested in

investing in a particular fixed income security, please review the security's offering documents, which you can request from your Representative, or by calling us at 800.662.3343 M-F (8am-6pm) ET.

### **Structured Products**

A "structured product" is a type of debt security whose return is based on the performance of one or more underlying assets, such as a stock index. Structured products can be issued as callable (redeemable prior to maturity) or without call features (payout at maturity). We offer structured notes and market linked CDs (collectively "Structured Products"). We offer Structured Products that are designed to return your full amount of principal to you at maturity, subject to the issuer credit risk. We also offer Structured Products where your principal is at risk which means at maturity you may get back less principal than you invested, and in some cases you could lose all of your investment. We trade Structured Products with you as riskless principal. We recommend Structured Products based on a customer's investment profile and generally only where the customer has at least a moderate risk tolerance and a certain level of investment knowledge and experience. As these are complex products we only recommend Structured Products where we have a reasonable basis to believe you can fully understand the product and how it operates.

The main risks associated with structured notes are disclosed in the offering document for each security, as well as our "Annual Structured Product Acknowledgement Form" disclosure document. The main risks associated with market linked CDs are disclosed in the offering documents for each, as well as our "Customer Receipt and Acknowledgment Form for Structured Certificates of Deposit" disclosure document.

Structured Products are considered complex products that have certain features and risks that are important to be aware of. This is not a complete list of all the risks involved in purchasing Structured Products. Some of the risks are:

- Each Structured Product is an unsecured debt obligation and subject to the credit risk of the Issuer;
- Structured Products are designed to be held to maturity and not meant to be short-term trading investments, any sale prior to maturity could result in a substantial loss of principal;
- Not a liquid investment as there is no established secondary market for Structured Products making them difficult to sell prior to maturity;
- Structured Products will have specific suggested suitability characteristics for each issuance which means it is important to review all of the offering documents in their entirety.

Currently our Representatives are able to recommended both proprietary HSBC Structured Products (issued by an HSBC affiliate) and a limited number of third parties; however, the majority of the structured product offering, consists of proprietary products. These proprietary Structured Product offerings are further limited to a set of approved underlying assets and payoff opportunities. The third party Structured Products offerings also include payoff opportunities that come with additional risks, complexity or more sophisticated features, including a wide variety of products with more varied underlying assets including exposure to emerging markets indexes and international equities. For Non-US Private Bank customers, we also recommend dual-currency notes, which are short-term, foreign exchange linked notes where at maturity, depending on the note's terms and market conditions, can pay the investor their investment amount plus any return either in the currency of the initial investment or in an alternate currency.

Please note that certain proprietary products such as Structured Notes and Fixed Income may have limitations for recommendation to retirement customers.

Our Structured Products are not appropriate for all investors or financial situations.

### **Compensation and Conflicts**

For all Structured Product transactions, we trade with you as riskless principal, and the price of the structured product that you buy from us includes a markup. The markup you incur represents a profit to us over the price we

buy the security. We disclose the amount of any markup on the Structured Product you buy as the underwriting discount located on the first page of the offering documents. If you choose to sell your Structured Product prior to maturity it will be subject to a markdown by the issuer due to factors such as unwind costs and the lack of a liquid secondary market. We do not receive any revenue from this issuer markdown on your Structured Product if you choose to sell the security through us prior to maturity.

Because we receive a markup when you purchase structured products, we have an incentive to recommend structured product transactions more frequently and in larger amounts. When we trade as riskless principal, we also have an incentive to increase the amounts of the markups we impose. The markups can vary depending on the product, the size, type of structure, maturity, underlying asset, market environment and other features associated with the structured product. We disclose the amount of any markup or markdown on your Structured Products you buy or sell on your trade confirmations.

The compensation we earn by marking up the price of securities we sell to you, or by marking down the price of securities we buy from you creates incentives for us to:

- Recommend Structured Product transactions more frequently and in larger amounts;
- Execute your trade against our proprietary accounts; and
- Increase the amounts of the markups and markdowns we impose;
- Recommend Structured Product trades that earn more income than other transactions.

