

**HSBC Holdings plc**  
**HSBC Bank USA, National**  
**Association**  
US Resolution Plans  
Section I – Public Section

Date: December 31, 2015

## US Resolution Plans: Section I – Public Section

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# US Resolution Plans: Section I – Public Section

## 1. INTRODUCTION

### 1.1 US resolution plan rules

In September 2011, the Federal Deposit Insurance Corporation (**FDIC**) and the Board of Governors of the Federal Reserve System (**FRB**) issued a final rule (**SIFI Rule**) implementing Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (**DFA**). This requires bank holding companies with total global consolidated assets of USD50 billion or more (**Covered Company**) to submit periodically to the FRB and the FDIC a plan for the rapid and orderly resolution in the event of material distress or failure of the covered companies' United States of America (**US**) operations.

In January 2012, the FDIC also issued a final rule (**IDI Rule** and, with the SIFI Rule, the **Rules**) that requires insured depository institutions (**IDIs**) with assets of USD50 billion (**Covered IDI**) or more to submit periodically to the FDIC a plan for resolution of the IDI in the event of failure. In addition, the FDIC provided further clarification, guidance and direction for the 2015 preparation of the IDI Plan (as defined below) in December 2014.

The global consolidated assets of HSBC Holdings plc (**HGHQ**, and together with its subsidiaries and affiliates, **HSBC Group**), the holding company for HSBC Group, exceed USD50 billion and as a result, it is a Covered Company under the SIFI Rule and must file a resolution plan under the SIFI Rule (**SIFI Plan**). Similarly, the assets of HSBC Group's largest IDI in the US, HSBC Bank USA, National Association (**HBUS**), exceed USD50 billion, and as a result HBUS is a Covered IDI under the IDI Rule and it must file a resolution plan (**IDI Plan**, and together with the SIFI Plan, the **US Resolution Plans**). The timing of initial, annual and interim US Resolution Plan submissions under both Rules is the same. HSBC Group's initial US Resolution Plan submissions were made to the FDIC and the FRB as of July 1, 2013, which were subsequently updated and submitted to the FDIC and the FRB as of July 1, 2014. The following sets out the public section of HSBC Group's third submission to the FDIC and the FRB, with the new submission due date of December 31, 2015.

The FDIC and the FRB have each, by rule and through the supervisory process, prescribed the assumptions, required approach and scope for US Resolution Plans and have required that certain information be included in a public section of the US Resolution Plans. HGHQ and HBUS submit this public section of the US Resolution Plans in compliance with the Rules and other relevant guidance.

Under the Rules, Core Business Lines (**CBLs**) and Critical Operations (**COs**) must be mapped to Material Entities (**MEs**). The US Resolution Plans provide a detailed analysis of how HSBC Group's material US operations would be resolved in a rapid and orderly manner that would not disrupt US financial stability and, as required by the IDI Rule, of how HBUS could be resolved by the FDIC in the event of its insolvency under the Federal Deposit Insurance Act (**FDIA**) in a manner that ensures depositors receive access to their insured deposits within one business day of HBUS's failure (or two business days if the day HBUS fails is any day other than a Friday), maximizes net present value return from the sale or disposition of its assets, minimizes the amount of any loss realized by the creditors, and achieves the least costly resolution to the FDIC's Deposit Insurance Fund (**DIF**). The CBLs and MEs that have been designated are described further below. Except as otherwise specifically required by the Rules and as noted in the US Resolution Plans, the information contained in the US Resolution Plans relates to the subsidiaries, CBLs and COs of HGHQ that are domiciled, or conducted, in whole or material part, in the US.

The US Resolution Plans also identify Critical Services (**CSs**) as required by the IDI Rule, which are services and operations of the IDI, such as servicing, information technology support and operations, and human resources which are necessary to continue the day-to-day operations of the IDI.

## 1.2 Global structure

HSBC Group is subject to regulation by financial regulators in multiple jurisdictions. As a foreign bank holding company (**BHC**), HGHQ does not carry out any banking activities. Rather, HSBC Group primarily consists of a large number of separately incorporated and capitalized banking entities across different jurisdictions. HSBC Group's regional and national subsidiary structure provides HSBC Group with significant advantages in promoting greater resilience for HSBC Group's operations within individual countries, including the US. In particular, HSBC Group's subsidiary structure and its emphasis on independent balance sheet management, ensure that HSBC Group's operating subsidiary entities and banks satisfy domestic capital, liquidity and funding requirements (as applicable) and have the independent resources to respond to financial stress.

## 1.3 HSBC Group business model

HSBC Group is a global banking and financial services organization. HSBC Group is headquartered in London, England, and operates through long-established businesses and had, as at June 30, 2015, an international network of over 6,100 offices in 72 countries and territories organized in five geographic regions. A comprehensive range of banking and related financial services is offered to personal, commercial, corporate, institutional, investment and private banking clients. Services are delivered primarily by subsidiary banks, typically with local deposit bases.

Within the geographical regions, HSBC Group's operations are conducted through a network of regional banks and locally incorporated regulated banking entities. Each bank is separately capitalized in accordance with applicable prudential requirements and maintains a capital buffer consistent with HSBC Group's appetite for risk in its country or region. The banking entities manage their own funding and liquidity within parameters set centrally.

HSBC Group has five principal activities, which include making payments, holding savings, enabling trade, providing finance and managing risks. Through these principal activities, HSBC Group provides facilities for customers to securely and conveniently deposit savings, and allows funds to flow from savers and investors to credit-worthy borrowers, either directly or through the capital markets. This allows borrowers to use the borrowed funds to buy goods or invest in businesses, enabling the economy to convert shorter-term savings into longer term financing. HSBC Group also facilitates relationships between investors and those seeking investors, and acts as payment agent for both personal and commercial transactions, both within countries and internationally. HSBC Group's direct lending includes residential and commercial mortgages and overdrafts, and term loan facilities. HSBC Group finances importers and exporters engaged in international trade and provides advances to companies secured on amounts owed to them by their customers. HSBC Group also offers additional financial products and services including broking, asset management, financial advisory services, life insurance, corporate finance, securities services and alternative investments. HSBC Group provides these products for clients ranging from governments to large and mid-market corporates, small and medium-sized enterprises, high net worth individuals and retail customers.

HSBC Group's four global businesses, Retail Banking and Wealth Management (**RBWM**), Commercial Banking (**CMB**), Global Banking and Markets (**GBM**) and Global Private Banking (**GPB**), develop, implement and manage their business propositions consistently across HSBC Group, focusing on profitability and efficiency. The global businesses set their strategies within the parameters of the HSBC Group strategy and, in liaison with the geographical regions, are responsible for issuing planning guidance regarding their businesses, are accountable for their profit and loss performance and manage headcount.

**1.3.1 Retail Banking and Wealth Management**

RBWM served nearly 50 million customers globally as at December 31, 2014. HSBC Group takes deposits and provides transactional banking services to enable customers to manage their day-to-day finances and save for the future. HSBC Group offers credit facilities to assist customers in their short- or longer-term borrowing requirements and it provides financial advisory, broking, insurance and investment services to help them to manage and protect their financial future. HSBC Group develops products designed to meet the needs of specific customer segments, which may include a range of different services and delivery channels.

**1.3.2 Commercial Banking**

CMB provides a broad range of banking and financial services to enable customers to manage and grow their businesses domestically and internationally. HSBC Group aims to be recognized as the leading international trade and business bank by connecting customers to markets and by enhancing collaboration within HSBC Group, both geographically and between global businesses. CMB is organized around customers' needs and their degree of complexity with three distinct segments within CMB: Business Banking, Mid-Market and Large Corporates.

**1.3.3 Global Banking and Markets**

GBM provides wholesale capital markets and transaction banking services organized across the following client facing businesses: (i) Markets, which includes five businesses organized by asset class, including: (a) Credit; (b) Rates; (c) Foreign Exchange (**FX**); (d) Equities; and (e) Research; (ii) Capital Financing; (iii) Banking; (iv) Payments and Cash Management; (v) Securities Services; and (vi) Global Trade and Receivables Finance. GBM provides tailored financial solutions to major governmental, corporate and institutional clients worldwide. Managed as a global business with regional oversight, GBM operates a long-term relationship management approach to build a full understanding of clients' financial needs. In addition, GBM includes Balance Sheet Management, which is responsible for the management of liquidity and funding for HSBC Group. It also manages structural interest rate positions within the Markets limit structure.

**1.3.4 Global Private Banking**

GPB serves high net worth and ultra-high net worth individuals and their families with complex and international needs within HSBC Group's home and priority markets. GPB provides solutions to grow, manage and preserve wealth of its clients for today and for the future. Its products and services include Private Banking (**PB**), Investment Management and Private Wealth Solutions.

## 2. OVERVIEW OF RESOLUTION STRATEGY

### 2.1 HSBC Group Resolution Planning

HSBC Group operates on the principle that each operating bank is separately governed, capitalized, funded and risk-managed, that funding and liquidity are premised on appropriate country-specific requirements and that each operating bank is capable of resolution consistent with applicable local law. Each of the operating banks is also managed independently, in order to reduce HSBC Group interconnectedness. Generally, each operating bank within HSBC Group has its own corporate governance structure, including a board of directors and appropriate risk, audit (or combined risk and audit) committees and management structures. Each operating bank is overseen by the local board of directors and the relevant Country chief executive officer (**CEO**) or Country Manager, with strategy and policy for each business and function set globally. Each operating bank has its own risk appetite statement consistent with the risk profile of the region or country of its incorporation.

Accordingly, given HSBC Group's corporate structure and operating model, HSBC Group's global resolution strategy is based on the resolution of regional or national groups of affiliated companies in what has been referred to as a multiple point of entry (**MPE**) resolution strategy. The global resolution strategy includes plans for the main operating banks in HSBC Group's three main resolution hubs of the UK, US and Hong Kong and the HSBC Group's operating banks outside the three hubs (**non-hub banks**).

The MPE resolution strategy offers multiple advantages, including: (i) it is in line with HSBC Group's business, financial, operational and legal structure, which operates primarily through standalone subsidiaries; (ii) it increases certainty, as each local authority's powers are aligned with its responsibilities over local resolution proceedings, thus avoiding conflicts of interest, which could pose barriers to resolution; (iii) it builds on the fact that local authorities are best placed to assess and analyze the information required to make resolution decisions and choose the appropriate resolution tools; (iv) it is aligned with the fact that loss absorbency requirements will be satisfied by each entity in accordance with local regulators' rules, which reflect local jurisdictions' resolution frameworks and markets; (v) it best reflects the heterogeneous insolvency and resolution regimes applicable to the non-hub banks; and (vi) liquidity provisions will fall to the local jurisdiction, whose central bank or other arrangements for access to liquidity will apply. This would align powers and responsibilities, avoid uncertainty and increase the likelihood of successful resolution.

As part of HSBC Group's global resolution planning, it has undertaken steps to improve resolvability and remove barriers posed by operational interconnections between HSBC Group's various entities worldwide. Principal among these is HSBC Group's creation of an operational subsidiary structure (**Global ServCo Structure or ServCo**) to house shared services so as to remove inter-bank dependencies across HSBC Group. As part of the establishment of the Global ServCo Structure, shared infrastructure, services and systems are moved into a "bankruptcy remote" group of non-bank operating companies. These operating companies will provide services to HSBC Group operating banks through contracts on arm's-length terms. In this way, the Global ServCo Structure will significantly reduce the risk associated with operational dependencies within an operating bank and across operating banks.

The US Resolution Plans were accordingly prepared as part of a global effort to address resolution planning in multiple jurisdictions through a consistent approach, while being responsive to each individual jurisdiction's resolution planning requirements. The US Resolution Plans are focused on planning for the resolution of HSBC Group's US operations. There are existing plans and plans being formulated in other jurisdictions for HGHQ subsidiaries operating in these jurisdictions. These plans call for the recovery or resolution of those HGHQ subsidiaries according to the applicable rules and laws in those specific jurisdictions. Accordingly, the assumptions, definitions and specific actions in the US Resolution Plans may differ from those in similar plans filed by HGHQ or its non-US subsidiaries with non-US regulators.



### 2.2 US Resolution Strategy

The SIFI Rule requires that HSBC Group's US operations be resolved in a manner that substantially mitigates the risk that the failure of HSBC Group would have serious adverse effects on the financial stability of the US. Guidance received from the FRB and the FDIC under the SIFI Rule further requires that HSBC Group provide one US resolution strategy. As required by the SIFI Rule, the resolution strategy must contemplate that HSBC Group's failure could occur under baseline, adverse and severely adverse economic scenarios. Under the IDI Rule and subsequent guidance, HBUS must be resolved in a manner that is least costly to the DIF and generally requires that HBUS be resolved in a way that ensures depositors have access to their insured deposits within one business day of failure (or two business days if the day HBUS fails is any day other than a Friday), maximizes the value of HBUS's assets and minimizes the amount of any loss realized by creditors in the resolution. Guidance under the IDI Rule further requires that several resolution strategies for HBUS be prepared. HSBC Group believes that the US Resolution Plans achieve these goals and allow for the orderly resolution of HSBC Group's US operations.

HSBC Group's US Resolution Plans envision the separate resolution of the US MEs through separate resolution or insolvency proceedings. As in the 2014 submission, HSBC Group has identified six US MEs based on the criteria set forth in the SIFI Rule:

- HSBC North America Holdings Inc. (**HNAH**) is the holding company for HSBC Group's US operations, which are conducted out of several indirect subsidiaries, including HBUS, HCSU, HTSU and HBIO (as defined below). HNAH will also be HSBC Group's intermediate holding company (**IHC**) under the FRB rule on enhanced prudential standards.
- HSBC USA Inc. (**HUSI**) is a BHC organized under the laws of the State of Maryland. It is an indirect wholly owned subsidiary of HNAH and the direct parent company of HSBC Group's principal US banking subsidiary, HBUS.
- HBUS is a national bank, which offers a full range of commercial and retail banking products and related financial services to its customers, including individuals, small businesses, corporations, institutions and governments. HBUS is also a swap dealer registered with the Commodity Futures Trading Commission (**CFTC**) and is an international dealer in derivative instruments denominated in US dollars and other currencies, focusing on structuring of transactions to meet clients' needs.
- HSBC Securities (USA) Inc. (**HCSU**) is a registered broker-dealer of securities under the Securities Exchange Act of 1934 (**Exchange Act**), a registered investment adviser under the Investment Advisers Act of 1940 and a registered futures commission merchant (**FCM**) with the CFTC. It is a wholly owned direct subsidiary of HSBC Markets (USA) Inc. (**HMUS**) which is an indirect wholly owned subsidiary of HNAH. HCSU is engaged in the following activities: interest rates trading, credit trading, exchange-traded futures and options execution and clearing services, equities commissions business and other ancillary products and services.
- HSBC Finance Corporation (**HBIO**) is a corporation organized under the laws of the State of Delaware and is an indirect wholly owned subsidiary of HNAH. Historically, HBIO principally operated a consumer finance business. However, for strategic reasons, HSBC Group has decided to wind-down this business and is selling or winding-down its existing portfolios of US residential real estate mortgage loans.
- HSBC Technology & Services (USA) Inc. (**HTSU**) is a corporation organized under the laws of the State of Delaware and is an indirect wholly owned subsidiary of HNAH. HTSU forms part of the

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HSBC Operations, Services and Technology (**HOST**, formerly referred to as HTS) shared services organization and is a dedicated service provider, and the primary provider, of HOST services to all of the US Group (**US Group**) MEs and CBLs. It also houses the majority of Global Function (the **Global Function**) employees.

