

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

Date: July 1, 2013



## US Resolution Plan: Section I – Public Section

*This document and certain of the Securities Exchange Commission (**SEC**) Statements referenced therein that are not historical facts, including statements about HSBC's beliefs and expectations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. HSBC makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements.*

*Written and/or oral forward-looking statements may also be made in the periodic reports to the US Securities and Exchange Commission, summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by HSBC's Directors, officers or employees to third parties, including financial analysts.*

*Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. Factors that could cause HSBC's actual results to differ materially from those described in the forward-looking statements can be found in the 2012 form 20-F for HSBC Holdings plc.*



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**1. Introduction*****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 US\$50 billion or more 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' 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 US\$50 billion or more to submit periodically to the FDIC a plan for resolution of the IDI in the event of failure.

The global consolidated assets of HSBC Holdings plc (**HGHQ**, together with its subsidiaries, **HSBC** or the **HSBC Group**), the holding company for the HSBC Group, exceed US\$50 billion and as a result it is a covered company under the SIFI Rule (**Covered Company**) and must file a resolution plan under the SIFI Rule. Similarly, the assets of HSBC's largest IDI in the United States of America (**US**), HSBC Bank USA, National Association (**HBUS**), exceed US\$50 billion, and as a result HBUS is a covered IDI under the IDI Rule (**Covered IDI**) and it must file a resolution plan. The timing of initial, annual and interim resolution plan submissions under both Rules is the same. HSBC's initial US resolution plan submissions were due on July 1, 2013, with subsequent annual updates. The FDIC and the FRB have each, by rule and through the supervisory process, prescribed the assumptions, required approach and scope for these resolution plans and have required that certain information be included in a public section of the resolution plans. HGHQ and HBUS submit this public section of HSBC's US resolution plans (**US Resolution Plan**) in compliance with the Rules.

Under the Rules, HGHQ as the Covered Company and HBUS as the Covered IDI must map their Core Business Lines (**CBLs**) and Critical Operations (**COs**) to Material Entities (**MEs**). The US Resolution Plan provides a detailed analysis of how HSBC'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 in a manner that ensures depositors receive access to their insured deposits within one business day of the bank's failure, 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. 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 Plan, the information contained in the US Resolution Plan relates to the subsidiaries, CBLs and COs of HGHQ that are domiciled in the US or conducted in whole or material part in the US.

The US Resolution Plan also identifies 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 that are necessary to continue the day-to-day operations of the IDI.

***Global structure and resolution planning***

HSBC is subject to regulation by financial regulators in multiple jurisdictions. As a foreign bank holding company, HGHQ does not carry out any banking activities. Rather, the HSBC Group primarily consists of a large number of separately incorporated and capitalized banking entities across different jurisdictions. The HSBC Group's regional and national subsidiary structure provides HSBC with significant advantages in promoting greater resilience for HSBC's operations within individual countries, including the US. In the context of the "Key Attributes of Effective Resolution Regimes for Financial Institutions" as set out by the Financial Stability Board (**FSB**), HSBC believes that the FSB's "Multiple Point of Entry" model is most appropriate for a group with its structure. Should it ever be required, this would allow for the orderly resolution of each of the subsidiaries under the appropriate national laws and regulations, with cross-border cooperation but limited jurisdictional issues.

The HSBC Group's subsidiary structure and its emphasis on independent balance sheet management, ensure that the 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. In addition HSBC's US operations benefit from the global reach of HSBC's businesses and share in certain common services, nevertheless most support services are available within the US and through resilient contractual arrangements. The funding and liquidity model and the operational model support the separation and orderly resolution of HSBC's US operations in accordance with US law and regulation.

As a result, HSBC considers the most appropriate resolution approach for the HSBC Group to be an approach where separate resolution actions may be taken at the operating subsidiaries. Consistent with a Multiple Point of Entry resolution model, the HSBC Group resolution plan provides that each of the operating subsidiaries would be resolved within its local jurisdiction by the national resolution authority and in accordance with its country-level resolution plan.