Further, because a large portion of our Structured Product offerings are issued by affiliates we have additional conflicts. Our affiliates play a variety of roles in connection with the issuance and management of our Structured Product offerings including, from time to time, acting as index owner; calculation agent; as well as the issuer hedging its obligations under the Structured Products. In performing these duties, the economic interests of our affiliates are potentially adverse to your interests as an investor in the Structured Products. The issuer and its affiliates have no obligation to consider your interests as a holder of the Structured Products in taking any action that might affect the value of your Structured Products. Further information on these issues can be found in the offering documents of your Structured Products and you can also discuss these issues with your Representative.

See the section entitled "Your Representative's Compensation" for more information about additional conflicts associated with your Representative's recommendations.

### **Additional Information**

For more information about investing in structured products, please see the SEC's "Structured Notes" available at [https://www.sec.gov/oiea/investor-alerts-bulletins/ib\\_structurednotes.html](https://www.sec.gov/oiea/investor-alerts-bulletins/ib_structurednotes.html) and "Equity-Linked CDs" <https://www.sec.gov/fast-answers/answersequitylinkedcdshtm.html>. If you are interested in investing in a particular structured product, please review the product's offering documents, and the following applicable disclosures. For Premier customers please see our "Customer Acknowledgement Form for Registered Structured Notes with Principal at Risk" and "Customer Acknowledgement Form for Registered Structured Notes with Principal Protection" disclosure document and for our Private Banking customers the "Annual Structured Product Acknowledgement Form". The main risks associated with market linked CDs are disclosed in the offering documents, as well as our "Customer Receipt and Acknowledgment Form for Structured Certificates of Deposit" or "Annual Structured Product Acknowledgement Form", which you can request from your Representative, or by calling us at 800.662.3343 M-F (8am-6pm) ET.

## **Variable Life Insurance**

Variable universal life insurance provides permanent protection with the potential to build cash value through scheduled premium payments, and also offers a variety of asset allocation options. Variable universal life insurance allows for flexible premium payments and control over investment options, in which customers can allocate a portion of their premiums.

We recommend investments in variable universal life insurance when the client indicates a desire to leave a tax-advantaged legacy benefit to heirs (death benefit), tax-deferred growth, ability for flexible investment structure, and a desire, risk-tolerance and sophistication for investor-controlled subaccounts. We also take into consideration when recommending variable universal life insurance factors such as carrier rating, carrier reputation, availability of conversion options, and risk appetite for the variable subaccount investment structure.

With variable rates subject to market risk without guarantees, there are risks, including the potential for additional premiums in the event that the performance of the product is lower than illustrated; the risk of lapse; surrender charges for early withdrawals; and other variables that may increase expenses within the contract over time, including the cost of insurance.

We offer a number of variable life products which we believe are competitively priced, offering features and benefits consistent with non-HSBC offerings. The products available may change over time, at our discretion.

Currently, variable life insurance is sold to all customer segments.

### **Compensation and Conflicts**

We earn a commission from the insurance carrier for the sale of the variable life insurance policy. The commission is a percentage of the target premium that the customer pays for their insurance policy. For VUL policies, the first year commission paid to HSBC Securities ranges from 70% – 85% of the premium. We will also receive renewal commissions and/or asset-based cash accumulation values or a combination of both. Renewal commissions are generally between 1% – 2.5% starting in year two, and generally last between two years and 10 years, depending upon the product.

The compensation that we earn from your investments in variable life insurance creates incentives for us to promote and recommend that you purchase these investments from us. Further, we earn more from some variable life insurance products that we offer than others, which creates an incentive for us to promote and recommend those variable life insurance products that pay us more over those that pay us less.

See the section entitled “Third-Party Compensation We Earn with Respect to Your Brokerage Investments” for more information about other compensation we receive from customer investments in variable life insurance and our related conflicts of interest.

See the section entitled “Your Representative’s Compensation” for more information about additional conflicts associated with your Representative’s recommendations.