- Each of these entities is also an ME for purposes of the IDI Rule, with the exception of HBUS. In addition, HGHQ, HSBC Bank plc (**HBEU**), HSBC Global Services Company (UK) Limited (**HGSU**) and The Hongkong and Shanghai Banking Corporation Limited (**HBAP**) have been identified as non-US MEs because of their connections with HSBC Group's US operations.

The US Resolution Plans leverage the advantages inherent in HSBC Group's business model of subsidiaries with independent capital and liquidity management. HSBC Group believes that the MEs could be efficiently resolved through a US-focused Single Point of Entry (**SPE**) strategy executed through HNAH as the US Group's IHC. This would be particularly effective for HSBC Group's US Group because the US MEs consist solely of HNAH and its subsidiaries and there are no US Group branch operations to separately address. Given the US Group's predominantly independent funding and operations, an SPE strategy focused on HNAH would allow the continued operation of HNAH's subsidiaries, protect creditors, and maintain orderly operations of the MEs.

Alternatively, as presented in the 2014 US Resolution Plans, HSBC Group believes that the US MEs can be effectively resolved in a rapid and orderly manner under separate insolvency proceedings for each ME. Under the separate resolution or insolvency proceedings strategy, as detailed below, a hypothetical idiosyncratic trigger leads to a financial and reputational stress scenario at the US Group that ultimately leads to the US MEs' entry into resolution. The financial analysis underlying the assumptions to the US Resolution Plans is based on the baseline, adverse and severely adverse economic scenarios submitted as part of HNAH's filing for the FRB's Comprehensive Capital Analysis and Review 2015. Under the hypothetical scenario used for resolution planning purposes, the idiosyncratic event would result in a 30-day period of financial distress preceding the entrance of the US MEs into resolution. During the hypothetical 30-day period, the US MEs would experience run-off of deposits and other funding sources, as well as drawdowns of committed credit facilities and increased collateral requirements, reducing liquidity at HBUS. After the losses are forecasted under HBUS's standard stressed operational cash flow projections, indicating that it will shortly have insufficient liquidity to meet its financial obligations, HBUS would enter receivership under the FDIA, HCSU would be sold immediately before resolution or resolved under the Securities Investor Protection Act (**SIPA**) and the remaining MEs (HNAH, HUSI, HTSU and HBIO) would be resolved under Chapter 11 of the US Bankruptcy Code (**Bankruptcy Code**). Following HBUS's receivership, multiple strategies are available, including a Multiple Acquirer Strategy (a **Multiple Acquirer Strategy**), an IPO Strategy and the Liquidation Strategy, as described below. HSBC Group's US CBLs and COs are operated out of the US MEs. Therefore, the resolution strategies of the CBLs and COs are a function of the resolution strategies for those MEs.

### 2.2.1 HBUS

HBUS would be resolved under the FDIA by the FDIC, following its appointment as receiver, under each economic scenario, using one of the following strategies:

1. An immediate whole-bank purchase and assumption (**P&A**) transaction transferring HBUS's operations to another bank;
2. A Bridge Bank (**Bridge Bank**) resolution involving the transfer of HBUS's operations and the majority of its assets and liabilities to a Bridge Bank that preserves continuity and maintains the value of HBUS's business and assets, followed by:

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- a. A P&A transaction with an acquirer involving substantially all of the Bridge Bank's assets and liabilities;
  - b. A sale of the CBLs (or their associated assets) housed in HBUS either separately or in packages, including pools of assets to multiple acquirers (the Multiple Acquirer Strategy); or
  - c. An initial public offering (***IPO***) of a part of the Bridge Bank, after first reducing its size by selling certain CBLs and assets (the ***IPO Strategy***); or
3. A pay-out of insured deposits and the liquidation of assets out of the FDIC receivership (the ***Liquidation Strategy***).

An immediate P&A transaction would provide continuity for all of HBUS's business activities and operations through a transfer to the acquirer. By preserving the going concern value of HBUS's transferred operations, their value is maximized and will support the assumption by the P&A acquirer of more of HBUS's liabilities, thereby reducing any potential cost to the DIF or systemic impact.

Alternatively, HBUS could be resolved through a transfer of substantially all of its assets and deposits, and substantially all of its other liabilities, including those that support CBLs, to an FDIC-operated Bridge Bank. The FDIC would operate the Bridge Bank as a going concern until its ultimate sale or other disposition. Upon such transfer, the Bridge Bank would be able to continue operating HBUS's CBLs and other businesses transferred to the Bridge Bank. As discussed above, following the transfer of HBUS's operations to the Bridge Bank, a potential acquirer could be found to acquire HBUS in a post-receivership P&A transaction.

The second option for resolution of HBUS through a Bridge Bank is the Multiple Acquirer Strategy. Under the Multiple Acquirer Strategy, certain CBLs and material assets would be sold to acquirers in order to reduce the size of the Bridge Bank. HSBC Group evaluated potential divestitures based on a number of criteria, including operational interdependencies, attractiveness as an acquisition target, integration into the global enterprise and potential to materially reduce the balance sheet size of the Bridge Bank, and determined the CBLs most likely to be less attractive as sole acquisitions to potential acquirers in a Multiple Acquirer Strategy or more likely to be packaged as part of an acquisition. A wide population of potential acquirers were identified based upon interest in HBUS's large and diversified deposit base and significant branch network.

Under the IPO Strategy, the FDIC could reduce the size of the Bridge Bank in preparation for an IPO. Based on HSBC Group's analysis, this would be accomplished by the sale of certain CBLs or assets, as well as the gradual wind-down of certain HBUS operations. Following the reduction in size of the Bridge Bank, the FDIC would move forward in offering shares of the Bridge Bank to the public in an US Securities and Exchange Commission (***SEC***) registered offering.

Lastly, under HBUS's Liquidation Strategy, HBUS would enter receivership and the FDIC would wind-down HBUS's operations, while liquidating its assets and paying out insured deposits.

### 2.2.2 HCSU

HSBC Group would attempt a sale of HCSU immediately before resolution. If a sale before failure could not be arranged, then HCSU would be resolved under SIPA. If there exists a ready acquirer, HCSU's business or accounts could be sold after initiation of a SIPA proceeding by a trustee appointed by the Securities Investor Protection Corporation (***SIPC*** and the ***SIPC Trustee***). However, if a sale could not be arranged, the SIPC Trustee would likely liquidate HCSU's broker-dealer business, transfer its remaining

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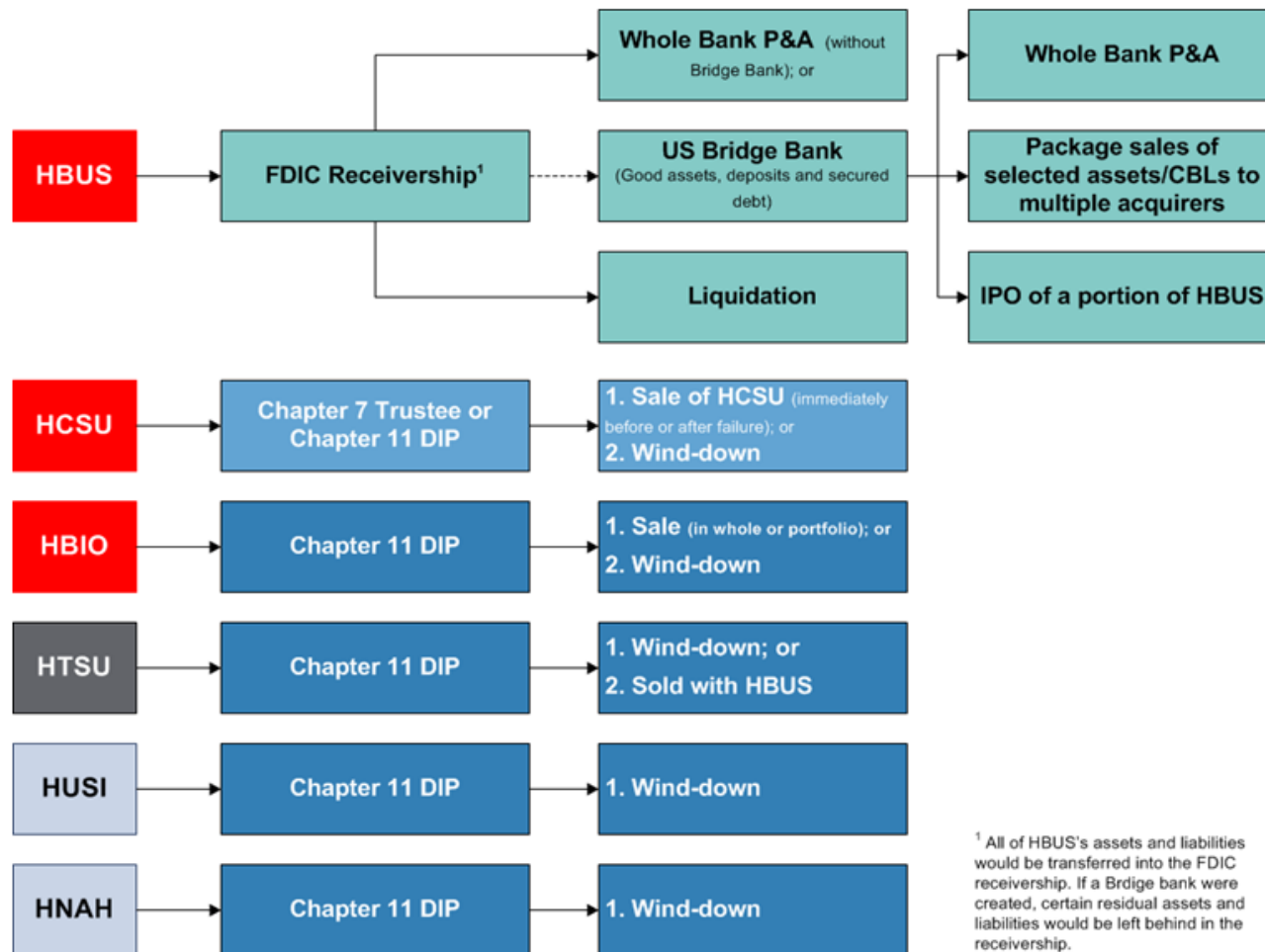
FCM customer accounts to the extent possible and liquidate the remainder of the FCM business that is not transferred in a SIPA proceeding.

### **2.2.3 HNAH, HUSI, HTSU and HBIO**

HNAH, HUSI, HTSU and HBIO would be resolved under Chapter 11 of the Bankruptcy Code. HNAH and HUSI are holding companies with no operations and few assets and would simply be wound down. HTSU is a dedicated service company and can be expected to continue providing services to the Bridge Bank and other US MEs as needed during resolution. HBIO is a consumer lending business whose assets are currently being run off, and HBIO would be resolved through the sale of its remaining assets in bankruptcy and the wind-down of its operations.

Figure 2.2 below illustrates the resolution strategies described for each ME.

Figure 2.2 – Summary of Resolution Strategies



### 2.3 Post-resolution Structure

The resulting state of the US Group upon execution of the US Resolution Strategy would involve:

- HBUS's business would remain open, funded, capitalized and operating under the whole-bank P&A transaction and Bridge Bank P&A transaction. Under the Multiple Acquirer Strategy and IPO Strategy, the CBLs would still be continuously operated or wound down in an orderly manner. However, under the Multiple Acquirer Strategy, HBUS's business may be operated by several different acquirers. Similarly, in the IPO Strategy, certain CBLs may be operated by several different acquirers after the sale of those CBLs in preparation for the IPO.
- HCSU would either be sold immediately before resolution, allowing for it to remain open and operating, or would be transferred, liquidated or wound down in an orderly manner by the SIPC Trustee.
- HTSU would be resolved under Chapter 11 of the Bankruptcy Code and would remain open and operating and continue to provide services as necessary to other US MEs during resolution.
- HBIO's assets would be sold in a commercially reasonable manner and subsequently wound down under Chapter 11 of the Bankruptcy Code.
- HNAH and HUSI, as holding companies with no operations and few assets, would simply be wound down under Chapter 11 of the Bankruptcy Code.

HSBC Group expects that all of the US MEs should retain sufficient liquidity to either continue operation post-resolution or be wound down in an orderly manner. As all of HSBC Group's US CBLs and COs are operated out of the US MEs, the orderly resolution of the MEs ensure that all COs and CBLs conducted out of HSBC Group's US Group are able to continue, transfer or wind-down in an orderly manner.

**3. MATERIAL ENTITIES****3.1 Introduction**

As defined by the SIFI Rule, a Covered Company must identify any subsidiary or foreign office that is significant to the activities of a CO or CBL of HSBC Group in the US.

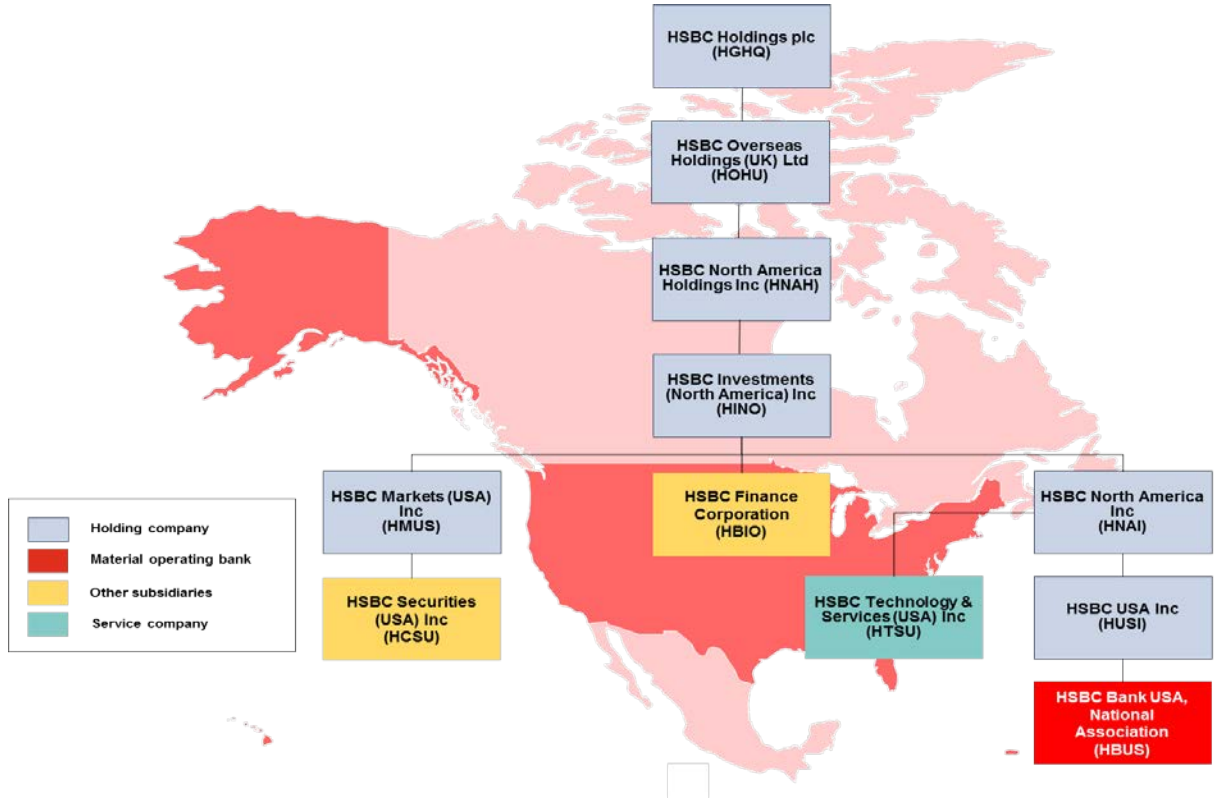
As discussed above, HSBC Group has identified six US MEs based on the criteria set forth in the SIFI Rule: HNAH, HUSI, HBUS, HCSU, HTSU and HBIO. With the exception of HBUS, each of these entities are also MEs for purposes of the IDI Rule. HSBC Group has further identified HGHQ, HBEU, HGSU and HBAP as non-US MEs because of their connections with HSBC Group's US operations.

A current simplified structure chart of the US MEs and their UK parent companies as at December 31, 2014, is shown in Figure 3.1.1 below.

# HSBC

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Figure 3.1.1 – US Group Corporate Structure





**3.2 US Material Entities****3.2.1 HSBC North America Holdings Inc.****3.2.1.1 Types of business conducted**

HNAH is a BHC organized under the laws of the State of Delaware and is the top-level holding company for HSBC Group's US operations, which is conducted out of several indirect subsidiaries, including HBUS, HCSU, HTSU and HBIO. HNAH is an indirect wholly owned subsidiary of HGHQ and will also serve as HSBC Group's IHC under the FRB's rule on enhanced prudential standards.

HNAH's principal business is to act as a holding company for its subsidiaries. As a holding company, HNAH does not hold any material assets other than the equity interests of its subsidiaries and loans to US affiliates.

**3.2.1.2 Financial data**

The following table shows HNAH's unconsolidated balance sheet presented in accordance with US Generally Accepted Accounting Principles (**US GAAP**) as at December 31, 2014.

<b>HNAH UNCONSOLIDATED BALANCE SHEET</b>	
	<b>USDm</b>
<b>Assets</b>	
Cash and due from banks .....	900
Interest bearing deposits with banks.....	707
Trading assets.....	129
Loans.....	6,584
Investment in subsidiary.....	27,882
Other assets .....	846
<b>Total assets</b> .....	<b>37,048</b>
<b>Liabilities</b>	
Long-term debt.....	5,148
Other liabilities.....	655
<b>Total liabilities</b> .....	<b>5,803</b>
<b>Shareholders' equity</b>	
Preferred stock.....	2,000
Common shareholder's equity:	
Common stock.....	-
Additional paid-in capital.....	44,738
Retained earnings / (deficit).....	(14,747)
Accumulated other comprehensive income / (loss).....	(746)
<b>Total shareholders' equity</b> .....	<b>31,245</b>
<b>Total liabilities and shareholders' equity</b> .....	<b>37,048</b>

## US Resolution Plan: Section I – Public Section

The following table shows HNAH's unconsolidated income statement presented in accordance with US GAAP for the year ended December 31, 2014.

<b>HNAH UNCONSOLIDATED INCOME STATEMENT</b>	
	<b>USDm</b>
Interest income.....	170
Interest expense.....	66
<b>Net interest income</b> .....	<b>104</b>
Provision for credit losses .....	-
<b>Net interest income after provision for credit losses</b> .....	<b>104</b>
<b>Other revenues</b>	
Other income .....	613
<b>Total other revenues</b> .....	<b>613</b>
<b>Operating expenses</b>	
Salaries and employee benefits.....	7
Other expenses.....	10
<b>Total operating expenses</b> .....	<b>17</b>
Income / (loss) before taxes and extraordinary items.....	700
Income tax expense / (benefit).....	26
Equity in undistributed income / (losses) of subsidiaries and associated expenses .....	5
<b>Net income / (loss)</b> .....	<b>679</b>

### 3.2.1.3 Location and jurisdiction

HNAH is incorporated under the laws of Delaware and has its principal executive offices at 452 Fifth Avenue, New York, New York. All of HNAH's material operations are conducted through its subsidiaries. Information with respect to the geographic footprint of its subsidiaries that are MEs can be found below.

In addition to overseas subsidiaries held through MEs, HNAH (through various indirect wholly owned subsidiaries) owns 100% of the issued share capital of HSBC Investments (Bahamas) Limited (**HIBL**).

### 3.2.1.4 Capital and funding resources

#### *Capital resources*

HNAH's capital resources include common stock and preference shares that have been issued within HSBC Group. If HNAH requires additional capital, this would be sourced from its parent company, HSBC Overseas Holdings (UK) Ltd.

#### *Funding resources*

HNAH's main sources of funds are from other HSBC Group entities in the form of (i) loans made from these HSBC Group entities to HNAH; and (ii) interest and principal payments on the loans that HNAH has made to these HSBC Group entities. HNAH generates cash flows from the provision of funding to other HSBC Group entities and it may receive cash from subsidiaries in the form of dividends.

**3.2.1.5 Financial interconnectedness**

As the principal holding company of HSBC Group's US MEs, HNAH has various forms of financial interconnections with other HSBC Group entities. These interconnections include loans made from these HSBC Group entities to HNAH; and interest and principal payments on the loans that HNAH has made to these HSBC Group entities.

Other financial interconnections relate to lending facilities that HNAH provides to several HSBC Group entities on a third-party basis. It has both credit exposure in respect of the facilities that have been drawn and contingent credit exposure in respect of the facilities that have not been drawn.

**3.2.1.6 Operational interconnectedness**

HNAH's principal business is to act as a holding company for its subsidiaries, and it does not itself provide operational support to the US Group. HNAH does, however, receive the benefit of services from other MEs that are performing functions on behalf of HNAH (such as financial consolidation reporting for the US Group).

**3.2.2 HSBC USA Inc.****3.2.2.1 Types of business conducted**

HUSI is a BHC organized under the laws of the State of Maryland and is an intermediate level holding company for HSBC Group's US operations. HUSI is an indirect wholly owned subsidiary of HNAH and the direct parent company of HSBC Group's principal US banking subsidiary, HBUS. Substantially all of HUSI's operations are conducted through HBUS, the operations of which are described below. HUSI's other subsidiaries include HSBC Trust Company (Delaware), National Association, which is engaged in the PB CBL (**PB CBL**).

HUSI's principal business is to act as a holding company for its subsidiaries. HUSI has issued certain series of non-voting preferred stock, which are registered on the New York Stock Exchange (**NYSE**).

**3.2.2.2 Financial data**

The following table shows HUSI's unconsolidated assets and liabilities presented in accordance with US GAAP as at December 31, 2014.

<b>HUSI SUMMARY BALANCE SHEET</b>	
	<b>USDm</b>
<b>Assets</b>	
Cash and due from banks .....	7,993
Interest bearing deposits with banks.....	9,149
Trading assets.....	8
Securities available for sale .....	498
Securities held to maturity.....	4
Loans, net of allowances.....	5,650
Investment in subsidiary.....	19,067
Other assets .....	1,176
<b>Total assets</b> .....	<b>43,545</b>
<b>Liabilities</b>	
Repurchase agreements and other short-term borrowings .....	4,772
Long-term debt.....	19,799
Subordinated debt.....	1,730
Other liabilities.....	277
<b>Total liabilities</b> .....	<b>26,578</b>
<b>Shareholders' equity</b>	
Preferred stock.....	1,565
Common shareholders' equity:	
Common stock.....	-
Additional paid-in capital.....	14,170
Retained earnings / (deficit).....	1,233
Accumulated other comprehensive income / (loss).....	(1)
<b>Total shareholders' equity</b> .....	<b>16,967</b>
<b>Total liabilities and shareholders' equity</b> .....	<b>43,545</b>

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The following table shows HUSI's unconsolidated revenues and expenses presented in accordance with US GAAP for the year ended December 31, 2014.

<b>HUSI SUMMARY INCOME STATEMENT</b>	
	<b>USDm</b>
Interest income.....	205
Interest expense.....	360
<b>Net interest income / (expense)</b> .....	<b>(155)</b>
Provision for credit losses .....	4
<b>Net interest income / (expense) after provision for credit losses</b> .....	<b>(151)</b>
<b>Other revenues</b>	
Other income.....	557
<b>Total other revenues</b> .....	<b>557</b>
<b>Operating expenses</b>	
Salaries and employee benefits.....	(1)
Other expenses.....	207
<b>Total operating expenses</b> .....	<b>206</b>
Income / (loss) before taxes and extraordinary items.....	200
Income tax expense / (benefit).....	(56)
Equity in undistributed income / (losses) of subsidiaries and associated expenses .....	98
<b>Net income / (loss)</b> .....	<b>354</b>

### 3.2.2.3 Location and jurisdiction

HUSI is incorporated under the laws of the State of Maryland and has its principal executive office at 452 Fifth Avenue, New York, New York. As a holding company, all of HUSI's material operations are conducted through its subsidiaries. Information with respect to the geographic footprint of its subsidiaries that are MEs can be found below.

All but one of HUSI's direct and indirect subsidiaries are organized or incorporated in the US. HUSI (indirectly through HBUS) has one non-US incorporated wholly owned subsidiary, HSBC Financial Services (Uruguay) SA, which is incorporated in Uruguay and is in the process of being liquidated.

### 3.2.2.4 Capital and funding resources

#### *Capital resources*

HUSI's capital resources include common stock and preference shares that have been issued within HSBC Group. If HUSI requires additional capital, this could be sourced from its parent company, HSBC North America Inc. (**HNAI**).

#### *Funding resources*

HUSI's primary sources of funding are commercial paper (**CP**) issued to third-party investors and debt issued to both HSBC Group entities and third parties. HUSI generates cash flows from the provision of

funding to other HSBC Group entities and it may receive cash from its subsidiaries in the form of dividends.

### **3.2.2.5 Financial interconnectedness**

As a BHC and IHC for HSBC Group's US operations, HUSI has various forms of financial interconnections with other HSBC Group entities. These interconnections relate primarily to CP issued to third parties and debt issued to both HSBC Group entities and third parties. Financial interconnectedness also exist as a result of HUSI receiving cash from subsidiaries in the form of dividends and generating cash flows from the provision of funding to other HSBC Group entities.

Other financial interconnections relate to lending facilities that HUSI provides to several HSBC Group entities on a third-party basis. It has both credit exposure in respect of the facilities that have been drawn and contingent credit exposure in respect of the facilities that have not been drawn.

### **3.2.2.6 Operational interconnectedness**

HUSI's principal business is to act as a holding company for its subsidiaries, and it does not itself provide operational support to the US Group. However as an issuer of securities registered pursuant to Section 12(b) of the Securities Act of 1933, as amended (the **Securities Act**), HUSI receives the benefit of services from other MEs that are performing functions on behalf of HUSI.



**3.2.3 HSBC Bank USA, National Association****3.2.3.1 Types of business conducted**

HBUS, HSBC Group's principal US banking subsidiary and Covered IDI, is a national banking association chartered by the Office of the Comptroller of the Currency (the **Comptroller**). HBUS is an indirect wholly owned subsidiary of HNAH, which is an indirect wholly owned subsidiary of HGHQ.

HBUS, directly and through its subsidiaries, offers a full range of commercial and retail banking products and related financial services to its customers, including individuals (including high net worth individuals), small businesses, corporations, institutions and governments. HBUS is also a swap dealer registered with the CFTC and is an international dealer in derivative instruments denominated in US dollars and other currencies, focusing on the structuring of transactions to meet clients' needs. Significant parts of seven of the eight CBLs are carried out by HBUS and its subsidiaries. In addition to the CBLs conducted by HBUS, HBUS conducts non-core business including credit rating, equities and emerging markets businesses.

In total, there are 40 subsidiaries of HBUS as at December 31, 2014. HBUS has one significant subsidiary, HSBC Private Bank International (**PBUS**), which is an Edge Act corporation engaged in the PB CBL. PBUS services high net worth non-US clients. HBUS has a number of other subsidiaries which supports its business, many of which were formed primarily as loan recovery property holders or special purpose entities for specific transaction needs.

As at December 31, 2014, HBUS and its subsidiaries had deposits of approximately USD132.5 billion.

**3.2.3.2 Financial data**

The following table shows HBUS's consolidated assets and liabilities presented in accordance with US GAAP as at December 31, 2014.

<b>HBUS SUMMARY BALANCE SHEET</b>	
	<b>USDm</b>
<b>Assets</b>	
Cash and due from banks .....	890
Interest bearing deposits with banks.....	29,957
Federal funds sold and securities purchased under agreements to resell .....	1,413
Trading assets .....	21,084
Securities available for sale .....	29,643
Securities held to maturity .....	13,465
Loans, net of allowances.....	72,311
Loans held for sale .....	612
Properties and equipment, net .....	247
Other assets .....	9,020
<b>Total assets</b> .....	<b>178,642</b>
<b>Liabilities</b>	
Deposits .....	132,488
Repurchase agreements and other short-term borrowings .....	8,023
Trading liabilities .....	8,163
Long-term borrowings .....	1,357
Subordinated debt.....	5,538
Other liabilities.....	4,098
<b>Total liabilities</b> .....	<b>159,667</b>
<b>Shareholders' equity</b>	
Common shareholders' equity:	
Common stock.....	2
Additional paid-in capital.....	16,108
Retained earnings / (deficit) .....	2,868
Accumulated other comprehensive income / (loss).....	(3)
<b>Total shareholders' equity</b> .....	<b>18,975</b>
<b>Total liabilities and shareholders' equity</b> .....	<b>178,642</b>

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The following table shows HBUS's unconsolidated revenues and expenses presented in accordance with US GAAP for the year ended December 31, 2014.

<b>HBUS SUMMARY INCOME STATEMENT</b>		<b>USDm</b>
Interest income.....		2,908
Interest expense.....		563
<b>Net interest income / (expense)</b> .....		<b>2,345</b>
Provision for credit losses .....		192
<b>Net interest income after provision for credit losses</b> .....		<b>2,153</b>
<b>Other revenues</b>		
Fees and commissions .....		92
Income from fiduciary activities .....		84
Trading revenue .....		174
Service charges on deposit accounts in domestic offices .....		143
Servicing fees, net.....		92
Gain / (loss) on sales of assets excluding securities .....		61
Gain / (loss) on sales of securities .....		102
Other income .....		910
<b>Total other revenues</b> .....		<b>1,658</b>
<b>Operating expenses</b>		
Salaries and employee benefits .....		942
Expenses of premises and fixed assets.....		190
Amortization expense and impairment losses for other intangible assets .....		10
Other expenses .....		2,069
<b>Total operating expenses</b> .....		<b>3,211</b>
Income / (loss) before taxes and discontinued operations .....		600
Income tax expense / (benefit).....		42
<b>Income / (loss) before discontinued operations</b> .....		<b>558</b>
Discontinued operations.....		-
<b>Net income / (loss) attributable to bank and minority interests</b> .....		<b>558</b>
Net income / (loss) attributable to minority interests .....		-
<b>Net income / (loss)</b> .....		<b>558</b>

**3.2.3.3 Location and jurisdiction**

HBUS is incorporated under the laws of Delaware and has its principal executive office at 452 Fifth Avenue, New York, New York. HBUS has its main office at 1800 Tysons Blvd., Suite 50, McLean, Virginia.