### **Additional Information**

For more information about investing in variable life insurance, please see the SEC’s October 30, 2018 variable life investor bulletin available at <https://www.sec.gov/oiea/investor-alerts-and-bulletins/ibvarlifeinsurance>. If you are interested in investing in a particular variable life insurance product, please review the insurance policy or prospectus, which you can request from your Financial Advisor, or by calling us at 800.662.3343 M-F (8am-6pm) ET. Other relevant documents you can review include:

- Carrier product summaries (where available)
- Illustration
- Prospectus



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- Carrier Application and Disclosure forms
  - Applicable HSBC Disclosure forms
  - Insurance policy

## **Options**

Options are a type of financial instrument that offer the customer the right either to buy or sell a specified amount or value of a particular underlying asset at a fixed price on a specified date. Options are tied to an underlying security (e.g., a stock, ETF, index, or foreign currency) and give you the right to either buy or sell a specified amount or value of the security at a fixed exercise price by exercising the option either on or before its expiration date. An option that gives you a right to buy is a “call option,” and an option which gives you a right to sell is a “put option.” Options are considered a complex product and not all customers will be approved to trade in options with us. Further, we must first approve each interested customer for a particular level of trading, or option strategy, based upon individual customer circumstances including experience, investment objectives and risk tolerance. Please ask your Representative for more information about our requirements in order to be considered to trade options.

We offer options to eligible customers, subject to firm approval, but options are contractually fulfilled by our clearing firm Pershing. In order to be considered to trade options you must complete Pershing’s “Option Agreement and Approval Form” which collects the necessary information needed to evaluate your application to trade options as well as a contract between yourself and Pershing regarding the specific terms regarding any options trading. Please note, in order to trade options your account must be approved for Margin as well. Refer to the section on Margin for information. As options are considered a complex product we also ask you to sign a “Risk Declaration Letter” to make sure you fully understand the risks associated with options.

For customers of the Premier segments we currently only recommend a limited number of options strategies, specifically hedging or income strategies when the underlying asset is already held in your account. This aligns with our policy not to make recommendations for underlying equities for these segments.

For Private Banking customers, Representatives can provide recommendations for underlying equities for options trading as well as provide more broad and detailed advice regarding potential options transactions.

The main risks associated with options trading are:

- It can be highly speculative in nature
- Options trading may cease on certain days and could result in financial loss to you
- Certain options trading without holding the underlying security risks unlimited losses

You are responsible for making all final decisions as to your options transactions with regard to security, quantity, price and duration of your order.

### **Our Compensation and Conflicts.**

We transact in options as agent and receive a commission when you buy and sell options which is disclosed in our Commission and Fee Schedules. Option commissions are calculated using the number of contracts and the price of the option. Because we receive a commission when you purchase and sell options, we have an incentive for you to engage in options transactions more frequently and in larger amounts. We disclose the amount of any commissions on any options you buy or sell on your trade confirmations.

See the section entitled “Your Representative’s Compensation” for more information about additional conflicts associated with your Representative’s recommendations.

### **Other Fees and Expenses.**

We or our clearing firm, Pershing, collects from you an activity assessment fee" for the sale of most stocks, ETFs, and options. This fee is required by our regulators. The fee is automatically deducted from the proceeds of your sale.

Additional Information. For more information about options, please see the SEC's "Investor Bulletin: An Introduction to Options" available at: <https://www.sec.gov/oiea/investor-alerts-bulletins/ibintroductionoptions.html>.

If you are interested in buying or selling options, please review the Options Disclosure Document(s), which you can request from your Representative, or by calling us at 800.662.3343 M-F (8am-6pm) ET.