As at November 13, 2015, HBUS had 231 branches and 26 representative offices in the US, including 148 branches and 7 representative offices in the State of New York and the remainder distributed across 15 states and the District of Columbia.

In addition to its domestic offices, HBUS maintains foreign branches in the UK and Hong Kong. In addition, as at June 30, 2015, HBUS maintains a representative office in Santiago, Chile that is utilized by the PB CBL, as well as in Bogota, Colombia, and Lima, Peru, which are utilized by the Banking and Capital Financing CBL (**GB CBL**).

HBUS has one indirect subsidiary based outside the US, HSBC Financial Services (Uruguay) S.A., which is in the process of being liquidated. HBUS also has two Edge Act corporations, PBUS and HSBC International Finance Corporation (Delaware), utilized in the PB CBL. In addition, HBUS and two of its subsidiaries hold nominal interests in HIBL.

**3.2.3.4 Capital and funding resources***Capital resources*

HBUS's shareholders' equity includes common stock, additional paid in capital, retained earnings and accumulated other comprehensive income, and totals USD19.0 billion.

*Funding resources*

HBUS's primary source of funding is its deposit base and it supplements this source of funding by issuing short-term and long-term debt in the external market, borrowing under unsecured and secured financing facilities, selling liquid assets and receiving capital contributions from its immediate parent, HUSI.

HBUS maintains significant contingent liquidity in the form of its investment and trading asset portfolios, and its cash reserve on account at the Federal Reserve Bank of New York.

**3.2.3.5 Financial interconnectedness**

HBUS provides secured loans on arm's-length terms to other MEs in the US Group subject to the requirements of Regulation W (12 CFR Part 223) and other federal laws and regulations. As such, all extensions of credit by HBUS to other HSBC Group entities (other than other FDIC-insured banks) are legally required to be secured by eligible collateral. HBUS also enters into derivative contracts and conducts lending transactions in the ordinary course of business at prevailing market rates and terms with both other HSBC Group entities and third parties.

**3.2.3.6 Operational interconnectedness**

HBUS and its subsidiaries rely on two types of operational support, which they receive from a number of sources: Global Functions and HOST.

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Within HBUS and its subsidiaries, there are dedicated operations teams that provide support to MEs, including an Asset, Liability and Capital Management (**ALCM**) team; dedicated finance and risk (including compliance) teams; and a dedicated HOST team.

The US Internal Audit function is also principally located within HBUS. Outside this function and the dedicated operations teams within HBUS, HTSU is the primary service provider of both types of operational support to HBUS and its subsidiaries.

Limited support is also provided to HBUS and its subsidiaries by:

- dedicated HOST service providers, known as Global Service Centers (**GSCs**);
- HCSU, HBIO, HGHQ, HBEU and HBAP for certain services;
- HBEU, HGSU, HSBC France S.A., HSBC Private Bank (Suisse) SA, and HBAP for data center hosting; and
- HCSU and HBEU for payment, clearing and settlement system memberships.

**3.2.4 HSBC Securities (USA) Inc.****3.2.4.1 Types of business conducted**

HCSU is a corporation organized under the laws of the State of Delaware. It is a wholly owned direct subsidiary of HMUS, which is an indirect wholly owned subsidiary of HNAH, which is an indirect wholly owned subsidiary of HGHQ.

HCSU is a registered broker-dealer of securities under the Exchange Act, a registered Investment Adviser under the Investment Advisers Act of 1940 and a registered FCM with the CFTC. HCSU is a primary dealer in US government and government agency securities. HCSU is regulated by the SEC, CFTC and is also indirectly regulated by the FRB.

HCSU is engaged in the following activities:

- interest rates trading, such as US government and government agency securities trading, primary dealer for US Treasuries, Repurchase Agreements (**Repos**) and Reverse Repos (**Reverse Repos**) (including entering of Repos and Reverse Repos on a matched book basis), securities borrowing and lending, distribution of structured notes issued by HUSI and HBUS and clearing of over-the-counter (**OTC**) rates derivatives;
- credit trading, such as corporate investment grade bond trading and debt underwriting;
- exchange-traded futures and options execution and clearing services;
- equities commission business, including institutional and retail brokerage sales; and
- other advisory services such as equity underwriting, leveraged and acquisition financing, project and export finance, asset-backed financing, asset and structured finance and mergers and acquisitions services.

The majority of HCSU's customers are other financial institutions and institutional investors.

**3.2.4.2 Financial data**

The following table shows HCSU's consolidated assets and liabilities presented in accordance with US GAAP as at December 31, 2014.

HCSU SUMMARY BALANCE SHEET		USDm
<b>Assets</b>		
Cash and due from banks .....		56
Interest bearing deposits with banks.....		455
Federal funds sold and securities purchased under agreements to resell .....		63,635
Trading assets.....		15,127
Other assets .....		2,145
<b>Total assets</b> .....		<b>81,418</b>
<b>Liabilities</b>		
Repurchase agreements and other short-term borrowings .....		64,669
Trading liabilities .....		13,185
Subordinated debt.....		650
Other liabilities.....		2,170
<b>Total liabilities</b> .....		<b>80,674</b>
<b>Shareholders' equity</b>		
Common shareholders' equity:		
Common stock		
Additional paid-in capital .....		2,128
Retained earnings / (deficit) .....		(1,384)
<b>Total shareholders' equity</b> .....		<b>744</b>
<b>Total liabilities and shareholders' equity</b> .....		<b>81,418</b>

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The following table shows HCSU's consolidated revenues and expenses presented in accordance with US GAAP for the year ended December 31, 2014.

<b>HCSU SUMMARY INCOME STATEMENT</b>	
	<b>USDm</b>
Interest income.....	407
Interest expense.....	343
<b>Net interest income (expense)</b> .....	<b>64</b>
<b>Other revenues</b> .....	
Other fees and commissions.....	466
Trust income .....	23
Trading revenue, net.....	(11)
HSBC Group affiliate income .....	266
Other / (loss) income .....	(6)
<b>Total other revenues</b> .....	<b>738</b>
<b>Operating expenses</b> .....	
Salaries and employee benefits.....	569
Support services from HSBC Group affiliates.....	184
Occupancy expense, net.....	1
Other expenses.....	272
<b>Total operating expenses</b> .....	<b>1,026</b>
Income / (loss) before taxes and discontinued operations .....	(224)
Income tax expense / (benefit).....	(138)
<b>Net Income / (loss)</b> .....	<b>(86)</b>

### 3.2.4.3 Location and jurisdiction

HCSU is incorporated under the laws of Delaware and has its principal executive office at 452 Fifth Avenue Tower 7, New York, New York.

HCSU has a single foreign branch located in Hong Kong, which is registered with the Securities and Futures Commission. The Hong Kong branch sells US securities (primarily US treasury securities) to non-US residents.

HCSU's customers are almost exclusively based in the US.

### 3.2.4.4 Capital and funding resources

#### *Capital resources*

HCSU's capital comprises shareholders' equity and subordinated loan instruments, which are compliant with Financial Industry Regulatory Authority (**FINRA**) requirements for capital treatment. Capital is provided from within the US Group only and primarily from HNAH or HUSI.

#### *Funding resources*

HCSU's primary source of funding is the US Repo market. In order to satisfy the need for unsecured funding, HCSU also has access to committed and uncommitted unsecured credit facilities from HSBC



## US Resolution Plan: Section I – Public Section

Group entities and third parties. HCSU generates cash flows from its investment banking activities, notably securities financing activities and through fee income related to GBM business within HCSU.

### **3.2.4.5 Financial interconnectedness**

HCSU has access to committed and uncommitted unsecured credit facilities from other HSBC Group entities. HCSU also enters into Repo trades with other HSBC Group entities as part of its matched book securities financing business.

### **3.2.4.6 Operational interconnectedness**

HCSU relies on two types of operational support, which it receives from a number of sources: Global Functions and HOST.

HCSU also relies on dedicated operations teams within HCSU itself and in HSBC Securities Services (USA) Inc. (**HSSU**) (a sister company of HCSU), that provide support, including:

- an ALCM team;
- a dedicated US securities legal team and risk and Human Resources (**HR**) teams;
- an operations team which provides back-office support; and
- a software development team which provides “run the bank” support.

Outside the dedicated operations teams within HCSU and HSSU, HTSU is the primary service provider of both types of operational support.

Limited support is also provided to HCSU by other HSBC Group entities for certain services, data center hosting, payment, clearing and settlement system memberships and dedicated HOST service providers.

## 3.2.5 HSBC Technology & Services (USA) Inc.

### 3.2.5.1 Types of business conducted

HTSU is a corporation organized under the laws of the State of Delaware and is a dedicated provider of information technology and centralized operational and support services, including human resources, tax, finance, compliance, legal, policy, communications and other services shared among HNAH and its subsidiaries, as well as across HSBC Group. HTSU is an indirect wholly owned subsidiary of HNAH, which is an indirect wholly owned subsidiary of HGHQ. HTSU is the service provider of operational support to the MEs, CBLs and COs.

HTSU is the primary service provider of Global Functions for the US Group. Global Functions provide certain support and administrative services across HSBC Group. Within the US Group, Global Functions are categorized as follows: US Finance; US Internal Audit; US Risk (including Compliance); US HR; US Legal; US Communications; US Strategy and Planning and US Corporate Secretary.

HTSU also forms part of the HOST shared services organization within HSBC Group, which provides business operations, technology infrastructure, business support systems, procurement, property and other support services across HSBC Group. HTSU is the primary provider of HOST services to the MEs, CBLs and COs.

### 3.2.5.2 Financial data

The following table shows HTSU's assets and liabilities presented in accordance with US GAAP as at December 31, 2014.

<b>HTSU SUMMARY BALANCE SHEET</b>	
	<b>USDm</b>
<b>Assets</b>	
Interest bearing deposits with banks.....	164
Properties and equipment, net.....	158
Other assets.....	281
<b>Total assets</b> .....	<b>603</b>
<b>Liabilities</b>	
Long-term debt.....	253
Other liabilities.....	341
<b>Total liabilities</b> .....	<b>594</b>
<b>Shareholders' equity</b>	
Common shareholders' equity:	
Common stock	
Additional paid-in capital .....	402
Retained earnings / (deficit) .....	(372)
Accumulated other comprehensive income / (loss) .....	(21)
<b>Total shareholders' equity</b> .....	<b>9</b>
<b>Total liabilities and shareholders' equity</b> .....	<b>603</b>

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The following table shows HTSU's revenues and expenses presented in accordance with US GAAP for the year ended December 31, 2014.

<b>HTSU SUMMARY INCOME STATEMENT</b>	
	<b>USDm</b>
Interest income.....	-
Interest expense.....	(11)
<b>Net interest income / (expense)</b> .....	<b>(11)</b>
<b>Other revenues</b>	
Fees and commissions .....	1,692
Other income.....	1
<b>Total other revenues</b> .....	<b>1,693</b>
<b>Operating expenses</b>	
Salaries and employee benefits .....	799
Expenses of premises and fixed assets.....	52
Amortization expense and impairment losses for other intangible assets .....	-
Other expenses .....	828
<b>Total operating expenses</b> .....	<b>1,679</b>
Income / (loss) before taxes and extraordinary items .....	3
Income tax expense / (benefit).....	7
<b>Net Income / (loss)</b> .....	<b>(4)</b>

### 3.2.5.3 Location and jurisdiction

HTSU is incorporated under the laws of Delaware and has its principal office at 26525 N. Riverwoods Blvd, Mettawa, Illinois.

HTSU does rely to some degree on GSCs and Global Technology Centers (*GLTs*) for operational support; the GSCs and GLTs are located outside of the US in low cost locations. In addition, while HTSU operations are based within the US, HTSU also provides certain services to HSBC Group entities outside of the US Group.

### 3.2.5.4 Capital and funding resources

#### *Capital resources*

HTSU's shareholders' equity includes common stock issued within HSBC Group. HTSU also generates capital through the retained profit arising from the provision of its services. If HTSU requires additional capital, this could be provided by its parent company, HNAI.

#### *Funding resources*

HTSU's primary source of funding is the payments received from the provision of services to other HSBC Group entities.

**3.2.5.5 Financial interconnectedness**

As a central US service company, HTSU's primary source of revenue is from payments by HSBC Group entities for the services provided to other HSBC Group entities, mainly to the US MEs. HTSU uses those cash flows and existing cash resources to pay operating expenses and to service the senior debt funding that it has received from HNAH.

**3.2.5.6 Operational interconnectedness**

HTSU is the primary service provider of operational support to the MEs. This operational support is made up of two categories of services: Global Functions and HOST. In order to provide the support to the US Group, HTSU itself relies on dedicated HOST service providers. HTSU also relies on support from other HSBC Group entities performing both HOST services and Global Functions.

**3.2.6 HSBC Finance Corporation****3.2.6.1 Types of business conducted**

HBIO is a corporation organized under the laws of the State of Delaware and acts as a holding company for the run-off consumer finance operations. HBIO is an indirect wholly owned subsidiary of HNAH, which is an indirect wholly owned subsidiary of HGHQ.

Historically, HBIO principally carried out a consumer finance business, which provided lending, both secured and unsecured, and insurance products to consumers within the US. HBIO's subsidiaries provided real estate secured loans, personal non-credit card loans and auto finance receivables, as well as credit card and private label credit card and tax refund anticipation loans and related products, all of which HBIO no longer originates. With the completion of the sales of its Card and Retail Services business in May 2012 and its Insurance business in March 2013, its corporate and treasury activities now solely support its Consumer segment, which consists of its run-off mortgage services businesses that provided real estate secured loans with both revolving and closed-end terms and with fixed or variable interest rates. HBIO and its subsidiaries continue to generate cash flow from the ongoing collections of the receivables, including interest and fees, through its Consumer segment.

**3.2.6.2 Financial data**

The following summarizes the consolidated balance sheet of HBIO as at December 31, 2014, presented in accordance with the US GAAP.

<b>HBIO SUMMARY BALANCE SHEET</b>	
	<b>USDm</b>
<b>Assets</b>	
Cash and due from banks .....	157
Interest bearing deposits with banks.....	2,000
Securities purchased under agreements to resell .....	3,863
Loans, net of allowances .....	21,242
Loans held for sale.....	860
Properties and equipment, net .....	63
Other assets .....	3,775
<b>Total assets</b> .....	<b>31,960</b>
<b>Liabilities</b>	
Short-term debt .....	
Long-term debt .....	19,324
Subordinated debt .....	4,048
Other liabilities .....	1,465
<b>Total liabilities</b> .....	<b>24,837</b>
<b>Shareholders' equity</b>	
Preferred stock.....	1,575
Common shareholder's equity:	
Common stock	
Additional paid-in capital .....	23,987
Retained earnings / (deficit) .....	(18,374)
Accumulated other comprehensive income / (loss).....	(65)
<b>Total shareholders' equity</b> .....	<b>7,123</b>
<b>Total liabilities and shareholders' equity</b> .....	<b>31,960</b>

## US Resolution Plan: Section I – Public Section

The following summarizes HBIO's Consolidated Income Statement as at December 31, 2014, presented in accordance with the US GAAP.

<b>HBIO SUMMARY INCOME STATEMENT</b>	
	<b>USDm</b>
Interest income.....	1,926
Interest expense .....	1,058
<b>Net interest income / (expense)</b> .....	<b>868</b>
Provision for credit losses .....	(365)
<b>Net interest income / (expense) after provision for credit losses</b> .....	<b>1,233</b>
<b>Other revenues</b>	
Derivative related income / (expense) .....	(303)
Gain on debt designated on fair value and related derivatives.....	208
Servicing and other fees from HSBC affiliates.....	28
Lower of amortized cost or fair value adjustment on receivables held for sale .....	201
Other income.....	92
<b>Total other revenues</b> .....	<b>226</b>
<b>Operating expenses</b>	
Salaries and employee benefits.....	197
Occupancy and equipment expense, net.....	36
Real estate owned expenses.....	19
Other servicing and administrative expenses .....	165
Support services from HSBC affiliates.....	271
<b>Total operating expenses</b> .....	<b>688</b>
<b>Income from continuing operations before income tax</b> .....	<b>771</b>
Income tax expense / (benefit).....	224
<b>Income / (loss) from continuing operations</b> .....	<b>547</b>
Discontinued Operations:	
Income from discontinued operations before income tax.....	(27)
Income tax expense / (benefit) .....	(3)
<b>Income / (loss) from discontinued operations</b> .....	<b>(24)</b>
<b>Net income / (loss)</b> .....	<b>523</b>

### 3.2.6.3 Location and jurisdiction

HBIO is incorporated under the laws of Delaware and has its principal executive office in Corporation Trust Center, Wilmington, Delaware.

HBIO operates through 69 subsidiaries. These subsidiaries are geographically spread out across all of the US states.

**3.2.6.4 Capital and funding resources***Capital resources*

HBIO shareholders' equity includes common stock and preference shares that have been issued within HSBC Group (and certain preference shares to third parties). In the ordinary course of operations, HBIO requires HSBC Group's continued support to maintain appropriate levels of capital as it liquidates its receivables portfolios. HSBC Group has historically provided significant capital in support of HBIO's operations.

*Funding resources*

HBIO's main sources of funding are cash flows from the ongoing collections of its loan portfolio, including interest and fees. HBIO also receives significant funding from capital contributions from HSBC Investments (North America) Inc. (*HINO*) and funding from other HSBC Group entities. HBIO previously relied, to a significant degree, on third-party funding.

HBIO's primary sources of funding in 2014 were the proceeds from sales of pools of real estate secured receivables, liquidation of short-term investments, cash generated from operations including loan payments and pay-offs, and Real Estate Owned sales proceeds.

**3.2.6.5 Financial interconnectedness**

In order to manage interest rate and cross-currency risks, HBIO enters into derivative trades with HBUS and has outstanding derivative contracts with HBUS.

**3.2.6.6 Operational interconnectedness**

HBIO relies on two types of operational support, Global Functions and HOST.

Outside the dedicated teams within HBIO, HTSU is the primary service provider of both types of operational support to HBIO and its subsidiaries.

Limited support is also provided to HBIO and its subsidiaries by:

- dedicated HOST service providers;
- HBUS, HCSU and HGHQ for certain services;
- HBEU, HGSU and HBAP for data center hosting; and
- HBUS and HBEU for payment, clearing and settlement system memberships.



**3.3 Non-US Material Entities**

In addition to the MEs identified for the US Resolution Plans, the non-US entities listed below have been identified as having financial and operational connections with US MEs, CBLs or COs.

**3.3.1 HSBC Holdings plc****3.3.1.1 Types of business conducted**

HGHQ is a public limited company, incorporated under the laws of England and Wales. HGHQ is the holding company of HSBC Group, which includes banks and other regulated entities. HGHQ is listed in London, Hong Kong, New York, Paris and Bermuda. HGHQ does not carry out any banking business in its own right.

## 3.3.1.2 Financial data

The following table shows HGHQ's consolidated assets and liabilities presented in accordance with International Financial Reporting Standards (*IFRS*) as at December 31, 2014.

<b>HGHQ CONSOLIDATED BALANCE SHEET</b>	
	<b>USDm</b>
<b>Assets</b>	
Cash and balances at central banks.....	129,957
Trading assets.....	304,193
Financial assets designated at fair value.....	29,037
Derivatives.....	345,008
Loans and advances to banks.....	112,149
Loans and advances to customers.....	974,660
Financial investments.....	415,467
Assets held for sale.....	7,647
Other assets.....	316,021
<b>Total assets</b> .....	<b>2,634,139</b>
<b>Liabilities</b>	
Deposits by banks.....	77,426
Customer accounts.....	1,350,642
Trading liabilities.....	190,572
Financial liabilities designated at fair value.....	76,153
Derivatives.....	340,669
Debt securities in issue.....	95,947
Liabilities under insurance contracts.....	73,861
Liabilities of disposal groups held for sale.....	6,934
Other liabilities.....	221,957
<b>Total liabilities</b> .....	<b>2,434,161</b>
<b>Equity</b>	
Total shareholders' equity.....	190,447
Non-controlling interests.....	9,531
<b>Total equity</b> .....	<b>199,978</b>
<b>Total equity and liabilities</b> .....	<b>2,634,139</b>

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The following table shows HGHQ's consolidated revenues and expenses presented in accordance with IFRS for the year ended December 31, 2014.

<b>HGHQ CONSOLIDATED INCOME STATEMENT</b>	
	<b>USDm</b>
Net interest income .....	34,705
Net fee income .....	15,957
Net trading income .....	6,760
Net income (expense) from financial instruments designated at fair value .....	2,743
Gains less losses from financial investments .....	1,335
Dividend income.....	311
Net earned insurance premiums .....	11,921
Other operating income.....	1,131
<b>Total operating income</b> .....	<b>74,593</b>
Net insurance claims incurred and movement in liabilities to policyholders .....	(13,345)
<b>Net operating income before loan impairment charges and other credit risk provisions</b> .....	<b>61,248</b>
Loan impairment charges and other credit risk provisions .....	(3,851)
<b>Net operating income</b> .....	<b>57,397</b>
<b>Total operating expenses</b> .....	<b>(41,249)</b>
<b>Operating profit</b> .....	<b>16,148</b>
Share of profit in associates and joint ventures .....	2,532
<b>Profit before tax</b> .....	<b>18,680</b>
Income tax expense (benefit).....	3,975
<b>Profit for the year</b> .....	<b>14,705</b>
Profit attributable to shareholders of the parent company .....	13,688
Profit attributable to non-controlling interests.....	1,017

### 3.3.1.3 Location and jurisdiction

HGHQ is incorporated under the laws of England and Wales with its registered office at 8 Canada Square, London, United Kingdom. HSBC Group operates through an international network of approximately 6,100 offices in 72 countries and territories in five geographic regions: Europe, Asia, Middle East and North Africa, North America and Latin America and it conducts its activities primarily through 58 locally incorporated and regulated bank subsidiaries.

### 3.3.1.4 Capital and funding resources

#### *Capital resources*

HSBC Group operates on a subsidiary, rather than a branch, model with each bank in HSBC Group being separately capitalized in accordance with the applicable prudential reporting requirements and with buffers of capital in excess of the minimum capital level mandated by the relevant local regulator.

It is the primary source of equity capital for its subsidiaries and provides non-equity capital to them when necessary. HGHQ does not provide core funding to any of its banking subsidiaries.

### *Funding resources*

HGHQ accesses wholesale funding markets by issuing senior and subordinated secured and unsecured debt securities (publically and privately) and borrowing from the secured Repo markets against high quality collateral, in order to obtain funding for non-banking subsidiaries that do not accept deposits, to align asset and liability maturities and currencies and to maintain a presence in local wholesale markets.

#### **3.3.1.5 Financial interconnectedness**

As at December 31, 2014, HGHQ had invested in subordinated debt issued by HBIO and HINO.

Various other financial interconnections exist between HGHQ and the US Group, including the credit exposure that arises for HGHQ in respect of the deposits that it holds with HBUS.

HGHQ has entered into an International Swaps and Derivatives Association (*ISDA*) Master Agreement with HBUS that includes a Credit Support Annex (*CSA*).

#### **3.3.1.6 Operational interconnectedness**

Although HTSU is the primary service provider of operational support to the US Group, limited support is also provided by HGHQ. The services provided by HGHQ to HSBC Group entities under the HGHQ Group Services Agreement are primarily administrative functions, and as a result the shared HSBC Group infrastructure is not relevant to the provision of these services to the MEs.

## 3.3.2 HSBC Bank plc

### 3.3.2.1 Types of business conducted

HBEU is a public limited company, incorporated under the laws of England and Wales and is a wholly owned subsidiary of HGHQ. HBEU and its subsidiaries are HSBC Group's principal banking subsidiaries in Europe. HBEU and its subsidiaries provide a wide range of banking, treasury and financial services to personal, commercial and corporate customers across Europe.

### 3.3.2.2 Financial data

The following table shows HBEU's consolidated assets and liabilities presented in accordance with IFRS as at December 31, 2014.

<b>HBEU SUMMARY BALANCE SHEET</b>	
	<b>GBPm</b>
<b>Assets</b>	
Cash and balances at central banks .....	42,853
Trading assets .....	130,127
Financial assets designated at fair value .....	6,899
Derivative assets .....	187,736
Loans and advances to banks .....	25,262
Loans and advances to customers .....	257,252
Reverse repurchase agreements - non-trading .....	41,945
Financial investments .....	76,194
Other .....	29,021
<b>Total assets</b> .....	<b>797,289</b>
<b>Liabilities</b>	
Deposits by banks .....	27,590
Customer accounts .....	346,507
Repurchase agreements - non-trading .....	23,353
Trading liabilities .....	82,600
Financial liabilities designated at fair value .....	22,552
Derivative liabilities .....	188,278
Debt securities in issue .....	27,921
Liabilities under insurance contracts issued .....	17,522
Other .....	24,268
<b>Total Liabilities</b> .....	<b>760,591</b>
<b>Equity</b>	
Total shareholders' equity .....	36,078
Non-controlling interests .....	620
<b>Total equity</b> .....	<b>36,698</b>
<b>Total equity and liabilities</b> .....	<b>797,289</b>

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The following table shows HBEU's consolidated revenues and expenses presented in accordance with IFRS for the year ended December 31, 2014.

<b>HBEU SUMMARY INCOME STATEMENT</b>	
	<b>GBPm</b>
Net interest income .....	6,629
Net fee income .....	3,266
Trading income .....	1,609
Net income from financial instruments designated at fair value .....	371
Gains less losses from financial investments .....	321
Net earned insurance premiums .....	1,823
Other operating income.....	183
<b>Total operating income</b> .....	<b>14,202</b>
Net insurance claims incurred and movement in liabilities to policyholders .....	(2,316)
<b>Net operating income before impairments and provisions</b> .....	<b>11,886</b>
Loan impairment charges and other credit risk provisions .....	(449)
<b>Net operating income</b> .....	<b>11,437</b>
<b>Total operating expenses</b> .....	<b>(9,487)</b>
<b>Operating profit</b> .....	<b>1,950</b>
Share of profit (loss) in associates and joint ventures .....	3
<b>Profit before tax</b> .....	<b>1,953</b>
Income tax (expense)/benefit.....	(564)
<b>Profit for the year before discontinued operations</b> .....	<b>1,389</b>
Gain on sale of discontinued operations	
<b>Profit for the year</b> .....	<b>1,389</b>
Profit attributable to shareholders of the parent company .....	1,354
Profit attributable to non-controlling interests .....	35

### 3.3.2.3 Location and jurisdiction

HBEU has its headquarters in London and principally operates in Europe. HBEU conducts its activities primarily through 12 banking subsidiaries located across nine jurisdictions.

HBEU has 1,066 branches in the United Kingdom, with 13 branches located in the Isle of Man and the Channel Islands and has overseas branches in a further 12 countries.

### 3.3.2.4 Capital and funding resources

#### *Capital resources*

HSBC Group operates on a subsidiary, rather than a branch, model with each bank in HSBC Group being separately capitalized in accordance with the applicable prudential reporting requirements and with buffers of capital in excess of the minimum capital level mandated by the relevant local regulator.

*Funding resources*

Customer deposits in the form of current accounts and savings deposits payable on demand or at short notice form a significant part of HBEU funding. HBEU also accesses wholesale funding markets by issuing senior secured and unsecured debt securities (publically and privately) and borrowing from the secured Repo markets against high quality collateral, in order to obtain funding for non-banking subsidiaries that do not accept deposits, to align asset and liability maturities and currencies and to maintain a presence in local wholesale markets.

**3.3.2.5 Financial interconnectedness**

HBEU financial interconnections include uncommitted lines of credit, as well as trading with HSBC Group entities in the ordinary course of business, resulting in placement of collateral related to Repo. Various other financial interconnections exist between HBEU and the US Group, including the credit exposure that arises for HBEU in respect of the deposits that it holds with HBUS.

**3.3.2.6 Operational interconnectedness**

Although HTSU is the primary service provider of operational support to the US Group, limited support is also provided by HBEU.

HBEU provides certain support services to the US MEs and receives certain support services from the US MEs.

### 3.3.3 HSBC Global Services Company (UK) Limited

#### 3.3.3.1 Types of business conducted

HGSU is a dedicated services provider within the UK, incorporated under the laws of England and Wales. Its direct parent is HSBC Global Services Limited (**HGSL**), the parent company of the HSBC Global Services Group. HGSL is, in turn, a direct subsidiary of GHQ.

HGSU has been established as part of setting up the Global ServCo Structure to remove dependencies between operating banks (inter-bank dependencies) and between businesses within operating banks (intra-bank dependencies) which constitute barriers to resolution, by placing within the Global ServCo Structure Group services and systems which are shared.

When HGSU's operations are fully established, it will be responsible for providing information technology and centralized operational support services to the MEs, CBLs and COs.

#### 3.3.3.2 Financial data

The following table shows HGSU's assets and liabilities on a stand-alone basis presented in accordance with IFRS as at December 31, 2014.