### **Alternative Investments**

Alternative Investments are generally assets other than stocks, bonds, and cash; or investments using strategies that go beyond traditional investing. Alternative Investments tend to behave differently than typical stock and bond investments and can be used to provide additional diversification to your portfolio. Alternative Investments are considered complex products because they are generally privately offered to eligible investors using minimum eligibility requirements; more complicated legal structures and tax outcomes. There are a variety of different Alternative Investments we offer that cover different types of approaches to investing in this asset class such as:

- A Hedge Fund is an actively managed investment vehicle that utilizes strategies that differ from traditional investing this can be available as single strategy fund or through a fund of Hedge Funds. Hedge Funds typically seek positive relative or absolute returns that are non-correlated to the broader market. Hedge Funds tend to be available to experienced investors with certain minimum net worth criteria among other requirements. Relative to traditional investments such as stocks, bonds or mutual/index funds, Hedge Funds can be managed with more flexibility.
- Private Equity is a broad term for capital invested in companies not listed on a public exchange. Private equity funds can be structured as single manager funds or funds of private equity funds and they may utilize a range of styles and strategies such as: venture capital, buyout, mezzanine financing, special situations, and secondary offering. Private Equity assets exhibit risk and return properties which can differ significantly from more traditional fund structures and may employ investment techniques not broadly used in more traditional asset management. This allows for the opportunity to seek investment returns that are not correlated to the general market and which provides for another avenue for diversification which may help portfolio performance.
- Real estate funds are typically private equity-like investments for which the underlying investments are made in a broad range of real estate opportunities. Investment vehicles may be in the form of a single manager real estate fund (a single manager manages a portfolio of real estate investments) or it may be in the form of a fund of real estate funds (a manager makes investments in multiple real estate funds and each fund has portfolios of real estate investments). Transactions may include investments in a variety of real estate investments (commercial, residential, industrial, land, etc.). Much like private equity funds, real estate funds also provide similar performance uncorrelated to standard investments as described above.

Currently, Alternative Investments, with the exception of Private Equity and Single Line Hedge Funds, are not offered to the Premier segments. Although Private Equity is offered primarily to Private Banking customers, retail customers in the Premier segment may also qualify if they meet financial eligibility requirements and are also long-term investors who are willing to forgo liquidity and put capital at risk for an extended period of time. Other Alternative Investments listed above, are primarily offered to Private banking customers, who in general already meet any financial eligibility requirements and who are also long-term investors who are willing to forgo liquidity and put capital at risk for an extended period of time. Alternative Investments may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. The fees and other terms and conditions are specific to each

fund offered and can be found in the applicable offering documents such as the Private Placement Memorandum, which would be available from your Representative should you qualify for a particular investment.

In addition to the general risks of investing, these investments carry significant additional risks described more fully in the offering documents for the particular investments.

### **Compensation and Conflicts**

HSBC Securities (USA) Inc. acts as the nominee and placement agent for the issuer of the Alternative Investments we offer and for this role receives a placement Fee from the investor in an amount up to 1.0% of the investor's original investment or commitment amount. We also typically receive an ongoing shareholder servicing fee (based on the terms outlined in the legal documents for each fund) for providing services such as assistance with recordkeeping; answering investor inquiries regarding the investment, including distribution payments and reinvestments, and assisting investors understand their investments. These fees are subject to change from time to time. The prospect of receiving such compensation creates an incentive for HSBC Securities (USA) Inc. to place investors in investment vehicles from which it receives a placement fee and ongoing servicing fees over other investment vehicles from which it does not receive such fees. Please note that HSBC Securities through its registered representatives may make referrals to affiliated or third parties of private investment options, such as direct investments. Such potential referrals will only be made available to certain clients with a qualified Institutional Family Office (IFO). Eligible IFOs must meet the criteria laid out under the Institutional Family Office SEC Exemptive Relief from Regulation Best Interest. To the extent a referral creates a potential conflict of interest you should be aware of such considerations and should refer to the disclosures provided to IFOs prior to any referral for more information.

See the section entitled "Your Representative's Compensation" for more information about additional conflicts associated with your Representative's recommendations.

### **Other Fees and Expenses**

The Underlying Fund will also charge management fees. These management fees vary by fund complexity; subject matter and manager. The management fee is in addition to the placement fee and shareholder servicing fees discussed above. For certain Alternative Investment offerings, the use of custodial services from SEI may also result in custody fees. Accordingly, Alternative Investments tend to be more expensive than less complicated and standard investment products.