<b>HGSU BALANCE SHEET</b>	
	<b>GBPm</b>
<b>Assets</b>	
Property, plant and equipment .....	412
Other Assets .....	24
<b>Total assets</b> .....	<b>436</b>
<b>Liabilities</b>	
Other liabilities .....	11
Subordinated liabilities .....	425
<b>Total Liabilities</b> .....	<b>436</b>
<b>Equity</b>	
Share capital .....	-
Retained earnings .....	-
<b>Total equity</b> .....	<b>-</b>
<b>Total equity and liabilities</b> .....	<b>436</b>



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The following table shows HGSU’s revenues and expenses on a stand-alone basis presented in accordance with IFRS for the year ended December 31, 2014.

HGSU INCOME STATEMENT	
	GBPm
Interest income.....	-
Interest expense.....	-
<b>Net interest income / (expense)</b> .....	-
<b>Total operating expenses</b> .....	-
<b>Operating profit / (loss)</b> .....	-
<b>Profit / (loss) before tax</b> .....	-
Income tax expense .....	-
<b>Profit / (loss) for the year</b> .....	-

During December 2014, HGSU borrowed GBP425 million from HGHQ, and on December 31, 2014, it acquired property, plant and equipment from other group undertakings, for GBP412 million. Consequently the company was inactive until December 2014 hence its results for the year are *de minimis*.

### 3.3.3.3 Location and jurisdiction

HGSU has its headquarters in London with its registered office at 8 Canada Square, London E14 5HQ, United Kingdom.

### 3.3.3.4 Capital and funding resources

#### *Capital resources*

HGSU will, when operational, meet relevant regulatory capital and liquidity requirements, including the Prudential Regulation Authority’s (*PRA*’s) proposal that entities such as the Global ServCo Structure will be subject to capital and liquidity requirements (equal to 25% and 50% of annual fixed overheads, respectively).

#### *Funding resources*

HGSU’s primary source of funding is expected to be the payments received from the provision of services to other HSBC Group entities, once the Global ServCo Structure implementation is complete.

### 3.3.3.5 Financial interconnectedness

There are no financial interconnections between HGSU and the US Group.

### 3.3.3.6 Operational interconnectedness

Although HTSU is the primary service provider of operational support to the US Group, certain support will be provided by HGSU.

**3.3.4 The Hongkong and Shanghai Banking Corporation Limited****3.3.4.1 Types of business conducted**

HBAP is a wholly owned indirect subsidiary of HGHQ incorporated in Hong Kong and is HSBC Group's principal banking subsidiary in the Asia-Pacific region. HBAP is a bank and also through its subsidiaries provides a comprehensive range of domestic and international banking and related financial services, principally in the Asia-Pacific region. Established in Hong Kong and Shanghai in 1865, HBAP is the founding member of HSBC Group. It is the largest bank incorporated in Hong Kong and one of Hong Kong's three banks that issue bank notes.

HBAP is also the settlement institution appointed by the Hong Kong Monetary Authority (*HKMA*) for US dollar clearing in Hong Kong.

**3.3.4.2 Financial data**

The following table shows HBAP's consolidated assets and liabilities presented in accordance with IFRS as at December 31, 2014.

<b>HBAP SUMMARY BALANCE SHEET</b>	
	<b>HKDm</b>
<b>Assets</b>	
Cash and sight balances at central banks .....	156,475
Items in the course of collection from other banks .....	21,122
Hong Kong Government certificates of indebtedness .....	214,654
Trading assets .....	407,026
Derivatives .....	389,934
Financial assets designated at fair value .....	98,195
Reverse repurchase agreements – non-trading .....	218,901
Placings with and advances to banks .....	488,313
Loans and advances to customers .....	2,815,216
Financial investments .....	1,456,493
Amounts due from Group companies .....	191,694
Interests in associates and joint ventures .....	116,654
Goodwill and intangible assets .....	45,078
Property, plant and equipment .....	104,679
Deferred tax assets .....	1,436
Other assets .....	150,876
<b>Total assets</b> .....	<b>6,876,746</b>
<b>Liabilities</b>	
Hong Kong currency notes in circulation .....	214,654
Items in the course of transmission to other banks .....	31,331
Repurchase agreements – non-trading .....	28,379
Deposits by banks .....	226,713
Customer accounts .....	4,479,992
Trading liabilities .....	215,812
Derivatives .....	367,128
Financial liabilities designated at fair value .....	48,834
Debt securities in issue .....	45,297
Retirement benefit liabilities .....	5,606
Amounts due to Group companies .....	135,814
Other liabilities and provisions .....	87,731
Liabilities under insurance contracts .....	310,182
Current tax liabilities .....	2,927
Deferred tax liabilities .....	18,586
Subordinated liabilities .....	12,832
Preference shares .....	36,582
<b>Total liabilities</b> .....	<b>6,268,400</b>
<b>Equity</b>	
Share capital .....	96,052
Other equity instruments .....	14,737
Other reserves .....	107,985
Retained profits .....	324,811
Proposed fourth interim dividend .....	14,250
Total shareholders' equity .....	557,835
Non-controlling interests .....	50,511
<b>Total equity</b> .....	<b>608,346</b>
<b>Total equity and liabilities</b> .....	<b>6,876,746</b>

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The following table shows HBAP's consolidated revenues and expenses presented in accordance with IFRS for the year ended December 31, 2014.

<b>HBAP SUMMARY INCOME STATEMENT</b>	
	<b>HKDm</b>
Net interest income .....	95,109
Net fee income .....	44,622
Net trading income .....	20,220
Net income from financial instruments designated at fair value .....	4,048
Gains less losses from financial investments .....	2,389
Dividend income .....	1,374
Net earned insurance premiums .....	57,307
Net gain on reclassification of associates .....	(251)
Other operating income .....	8,753
<b>Total operating income</b> .....	<b>233,571</b>
Net insurance claims incurred and movement in liabilities to policyholders .....	(60,182)
<b>Net operating income before loan impairment charges and other credit risk provisions</b> .....	<b>173,389</b>
Loan impairment charges and other credit risk provisions .....	(4,925)
<b>Net operating income</b> .....	<b>168,464</b>
<b>Total operating expenses</b> .....	<b>(72,950)</b>
<b>Operating profit</b> .....	<b>95,514</b>
Share of profit in associates and joint ventures .....	15,675
<b>Profit before tax</b> .....	<b>111,189</b>
Income tax expense .....	(19,012)
<b>Profit for the year</b> .....	<b>92,177</b>
Profit attributable to shareholders of the parent company .....	86,428
Profit attributable to non-controlling interests .....	5,749

**3.3.4.3 Location and jurisdiction**

HBAP is incorporated in the Hong Kong Special Administrative Region of China and has its registered office and head office at HSBC Main Building, 1 Queen’s Road Central, Hong Kong.

HBAP principally operates in the Asia-Pacific region and conducts its activities primarily through 24 banking subsidiaries located across 29 jurisdictions.

**3.3.4.4 Capital and funding resources***Capital resources*

HSBC Group operates on a subsidiary, rather than a branch, model with each bank in HSBC Group being separately capitalized in accordance with the applicable prudential reporting requirements and with buffers of capital in excess of the minimum capital level mandated by the relevant local regulator.

*Funding resources*

HBAP’s primary sources of funding are customer current accounts and customer savings deposits payable on demand or at short notice. HBAP also accesses wholesale funding markets by issuing senior secured and unsecured debt securities (publicly and privately) and borrowing from the secured Repo markets against high quality collateral, in order to obtain funding for non-banking subsidiaries that do not accept deposits, to align asset and liability maturities and currencies and to maintain a presence in the local wholesale market.

**3.3.4.5 Financial interconnectedness**

HBAP is provided an uncommitted line of credit from other HSBC Group entities. Various other financial interconnections exist between HBAP and the US Group, including the credit exposure that arises for HBAP in respect of the uninsured deposits that it holds with HBUS.

HBAP has entered into an ISDA with HBEU that includes a CSA. HBUS enters into back-to-back derivative trades with HBAP in order to transfer the market risk arising from the activities of certain business lines within HBUS.

**3.3.4.6 Operational interconnectedness**

Although HTSU is the primary service provider of operational support to the US Group, limited support is also provided by HBAP, including certain key systems hosted in a data center (either on a primary or disaster recovery hosting basis) and that are used by the MEs, CBLs and COs.

HBAP also provides certain support services to the US MEs and receives certain support services from the US MEs.

#### **4. CORE BUSINESS LINES**

As required by the SIFI Rule, HSBC Group has identified CBLs that are conducted in whole or material part in the US. With the exception of the Consumer Finance CBL (**CF CBL**), each of the CBLs is a CBL for purposes of both the SIFI Rule and the IDI Rule, and with the exception of the CF CBL, all of the CBLs are carried out primarily through HBUS and HCSU. The CBLs operate through HSBC Group's four global businesses: RBWM, CMB, GBM and GPB.

##### **4.1 Banking and Capital Financing Core Business Line**

GB CBL is a core product offering within the GBM global business. GB CBL comprises: Banking which includes the Relationship Management Function; and Capital Financing which includes: (i) the Lending Business Lines; and (ii) the Advisory Services. The GB CBL provides sector-focused client service teams comprising RMs and product specialists to develop financial solutions to meet individual client needs.

Products include capital raising in both debt and equity capital markets, advisory services, bilateral and syndicated lending, leveraged and acquisition finance, structured and project finance, lease finance and non-retail deposit taking. Services offered include international, regional and domestic payments and cash management services, and trade services for large corporate clients.

##### **4.2 Markets Core Business Lines**

HSBC Group's three designated US Markets CBLs are conducted through the GBM global business and comprise Markets – Foreign Exchange (**FX CBL**), Markets – Metals (**Metals CBL**) and, Markets – Rates (**Rates CBL**).

With a network of treasury sites in over 60 countries/territories and access to HSBC Group's worldwide presence and capabilities, this business serves subsidiaries and offices of HSBC Group's clients on a global basis. Markets in the US delivers international products to US clients and local products to international clients, with New York as the hub for the Americas business, including Canada and Latin America.

###### **4.2.1 Markets-FX**

The FX CBL provides services in FX spot, forwards, swaps and other related derivatives.

###### **4.2.2 Markets-Metals**

The Metals CBL provides metals spot, forwards, swaps, lending and custodial services.

###### **4.2.3 Markets-Rates**

The Rates CBL provides services in government bonds, interest rate swaps and other related derivatives, and acts as a market maker and underwriter for sovereign, supranational, agency, financial institution and corporate fixed and floating rate bonds.

##### **4.3 Commercial Banking**

The Commercial Banking CBL (**CMB CBL**) is part of HSBC Group's CMB global business. The CMB CBL is segmented into large corporates, mid-market companies and Business Banking. This allows the CMB CBL to provide an appropriate level of support to companies with more sophisticated needs and

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SMEs as they grow both domestically and internationally. The CMB CBL focuses on faster-growing markets, repositioning towards international business and enhancing collaboration across HSBC Group.

The CMB CBL offers credit and lending services (including a specialized commercial real estate group), capital financing, international trade and receivables finance, payments and cash management services, insurance and investment products.

### **4.3.1 Retail Banking and Wealth Management**

The RBWM CBL is part of HSBC Group's RBWM global business and provides a full range of banking and wealth products and services to individuals through branches and direct channels. The RBWM CBL is primarily run out of HBUS.

### **4.3.2 Consumer Finance**

The CF CBL consists of HBIO's run-off Consumer Lending and Mortgage Services businesses. The CF CBL segment provided real estate secured and personal non-credit card loans with both revolving and closed-end terms and with fixed or variable interest rates. While these businesses are operating in run-off mode, they have not been reported as discontinued operations because HBIO continues to generate cash flow from the ongoing collections of the receivables, including interest and fees. The CF CBL is carried out by HBIO and its subsidiaries, although certain CF CBL servicing employees are employed by HBUS to comply with regulatory licensing requirements.

### **4.3.3 Private Banking**

The PB CBL is conducted as part of HSBC Group's GPB global business. The PB CBL serves high net worth and ultra-high net worth individuals and their families to help meet their most complex needs domestically and abroad. The PB CBL works with its clients to offer tailored, coordinated and innovative ways to manage and preserve wealth while optimizing returns. The PB CBL PB offers a wide range of products and services, including banking, liquidity management, investment services, custody, tailored lending, trust and fiduciary services, insurance, family wealth and philanthropy advisory services. The PB CBL also works to ensure that its clients have access to other products and services available throughout HSBC Group, such as credit cards and investment banking, to deliver total solutions for their financial and wealth needs.

**5. ACTIONS TAKEN TO ENHANCE RESOLVABILITY OF HSBC GROUP'S US OPERATIONS**

HSBC Group continues to review and revise its resolution plans globally in response to evolving regulatory requirements and guidance from its local regulators. Certain resolution planning and structural reforms have effectively strengthened the resiliency and resolvability of international banking organizations, including capital and liquidity requirements and the implementation of recovery plans.

Given HSBC Group's corporate structure and operating model, HSBC Group's global resolution strategy is based on the resolution of regional or national groups of affiliated companies. The global resolution strategy includes plans for the main operating banks in the HSBC Group's three main resolution hubs of the UK, US and Hong Kong and HSBC Group's non-hub banks. HSBC Group has been working with the Bank of England and the Prudential Regulation Authority, together with HSBC Group's other primary regulators to develop and agree to a resolution strategy for HSBC Group.

In common with all G-SIBs, HSBC Group is working with its regulators to assess interdependencies between different businesses and subsidiary banking entities in HSBC Group in order to enhance resolvability. As part of this planning, HSBC Group has initiated plans to mitigate or remove critical interdependencies to further facilitate the resolution of HSBC Group, including its US operations.

As part of its global resolution planning, HSBC Group has also undertaken efforts to enhance the resolvability of its US operations, including ensuring the continuity, transfer or orderly wind-down of its COs, and improving its ability to resolve its US operations in an orderly manner under the Bankruptcy Code and all other applicable US resolution laws, such as SIPA or the FDIA.

**5.1 Global ServCo Structure**

In particular, in order to remove inter-bank operational dependencies across HSBC Group, as well as intra-bank dependencies within the main resolution hubs in the US, Europe and Hong Kong, HSBC Group is transferring such CSs from the individual subsidiary banks to Global ServCo Structure. Global ServCo Structure, which HSBC Group is aiming to have established by the end of 2016, will house shared infrastructure, services and systems in a "bankruptcy remote" group of non-bank operating companies. These operating companies will provide services to HSBC Group operating banks through contracts on commercially reasonable terms, significantly reducing the risk associated with operational dependencies within an operating bank and across operating banks.

Global ServCo Structure will be separately capitalized and funded to ensure continuity of services in the event of resolution. It is expected that Global ServCo Structure will retain sufficient reserves to deal with any financial stresses arising from the resolution of any of the operating banks that it serves. The resulting structure will facilitate a quicker disposal of businesses and/or the restructuring of operating banks than could be achieved with highly integrated and embedded operations and would result in better preservation of value in HSBC Group and the US Group. A significant portion of Global ServCo Structure already exists and therefore this initiative involves transferring the remaining CSs still held by subsidiary banks, including HBEU, into the Global ServCo Structure. The services will then be provided to the subsidiary banks by the Global ServCo Structure.

Further, the current structure of the US Group's operations limits the level of interconnectedness between the US Group and the rest of the HSBC Group. In particular, the inter-entity and intra-entity dependencies between HSBC Group entities are not significant because the large majority of shared services are located within an existing ServCo, namely HTSU.



**5.2 Legal Structure of HSBC Group’s US Operations**

Under the DFA’s “Enhanced Prudential Standards” rule, promulgated by the FRB, foreign banking organizations with USD50 billion or more in total US non-branch assets, such as HSBC Group, must establish a US IHC to hold all US subsidiaries. The IHC will be supervised and regulated by the FRB, and subject to enhanced prudential standards as if it were a US BHC. IHCs will be subject to risk-based capital and leverage ratio requirements, as well as, among other things, capital planning, stress testing, liquidity buffer and risk management requirements.

Based on HSBC Group’s subsidiary bank model, and the US Group’s existing structure, HSBC Group is already substantially in compliance with the IHC requirements, because HNAH is a regulated BHC for HSBC Group’s US operations. As a result, under HSBC Group’s existing legal structure, the US Group’s structure results in a less complex and more streamlined corporate structure, which must also separately maintain capital and liquidity resources. With the continuing focus on IHC resiliency and regulation, the HSBC Group believes there are substantial advantages to further development of IHC-based SPE resolution strategies.

**5.3 ISDA Resolution Stay Protocol**

As part of its efforts to enhance resolvability, HSBC Group along with other G-SIBs agreed to the ISDA 2014 Resolution Stay Protocol, under which the parties to the protocol agree that, if another party to the protocol enters resolution, they will be bound by the stays applicable to the party in resolution. This protocol has been enhanced through the ISDA 2015 Universal Resolution Stay Protocol which, among other things, applies the terms of the protocol to other trading contracts among dealer banks, such as repurchase and securities lending agreements.

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### 6. SUMMARY FINANCIAL INFORMATION REGARDING ASSETS, LIABILITIES, CAPITAL AND MAJOR FUNDING SOURCES

#### 6.1 HSBC Group's financial information

The following summarizes the consolidated balance sheet of HSBC Group as at December 31, 2014 presented in accordance with IFRS as issued by the International Accounting Standards Board and as endorsed by the European Union.

HSBC HOLDINGS PLC CONSOLIDATED BALANCE SHEET		USDm
<b>Assets</b>		
Cash and balances at central banks.....		129,957
Trading assets.....		304,193
Financial assets designated at fair value.....		29,037
Derivatives.....		345,008
Loans and advances to banks.....		112,149
Loans and advances to customers.....		974,660
Reverse repurchase agreements – non-trading.....		161,713
Financial investments.....		415,467
Other assets.....		161,955
<b>Total assets</b> .....		<b><u>2,634,139</u></b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Deposits by banks.....		77,426
Customer accounts.....		1,350,642
Repurchase agreements – non-trading.....		107,432
Items in the course of transmission to other banks.....		5,990
Trading liabilities.....		190,572
Financial liabilities designated at fair value.....		76,153
Derivatives.....		340,669
Debt securities in issue.....		95,947
Other liabilities.....		121,459
<b>Total liabilities</b> .....		<b><u>2,434,161</u></b>
<b>Total equity</b> .....		<b><u>199,978</u></b>
<b>Total liabilities and equity</b> .....		<b><u>2,634,139</u></b>

Further details of the assets, liabilities, capital and major funding sources of the consolidated organization are set forth in HSBC Group's Annual Report and Accounts (**AR&A**) on Form 20-F for the year ended December 31, 2014. Please refer to pages 40 to 62 of the AR&A for a description of financial and operating results of HSBC Group. Please refer to pages 63 to 105 of the AR&A for a description of financial and operating results by global business and relevant geographical regions. Please refer to pages 334 to 457 of the AR&A for the consolidated financial statements and related notes of HGHQ and its subsidiaries.

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The following summarizes HSBC Group's Consolidated Statement of Income / (Loss) as at December 31, 2014 and presented in accordance with IFRS.

HSBC HOLDINGS PLC CONSOLIDATED STATEMENT OF INCOME / (LOSS)	
	USDm
Interest income.....	50,955
Interest expense.....	(16,250)
<b>Net interest income</b> .....	<b>34,705</b>
Fee income.....	19,545
Fee expense .....	(3,588)
<b>Net fee income</b> .....	<b>15,957</b>
Trading income excluding net interest income.....	4,853
Net interest income on trading activities .....	1,907
<b>Net trading income</b> .....	<b>6,760</b>
Changes in fair value of long-term debt issued and related derivatives .....	508
Net income from other financial instruments designated at fair value .....	1,965
<b>Net income/(expense) from financial instruments designated at fair value</b> .....	<b>2,473</b>
Gains less losses from financial investments .....	1,335
Dividend income.....	311
Net insurance premium income .....	11,921
Other operating income.....	1,131
<b>Total operating income</b> .....	<b>74,593</b>
Net insurance claims and benefits paid and movement in liabilities to policyholders .....	(13,345)
<b>Net operating income before loan impairment charges and other credit risk provisions</b> .....	<b>61,248</b>
Loan impairment charges and other credit risk provisions .....	(3,851)
<b>Net operating income</b> .....	<b>57,397</b>
Employee compensation and benefits .....	(20,366)
General and administrative expenses.....	(18,565)
Depreciation and impairment of property, plant and equipment.....	(1,382)
Amortisation and impairment of intangible assets .....	(936)
<b>Total operating expenses</b> .....	<b>(41,249)</b>
Operating profit .....	16,148
Share of profit in associates and joint ventures .....	2,532
<b>Profit before tax</b> .....	<b>18,680</b>
Tax expense.....	(3,975)
<b>Profit for the year</b> .....	<b>14,705</b>
Profit attributable to shareholders of the parent company .....	13,688
Profit attributable to non-controlling interests.....	1,017
Basic earnings per ordinary share .....	0.69
Diluted earnings per ordinary share.....	0.69

**6.2 Funding sources**

HSBC Group funds its US operations through a diversified deposit base (in respect of HBUS), by issuing short-term and long-term debt, borrowing under unsecured and secured financing facilities (including facilities with HSBC Group affiliates)<sup>1</sup>, issuing preferred equity, selling liquid assets, and, as necessary, receiving capital contributions from parent entities.

HSBC Group's prospects for growth in the US continue to be dependent upon the ability to attract and retain deposits. Emphasis is placed on maintaining stability in core deposit balances. Numerous factors, both internal and external, may impact access to, and the costs associated with, both retail and wholesale sources of funding. These factors may include debt ratings, overall economic conditions, overall capital markets volatility, the counterparty credit limits of investors to HSBC Group, the effectiveness of compliance remediation efforts, and the management of the credit risks inherent in HSBC Group's US business and customer base.

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<sup>1</sup> At December 31, 2014, long-term debt with affiliates for HUSI reflected USD4.0 billion in floating rate senior debt with HSBC North America. During the first quarter of 2015, HUSI repaid this debt in full. At June 30, 2015, long-term debt with affiliates for HUSI reflected USD1.0 billion in floating rate senior debt and USD0.9 billion in floating rate subordinated debt with HSBC North America.

**7. DERIVATIVE AND HEDGING ACTIVITIES**

HSBC Group transacts derivatives for three primary purposes: to create risk management solutions for clients, to manage the portfolio risks arising from client business and to manage and hedge HSBC Group's own risks.

HSBC Group's derivative activities give rise to significant open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels. When entering into derivative transactions, HSBC Group employs the same credit risk management framework to assess and approve potential credit exposures that it uses for traditional lending.

**7.1 Trading derivatives**

Most of HSBC Group's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities include market-making and risk management. Market-making entails quoting bid and offer prices to other market participants for the purpose of generating revenues based on spread and volume. Risk management activity is undertaken to manage the risk arising from client transactions, with the principal purpose of retaining client margin.

Other derivatives classified as held for trading include non-qualifying hedging derivatives, ineffective hedging derivatives and the components of hedging derivatives that are excluded from assessing hedge effectiveness.

Substantially all of HGHQ's derivatives entered into with HSBC Group undertakings are managed in conjunction with financial liabilities designated at fair value.

**7.2 Derivatives for hedging risks**

HSBC Group uses derivatives, principally interest rate swaps, for hedging purposes in the management of its own asset and liability portfolios and structural positions. This enables HSBC Group to optimize the overall cost to the HSBC Group of accessing debt capital markets and to mitigate the market risk which would otherwise arise from structural imbalances in the maturity and other profiles of its assets and liabilities.

The notional contract amounts of derivatives held for hedge accounting purposes indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

### 8. MEMBERSHIPS IN MATERIAL PAYMENT, CLEARING AND SETTLEMENT SYSTEMS

As an essential part of engaging in the financial services industry and serving customers and clients, HSBC Group participates in payment, messaging, clearing and settlement systems, also known as financial market utilities (**FMUs**), to conduct financial transactions in a global economy.

The FMUs allow HSBC Group to provide payment services to customers and clients, to serve as a broker-dealer for securities transactions and to engage in derivatives transactions as needed to manage risk, secure funding and meet the needs of customers and clients. These arrangements also allow for greater risk management and operational efficiencies in the trading of financial instruments worldwide.

“Membership” means that an HSBC Group legal entity has direct access to an FMU to serve HSBC Group’s customers and clients around the globe. See below for a table mapping ME membership to key FMUs significant to HSBC Group’s US operations.

KEY FINANCIAL MARKET UTILITIES		
Name	Type	Membership
CHIPS	Payments	HBUS
EPN	Payments	HBUS
Fedwire	Payments	HBUS
Mastercard	Payments	HBUS
Visa	Payments	HBUS
CLS	FX Settlement	HBEU (settlement member)
SWIFT	Messaging	HBEU
Chicago Mercantile Exchange	Clearing and Settlement	HCSU
COMEX	Clearing and Settlement	HCSU
Depository Trust Corporation	Clearing and Settlement	HBUS, HCSU
Fixed Income Clearing Corporation (Government Securities Division)	Clearing and Settlement	HBUS, HCSU
Fixed Income Clearing Corporation (Mortgage-Backed Securities Division)	Clearing and Settlement	HBUS
LCH Clearnet	Clearing and Settlement	HBUS
National Securities Clearing Corporation	Clearing and Settlement	HCSU
NYMEX	Clearing and Settlement	HCSU
NYSE Liffe	Clearing and Settlement	HBEU, HCSU
ICAP Global Derivatives Ltd.	Swap Execution Facility	HBUS
Bloomberg SEF LLC	Swap Execution Facility	HBUS
BGC Partners	Swap Execution Facility	HBUS
GFI Swaps Exchange LLC	Swap Execution Facility	HBUS

### 9. FOREIGN OPERATIONS

HSBC Group serves approximately 51 million customers globally. As at December 31, 2014, HSBC Group's network covered 73<sup>2</sup> countries and territories organized into five geographical regions (Europe, Asia, Middle East and North Africa, North America and Latin America). HSBC Group's operations are conducted through a network of regional banks and locally incorporated regulated banking entities.

As at December 31, 2014 HSBC Group had a total global workforce of approximately 266,000 full-time and part-time employees of which approximately 15,000 were located in the US.

As at December 31, 2014, HSBC Group had approximately USD2.6 trillion of assets. HSBC Group had approximately USD18.7 billion in profit before tax for the year ended December 31, 2014. The breakdown of both figures by geographic region is presented in the table below.

FINANCIAL HIGHLIGHTS BY GEOGRAPHIC REGIONS AT OR FOR THE YEAR ENDED DECEMBER 31, 2014				
	Total Assets <sup>3</sup>	Net Operating Income (Revenue) <sup>2</sup>	Profit (Loss) before Tax	Profit (Loss) after Tax
	USDm	USDm	USDm	USDm
Europe.....	1,290,926	21,571	596	
Asia .....	878,723	23,677	14,625	
Middle East and North Africa .....	62,417	2,548	1,826	
North America .....	436,859	8,152	1,417	
Latin America .....	115,354	8,272	216	
Intra-HSBC Group items .....	(150,140)	N/A	N/A	N/A

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HGHQ were held by approximately 216,000 shareholders in 127 countries and territories as at December 31, 2014.

#### **HBUS foreign operations**

In addition to HBUS's domestic offices, HBUS currently maintains foreign branch offices, subsidiaries and/or representative offices in Europe, Asia and Latin America. These non-US branches in aggregate offer the following products and services: metals deposits, FX products, and limited OTC trading of metals.<sup>4</sup>

<sup>2</sup>On August 3, 2015 HGHQ entered into an agreement to sell its entire business in Brazil, to Banco Bradesco S.A for cash consideration of USD5.2 billion. The transaction is subject to regulatory approval, but successful completion reduces HSBC's presence to 72 countries and territories.

<sup>3</sup>Figures do not include intra-HSBC Group items.

<sup>4</sup>In December 2014, HBUS sold its precious metals custody and clearing business to HBEU. HBUS will continue to operate its metals trading business, which is unaffected by this sale.

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### 10. MATERIAL SUPERVISORY AUTHORITIES

#### 10.1 US supervisory authorities

##### 10.1.1 Banking supervisory authorities

HSBC Group is subject to the extensive US statutory and regulatory framework applicable to bank holding companies, financial holding companies, banks and securities firms. This includes regulation under the Bank Holding Company Act of 1956, as amended (**BHC Act**), the Gramm-Leach-Bliley Act of 1999 (**GLB Act**), the Community Reinvestment Act of 1977, as amended (**CR Act**) and inspections, examinations and supervision by HSBC Group's primary regulator, the FRB. HSBC Group is also subject to the disclosure and regulatory requirements of the Securities Act, and the Exchange Act, as administered by the SEC. Such laws and regulations apply to certain activities of HSBC Group, including HBUS, HNAH and HUSI and impose prudential restrictions, such as limits on extensions of credit by HBUS to affiliates.

HGHQ, HNAH and HUSI are bank holding companies that qualified as financial holding companies as a result of amendments to the BHC Act effected by the GLB Act. Under these amendments, financial holding companies may engage in a broader range of activities than bank holding companies, provided they meet certain capital and/or management requirements, and ratings levels under the CR Act. They are regulated by the FRB, which exercises umbrella authority over HSBC Group's US activities. HBUS is subject to extensive regulation promulgated by the Comptroller, the FDIC, the Consumer Financial Protection Bureau (**CFPB**) and FRB. HBUS is subject to supervision and examination primarily by the Comptroller, secondarily by the FDIC and the CFPB.

HBUS is subject to banking laws and regulations that place various restrictions on and requirements regarding their operations and administration, including the establishment and maintenance of branch offices, capital and reserve requirements, deposits and borrowings, investment and lending activities, compliance activities, payment of dividends and numerous other matters. HBUS is subject to regulation and examination primarily by the Comptroller, but is also subject to additional regulation and supervision by the FDIC, the FRB and the CFPB.

The GLB Act and the regulations issued thereunder contain a number of other provisions that affect HUSI's operations and those of HUSI's subsidiary banks, including regulations and restrictions on the activities they may conduct and the types of businesses and entities they may acquire. Furthermore, other provisions contain detailed requirements relating to the financial privacy of consumers.

The types of activities in which the non-US branches of HBUS may engage are subject to various restrictions imposed by the Comptroller, the FDIC and the FRB. These branches are also subject to the laws and regulatory authorities of the countries in which they operate.