### **Additional Information**

For more information, please review carefully the applicable Private Placement Memorandum, Limited Partnership Agreement, and <https://www.investor.gov/introduction-investing/investing-basics/investment-products/private-investment-funds/private-equity>

## **Financial Planning Services**

Financial Planning Services may be offered by a Wealth Relationship Manager to the Premier client segment based on their circumstances and / or desires, on the complexity of the needs, amount of enrolled assets, client preference, and other factors. Financial planning services may include analysis of certain aspects of the client's situation, such as retirement needs, education funding, estate planning, as applicable. Financial Planning includes a consultation with an advisor who will analyze the client's situation and provide a written analysis limited by the information and data that the client provides. In certain cases, the advisor may use a financial planning pre-qualification tool to determine the need for Financial Planning Services. .

A financial plan is a document that considers an individual's current financial circumstance or "fact finding" and their financial goals to suggest potential strategies to achieve those goals. Financial planning involves an evaluation of financial situation such as income, assets, spending, debt, and saving, and goals for the future. A financial plan analysis can help

establish a strategy for retirement, college, income and spending, and debt reduction. A financial plan analysis document can potentially provide financial guidance to help meet the financial goals defined by the client. Over time, your specific financial priorities and needs will likely change. Financial plans can also be updated to track your progress throughout the years toward financial well-being.

By providing a financial plan, HSBC Securities (USA) Inc. ("HSI") does not intend to impose any obligation on you to implement such a plan. If you determine that you wish to implement the plan through HSI, then your Wealth Relationship Manager will provide options to you to execute those desires. Please note that certain options such as entering into a brokerage account agreement do not come with any promise for continuous monitoring and it will be your sole responsibility for making all financial decisions in such accounts and monitoring account performance. Please also note that you are not obligated to use or execute the financial plan generated or HSI services to execute the plan, but should you choose not to act on your plan at HSI, neither HSI nor your Wealth Relationship Manager assume any responsibility for recommendations made, advice given or documentation provided to you based on the information you have provided. Should you choose to implement the plan, please note that markets are subject to fluctuation and that market fluctuation could have occurred since the time the plan was developed. You should discuss this important consideration with your Wealth Relationship Manager before executing any plan.

A special consideration for retirement customers is a reminder that HSBC Securities does not advise or provide advice for rollover decisions and instead provides only educational material for customers to evaluate on their own related to considerations to have in their rollover decisioning. If a financial plan is provided to a customer, who has decided to make a rollover, such financial plan is not and is not intended to be fiduciary investment advice; HSBC Securities is not and does not intend to act in a fiduciary capacity or provide fiduciary investment advice, as such terms are defined in the Employee Retirement Income Security Act of 1974, as amended ("ERISA") to the plan. Any information provided is for education only use. The financial plan should be consulted with its own adviser with respect to any rollover decisions along with resources provided by HSBC to support that rollover education.

### **Environmental, Social, and Governance related products**

In broad terms, "ESG and sustainable investing" products include investment approaches or instruments which consider environmental, social, governance and/or other sustainability factors to varying degrees. There is no guarantee that ESG and Sustainable investing products will produce returns similar to those which don't consider these factors. ESG and Sustainable investing products may diverge from traditional market benchmarks. In addition, at this time in the United States there is no standard definition of, or measurement criteria for, ESG and Sustainable investing or the impact of ESG and Sustainable investing products. ESG and Sustainable investing and related impact measurement criteria are (a) highly subjective and (b) may vary significantly across and within sectors. HSBC may rely on non-HSBC ESG measurement or scoring criteria originating, devised and/or reported by unaffiliated third parties or issuers. HSBC does not always conduct its own specific due diligence in relation to these unaffiliated parties' own ESG measurement or scoring criteria. There is no guarantee: (a) that the nature of the ESG / sustainability impact or measurement criteria of an investment will be aligned with any particular investor's sustainability goals; or (b) that the stated level or target level of ESG / sustainability impact will be achieved. ESG and Sustainable investing is an evolving area and new regulations are being developed which will affect how such investments can be recommended, categorized, or labelled. An investment which is considered to fulfil sustainable criteria today may not meet those criteria at some point in the future.