##### 10.1.2 US securities regulatory authorities

HCSU is a registered broker-dealer of securities under the Exchange Act, a registered Investment Adviser under the Investment Advisers Act of 1940 and a registered FCM with the CFTC. In 1996, HSBC Group was granted the authority by the FRB to engage, through HCSU, in limited underwriting and dealing activities under the BHC Act. HCSU is engaged in underwriting, dealing, and brokering a full range of debt and equity securities and futures contracts. HCSU is also a primary dealer in US government and government agency securities.



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HCSU is a member of the FINRA, the NYSE, Chicago Mercantile Exchange Group Inc. (**CME**), Intercontinental Exchange (**ICE**), LCH Clearnet Ltd (**LCH**) and the Options Clearing Corporation. HCSU is eligible to clear OTC derivatives at the CME, ICE and LCH.

As an international dealer in derivative instruments, HBUS is also a registered swap dealer with the CFTC.

“Push-out” provisions of the GLB Act removed the blanket exemption from registration for securities and brokerage activities conducted in banks (including HBUS) under the Exchange Act. Applicable regulations allow banks to continue to avoid registration as a broker or dealer only if they conduct securities activities that fall within a set of defined exceptions.

HNAH is supervised and examined by the Federal Reserve Bank of Chicago (**FRBC**). HNAH is also regularly examined and reviewed by the FRBC.

### **10.2 Foreign supervisory authorities**

#### **10.2.1 Wider HSBC Group**

HSBC Group is subject to a significant body of laws and regulations that are a condition for authorization to conduct banking and financial services business in each country of incorporation. These requirements are largely prescribed on a jurisdictional basis by the applicable government, central bank, regulatory authorities or other applicable bodies.

#### **10.2.2 Non-US Material Entities**

HGHQ is the holding company of HSBC Group and does not carry out any regulated activities in the UK. It is therefore not itself directly authorized or regulated by either the PRA or the UK Financial Conduct Authority (**FCA**). However, both the PRA and FCA have certain limited direct supervisory powers over HGHQ, including (in the FCA's case) pursuant to certain directions issued by the FCA on April 2, 2013 in connection with HGHQ and HNAH having entered into agreements as part of a global settlement with a number of US authorities in relation to HSBC Group's failure to comply with anti-money laundering rules, US sanctions requirements and related matters. Moreover, the PRA acts as HSBC Group's consolidated lead regulator.

HBEU's principal regulators are the PRA and FCA.

HBAP's lead regulator is the HKMA.

#### **10.2.3 Regulators comprising the Crisis Management Group**

HSBC Group has a Crisis Management Group (**CMG**) comprised of regulators from jurisdictions in which HSBC has a significant presence. The CMG formally meets twice a year to consider HSBC Group's recovery and resolution planning. Attendees include the following regulators: Banco Central do Brasil (Brazil), the Office of the Superintendent of Financial Institutions (Canada), the Canada Deposit Insurance Corporation (Canada), The Autorité de contrôle prudentiel et de résolution (France), the HKMA (Hong Kong), Banco de Mexico (Mexico), Comisión Nacional Bancaria y de Valores (Mexico), Instituto para la Protección al Ahorro Bancario (Mexico), the Bank of England (UK), the PRA (UK) (a subsidiary of the Bank of England), the FRB, the FDIC and the Comptroller.

### 11. PRINCIPAL OFFICERS

#### 11.1 HSBC Holdings plc

At December 1, 2015, the HGHQ Board of Directors (*HGHQ Board*), consisted of the members presented in the following table.

<b>HSBC HOLDINGS PLC BOARD OF DIRECTORS</b>		
<b>Executive Directors</b>		
<b>Name</b>	<b>Appointed</b>	<b>Title</b>
Douglas J. Flint	1995	Group Chairman
Stuart T. Gulliver	2008	Group Chief Executive
Iain J. Mackay	2010	Group Finance Director
M. Marc Moses	2014	Group Chief Risk Officer
<b>Non-Executive Directors</b>		
<b>Name</b>	<b>Appointed</b>	<b>Title</b>
Sir Simon M. Robertson	2006	Deputy Chairman and Senior Independent Non-Executive Director
Phillip Ameen	2015	Independent Non-Executive Director
Kathleen L. Casey	2014	Independent Non-Executive Director
Safra A. Catz	2008	Independent Non-Executive Director
Laura M. L. Cha	2011	Independent Non-Executive Director
Jonathan D. Evans	2013	Independent Non-Executive Director
Joachim Faber	2012	Independent Non-Executive Director
Rona A. Fairhead	2004	Independent Non-Executive Director
William S. H. Laidlaw	2008	Independent Non-Executive Director
Irene Y. L. Lee	2015	Independent Non-Executive Director
John P. Lipsky	2012	Independent Non-Executive Director
Janis R. Lomax	2008	Independent Non-Executive Director
Heidi Miller	2014	Independent Non-Executive Director
Jonathan R. Symonds	2014	Independent Non-Executive Director
Pauline van der Meer Mohr	2015	Independent Non-Executive Director
<b>Group Company Secretary</b>		
<b>Name</b>	<b>Appointed</b>	<b>Title</b>
Ben J. S. Mathews	2013	Group Company Secretary

## 11.2 HSBC North America Holdings Inc.

### *Board of Directors and Principal Executive Officers*

As of December 1, 2015, the HNAH Board of Directors (**HNAH Board**) consisted of the members presented in the following table.

<b>HNAH BOARD OF DIRECTORS</b>		
<b>Executive Directors</b>		
<b>Name</b>	<b>Appointed</b>	<b>Title</b>
Patrick J. Burke	2014	President and Chief Executive Officer
Rhydian H. Cox	2014	Senior Executive Vice President and Chief Risk Officer
Paulo Maia	2015	Executive Director
<b>Non-Executive Directors</b>		
<b>Name</b>	<b>Appointed</b>	<b>Title</b>
Rona A. Fairhead	2014	Non-Executive Chairman and Non-Executive Director
Brian Robertson	2014	Non-Executive, Non-Independent Director
Phillip D. Ameen	2012	Non-Executive Director
Kevin M. Blakely	2013	Non-Executive Director
William R. P. Dalton	2008	Non-Executive Director
Barry F. Kroeger	2015	Non-Executive Director
Heidi Miller	2015	Non-Executive Director
Samuel Minzberg	2005	Non-Executive Director
Nancy G. Mistretta	2012	Non-Executive Director
Jane C. Sherburne	2015	Non-Executive Director
Thomas K. Whitford	2013	Non-Executive Director

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As of December 1, 2015, the Principal Executive Officers of HNAH consisted of the members presented in the following table.

<b>HNAH PRINCIPAL EXECUTIVE OFFICERS</b>		
<b>Name</b>	<b>Appointed</b>	<b>Title</b>
Patrick J. Burke	2014	President and Chief Executive Officer
Stuart A. Alderoty	2010	Senior Executive Vice President and General Counsel
Mary E. Bilbrey	2012	Senior Executive Vice President, Head of Human Resources USA
Rhydian H. Cox	2014	Senior Executive Vice President and Chief Risk Officer
Wyatt E. Crowell	2015	Senior Executive Vice President, Head of Commercial Banking
Kevin I. Fromer	2011	Executive Vice President, Public Policy
Loren C. Klug	2012	Senior Executive Vice President, Head of Strategy and Planning and Chief of Staff to CEO
Gerard Mattia	2014	Senior Executive Vice President and Chief Financial Officer
Stephen R. Nesbitt	2015	Executive Vice President, Head of Regulatory Remediation
Richard E. O'Brien	2014	Senior Executive Vice President and Chief Auditor
Karen P. Pisarczyk	2015	Executive Vice President and Corporate Secretary
Thierry Roland	2015	Senior Executive Vice President, Head of Global Banking and Markets Americas
Pablo Sanchez	2015	Senior Executive Vice President, Head of Retail Banking and Wealth Management
Vittorio M. Severino	2014	Senior Executive Vice President and Chief Operating Officer, USA
William Tabaka	2015	Executive Vice President and Chief Accounting Officer
Marlon Young	2015	Executive Vice President, Head of Private Banking Americas

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### 11.3 HSBC Bank USA, National Association

#### *Board of Directors and senior management*

As of December 1, 2015, the HBUS Board of Directors (**HBUS Board**) will consist of the members presented in the following table.

<b>HBUS BOARD OF DIRECTORS</b>		
<b>Executive Directors</b>		
<b>Name</b>	<b>Appointed</b>	<b>Title</b>
Patrick J. Burke	2014	Chairman, President and Chief Executive Officer
Rhydian H. Cox	2014	Senior Executive Vice President and Chief Risk Officer
<b>Non-Executive Directors</b>		
Phillip D. Ameen	2013	Non-Executive Director
Kevin M. Blakely	2013	Non-Executive Director
William R. P. Dalton	2008	Non-Executive Director
Nancy G. Mistretta	2012	Non-Executive Director
Jane C. Sherburne	2015	Non-Executive Director
Thomas K. Whitford	2014	Non-Executive Director

As of December 1, 2015, the Principal Executive Officers of HBUS consisted of the members presented in the following table.

<b>HBUS PRINCIPAL EXECUTIVE OFFICERS</b>		
<b>Name</b>	<b>Appointed</b>	<b>Title</b>
Patrick J. Burke	2014	President and Chief Executive Officer
Stuart A. Alderoty	2010	Senior Executive Vice President and General Counsel
Mary E. Bilbrey	2012	Senior Executive Vice President, Head of Human Resources USA
Rhydian H. Cox	2014	Senior Executive Vice President and Chief Risk Officer
Wyatt E. Crowell	2015	Senior Executive Vice President, Head of Commercial Banking
Loren C. Klug	2012	Senior Executive Vice President, Head of Strategy and Planning and Chief of Staff to CEO
Stephen R. Nesbitt	2015	Executive Vice President, Head of Regulatory Remediation
Richard E. O'Brien	2014	Senior Executive Vice President and Chief Auditor
Karen P. Pisarczyk	2015	Executive Vice President and Corporate Secretary
Thierry Roland	2015	Senior Executive Vice President, Head of Global Banking and Markets Americas
Pablo Sanchez	2015	Senior Executive Vice President, Head of Retail Banking and Wealth Management
Vittorio M. Severino	2014	Senior Executive Vice President and Chief Operating Officer, USA
William Tabaka	2015	Executive Vice President and Chief Accounting Officer
Marlon Young	2009	Executive Vice President, Head of Private Banking Americas
Mark A. Zaeske	2014	Senior Executive Vice President and Chief Financial Officer

**12. CORPORATE GOVERNANCE STRUCTURE AND PROCESSES RELATED TO RESOLUTION PLANNING****12.1 Global resolution planning**

HSBC Group supports the G20 Financial Stability Board and national regulators' aim of ensuring banking groups are resolvable and is fully committed to the resolution planning process. To reflect this support a global recovery and resolution planning program (the **RRP Program**) was established. The RRP Program is led by HSBC Group Head of Corporate Structuring who leads HSBC Group Corporate Structuring team and is accountable to a steering committee led by HSBC Group Finance Director. The RRP Program is focused on ensuring that each Recovery and Resolution Plan (**RRP**), including the US Resolution Plans, both satisfies jurisdictional regulatory requirements while also maintaining consistency with HSBC Group's resolution planning and overall resolution strategy. To achieve this objective, the HSBC Group Corporate Structuring team oversees country-level RRP teams and contributes to the production of jurisdictional plans.

The HSBC Group Corporate Structuring team accordingly worked with and supported the US RRP team during the creation of the US Resolution Plans. The US RRP team retains primary responsibility for the production of the US Resolution Plans and day-to-day liaison with US regulators.

**12.2 US resolution planning governance and organization**

The US RRP team was established in 2012 to take responsibility for the ongoing activities required to produce the annual US Resolution Plans. The US RRP team located key stakeholders from across the global businesses, global functions, and HOST. The key stakeholders contributed to the 2015 US Resolution Plan, as required, including participation in specialized work streams or sub-groups to produce required deliverables.

The US RRP team was accountable to the US RRP Executive Steering Committee (**RRP ESC**) that oversaw the creation and the approval of the 2015 US Resolution Plan. The RRP ESC is composed of the CEO, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer and General Counsel for each of HBUS and HNAH, as well as HSBC Group Head of Corporate Structuring. Additional Legal, Finance, Risk and Group Corporate Structuring team representatives also attend the RRP ESC meetings. This committee meets at each approval milestone or as necessary and provides oversight and strategic direction.

Formal oversight responsibilities were also assigned to the US Risk Management Committee (**RMC**) and the HNAH Board Risk Committee (**BRC**).

**12.3 Approval of US Resolution Plan**

The HGHQ Board considered the US Resolution Plans on behalf of the Covered Company. Prior to the applicable Board meeting, the US Resolution Plans were also placed on the agenda of HSBC Group Audit Committee and at HSBC Group Risk Management Meeting. The US Resolution Plans were subsequently approved by HSBC Group Chairman and HSBC Group Finance Director pursuant to the Board's delegation and in accordance with the requirements of the SIFI Rule.

The HNAH Board also approved the US Resolution Plans subsequent to approval and recommendation by the RMC and endorsement by the BRC. The HBUS Board approved the IDI Plan in accordance with the IDI Rule.

**13. MATERIAL MANAGEMENT INFORMATION SYSTEMS**

HSBC Group's US operations rely on robust management information systems and reporting to monitor the financial health, risk and operations of its MEs, CBLs and COs. On a daily to monthly basis, the HSBC Group global businesses, global functions and/or HOST provide management and the regulators with risk management, liquidity, accounting, operations and financial reports detailing a broad range of information necessary to maintain HSBC Group's strong financial position. The management information and reports used by management to conduct business as usual operations, in addition to certain bespoke management information, have been used to support the development of the US Resolution Plan.

HSBC Group has made further progress to improve processes and systems to achieve enhanced efficiencies in producing the required information and analytics. Through these improvements the collection and analysis of the information required has been incorporated into a more business-as-usual process.

The Management Information Systems (*MIS*) related management's efforts have focused on identifying the most critical reports that would be required to manage the US operations during a period of crisis (including periods leading up to and through resolution) and when each report is typically available, quantifying the effort required to produce each report, and highlighting relevant aspects of the HNAH corporate governance model where such MI is reviewed and decisions are made. Further tactical enhancements to the inventory of key MIS have been made in 2015 including the completion of a MIS reference database which houses a complete inventory of MI, including critical and other business as usual reports. HSBC Group has also documented the interconnectedness between the aforementioned critical MIS reports and the governance and contingency planning structures to illustrate how resources would be mobilized and the key existing for a that would be leveraged to review critical management information during a crisis event.

In addition to the above, investments in systems and processes are underway made to enable a centralized and accessible inventory of critical MIS reports through the implementation of a document management system that will support the overall resolution planning process. This technology solution is expected to be implemented during 1Q 2016 and will serve as a systemic solution for document management by supporting the end to end completion of the US Resolution Plan, including document creation, review, challenge, certification and MIS database accessibility. These planned enhancements are expected to significantly improve the governance, ease of access, and overall preparedness and accessibility of MI in a timely and efficient manner.