ESG/Sustainable investing may impact exposure to issuers, sectors, and industries, limiting the type and number of investment opportunities available, which may impact performance. An ESG portfolio may or may not financially outperform similar investments that do not consider ESG criteria. To the extent that a product reflects an ESG or Sustainable label in its

security title or name, the product may not be considered by HSBC to be an ESG or Sustainable investment and will not be recommended as an ESG or sustainable investment.

HSBC does not provide any ESG recommendations or advice as part of our brokerage services offering. ESG recommendations/advice are limited to managed account offerings available in the Spectrum II ESG model. Additionally, we reserve the right to not recommend, or trade securities based on HSBC Group's\* internal policies, including its sustainability policies. Customers can purchase ESG/SI related products on our platform on a self-directed basis. Any ESG/SI macroeconomic statements or promotional materials generated by other HSBC Group entities may not reflect the views of HSBC.

**Please consider the investment's specific ESG and Sustainable investing impact and measurement criteria as described in the prospectus or other offering documents prior to investing.**

\*HSBC Group refers to HSBC's global affiliates.

### **Additional Information**

You will also be subject to additional terms, conditions and disclosures in agreements and other disclosures we send you from time to time, as well as any investment advisory agreements you have with us (including Form ADV Part 2A) when we act as investment adviser. As a licensed insurance agent, we offer a number of insurance products and services that are not discussed in this Brochure. More information about insurance is available from your Representative upon request.

Please contact us promptly if you do not fully understand or have questions about the disclosures in this Brochure, the essential facts of our customer relationships and conflicts of interest we face or any recommendation we may make to you.

This Brochure does not amend or supersede any of your existing agreements with us, our affiliates, or third party. Nothing in this Brochure, express or implied, confers upon any other person any rights or remedies of any nature whatsoever. Nothing contained herein, express or implied, other than your understanding or acknowledgement of, or your agreement with, the statements made herein, will be construed to establish, amend, or modify any agreement or arrangement between you and us.

## Addendums

### Addendum A: Available Services and Products by Segment as of November 2023

This chart provides a summary of the services and products that our Representatives can recommend to customers in each of our current segments as of **November** 2023 and limitations on those recommendations. In each segment, additional products may be offered for you to buy and sell on your own without recommendations or advice from us. Further, clients may qualify for additional products where product minimum balance levels and/or customer investment knowledge is met. This chart supplements and should be read together with the services and product descriptions provided in our Brokerage Brochure, Form ADV, Part 2A and our other disclosures and agreements with you.

<b>Key</b>	
●	Recommendations available from HSBC Securities
■	Recommendations or advice available from HSBC Bank
○	Recommendations not available
Please note that Customers validated to be Accredited Investor and Qualified Purchaser categories may be eligible for additional services and products rather than by segment	
1	As of December 2022, the Jade segment has been demised. No new customers will be accepted into the Jade segment. Services offered to previous Jade customers will follow Premier services, unless the customer has been upgraded to or has a Private Banking relationship. To the extent that we provide any new recommendations to remaining customers who do not meet Premier qualifications, the Representative will be considering the products and services available to Premier customers and applying those to our customer's unique situation.

Product/Service	Premier	Private Banking	Summary of Key Distinctions Among Segments and Limitations
Brokerage	●	●	Investment recommendations available through a dedicated Representative or a team of Representatives.
Investment Advisory/ Management	●	■	<p>Advisory services from HSBC Securities available to Premier, subject to minimum investment requirements.</p> <p>HSBC Securities does not currently offer investment advisory products to Private Banking customers. However, Private Banking customers can access a fiduciary investment management service through HSBC Bank.</p>
SERVICES AND PRODUCTS AVAILABLE			
Cash Accounts	●	●	Your brokerage account will be a cash account, unless you open a margin account.
Margin Accounts	○	○	You have the option to open a margin account, but we will not recommend whether or not you should do so.
Options	○	●	Options trading recommendations are available to approved customers of all segments under certain circumstances, but recommendations on underlying securities for options are available only to Private Banking customers.
Securities Backed Lending by HSBC Bank	■	■	HSBC Bank offers loans secured by customer brokerage accounts at HSBC Securities, subject to credit review and/or program qualifications.
Cash Sweep Options	●	●	HSBC proprietary money market funds or HSBC Bank deposits.
US Mutual Funds	●	●	<p>A variety of US mutual funds are available for recommendation but the recommended offering is limited to a select group of fund families that have been researched and approved for recommendation. That list changes from time to time but is available from your Representative.</p> <p>Our recommended funds include only funds that pay sales loads or sales charges to brokers such as HSBC Securities, and generally we only recommend Class A and Class C shares through our brokerage services. Similar funds may be available without our recommendations without sales charges.</p>

Offshore Mutual Funds	●	● / ■	<p>A variety of offshore mutual funds are available for recommendation, but the recommended offering for eligible Premier and Private Banking customers is limited to a select group of fund families that have been researched and approved for recommendation.</p> <p>For Private Banking customers, a selection of offshore funds are also available through HSBC Bank. Offshore Funds are available only to Non US Persons and offered only when those individuals are not in the US.</p>
ETFs	●	●	<p>A select group of US and offshore ETFs are available for recommendations to all our customers. Offshore ETFs are available only to Non US Persons and offered only when those individuals are not in the US.</p>
Equities	●	●	<p>Equities, including under certain circumstances initial public offerings (IPOs), are available to all of our customers, and recommendations of individual equities are available to all our customers. Equities recommended to our customers must be approved for recommendations after due diligence.</p>
529 Savings Plans	●	○	<p>We recommend from a list of certain states covering the residency of most but not all our customers. 529 Plans are available to Private Banking customers, but we do not provide recommendations.</p>
Alternative Investments	**	●	<p>We recommend selected Private Equity, Hedge Funds, Real Estate and Private Credit Funds to Private Banking customers. **Private Equity and Single Line Hedge Funds may also be offered to retail customers across segments subject to minimum investment requirements and investor profile.</p>
Annuities	●	●	<p>We offer and recommend a number of variable and fixed annuities issued by insurance companies that HSBC has researched. ** With the exception of PPVA (most appropriate for UHNW customers), annuities generally do not meet the needs of the PB clients, and are therefore not formally offered to the PB customer proposition. However, in the event that a specific PB client has an annuity need, they can purchase an annuity.</p>
Fixed Income - Bonds	●	●	<p>We recommend selected corporate, US government, municipal, emerging market and sovereign bonds.</p>
Fixed Income – Brokered CDs	●	●	<p>We recommend HSBC brokered certificates of deposit and third-party banks that meet certain credit requirements.</p>



Structured Certificates of Deposit	●	●	We recommend a selection of HSBC Bank issued and a limited number of third party issued structured CDs to Premier and Private Banking customers.
Structured Notes	●	●	We recommend a selection of HSBC Bank and a limited number of third party issued structured notes to Premier and Private Banking customers.
Variable Universal Life	●	●	Variable universal life insurance is available in all customer segments.
Financial Planning	●	○	Financial Planning Services may be offered to the Premier client segment based on their circumstances and / or desires, on the complexity of the needs, amount of enrolled assets, client preference, and other factors. Financial planning services may include analysis of certain aspects of the client's situation, such as retirement needs, education funding, estate planning, as applicable. Financial Planning includes a consultation with an advisor who will analyze the client's situation and provide a written analysis limited by the information and data that the client provides. In certain cases, the advisor may use a financial planning pre-qualification tool to determine the need for Financial Planning Services.
ESG Products	●	○	We do not offer any ESG information or recommendation as part of our brokerage services offering as of November 1, 2023. ESG recommendations are limited to managed account offerings available in the Spectrum II ESG model.