The US Resolution Plan was 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 Plan is focused on planning for the resolution of HSBC's US operations. There are existing plans and plans being formulated in other jurisdictions for HSBC Group subsidiaries operating in these jurisdictions. These plans call for the recovery or resolution of those HSBC Group subsidiaries according to the applicable rules and laws in those specific jurisdictions. Accordingly, the assumptions, definitions, and specific actions in the US Resolution Plan may differ from those in similar plans filed by HGHQ or its non-US subsidiaries with non-US regulators.

***The HSBC Group business model***

HSBC is a global banking and financial services organization. The HSBC Group is headquartered in London, England, and operates through long-established businesses and had, as at December 31, 2012, an international network of approximately 6,600 offices in 81 countries and territories organized into geographic regions. A comprehensive range of financial services is offered to personal, commercial, corporate, institutional, investment and private banking clients. Services are delivered primarily by subsidiary banks, typically with large retail deposit bases.

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

HSBC takes deposits from its customers and uses these funds to make loans, either directly or through the capital markets. Direct lending includes residential and commercial mortgages and term loan facilities. HSBC finances importers and exporters engaged in international trade and provides receivables financing services to their customers. In addition, HSBC offers a wide variety of products and financial services including brokerage activities, asset management, financial advisory, life insurance, corporate finance, markets, securities services and alternative investments. HSBC 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'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, focusing on profitability and efficiency. The global businesses set their strategies within the confines of the HSBC 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.

#### *Retail Banking and Wealth Management*

RBWM served over 54 million customers globally as at December 31, 2012. HSBC takes deposits and provides transactional banking services to enable customers to manage their day-to-day finances and save for the future through deposit and account services. HSBC 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 develops products designed to meet the needs of specific customer segments, which may include a range of different services and delivery channels.

#### *Commercial Banking*

HSBC segments its CMB global business into Corporate, which serves both corporate and mid-market companies with more sophisticated financial needs, and Business Banking, which serves small and medium sized enterprises (**SMEs**), enabling differentiated coverage of its target customers. This allows HSBC to provide continuous support to a company as it grows both domestically and internationally and ensures a clear focus on internationally aspirant customers. HSBC places particular emphasis on international connectivity to meet the needs of its business customers, especially in faster-growing markets.

#### *Global Banking and Markets*

In its global operations, GBM provides tailored financial solutions to major government, corporate and institutional clients and private investors worldwide. Managed as a global business, GBM operates a long-term relationship management approach to build a full understanding of clients' financial requirements. Sector focused client service teams comprising relationship managers (**RMs**) and product specialists



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develop financial solutions to meet individual client needs. GBM is managed as two principal business lines: Global Banking and Global Markets.

### *Global Private Banking*

GPB provides investment management and trustee solutions to high net worth individuals and their families globally. GPB aims to meet the needs of its clients by providing excellent customer service, utilizing its global reach and offering a comprehensive suite of solutions.

**Components of the US Resolution Plan****2. Material Entities**

HSBC identified six US MEs based on the criteria set forth in the SIFI Rule: HSBC North America Holdings Inc. (**HNAH**), HSBC USA Inc. (**HUSI**), HBUS, HSBC Securities (USA) Inc. (**HCSU**), HSBC Technology & Services (USA) Inc. (**HTSU**) and HSBC Finance Corporation (**HBIO**). Each of these entities is also an ME for purposes of the IDI Rule, with the exception of HBUS (the Covered IDI). In addition, HGHQ, The Hongkong and Shanghai Banking Corporation Limited (**HBAP**), and HSBC Bank plc (**HBEU**) have been identified as non-US MEs because of their connections with HSBC's US operations.

***HSBC North America Holdings Inc.***

HNAH is a bank holding company organized under the laws of the State of Delaware and is the top level holding company for HSBC's operations in the US.

***HSBC USA Inc.***

HUSI is a bank holding company organized under the laws of the State of Maryland and is an intermediate level holding company for HSBC's US operations. HUSI's principal subsidiary is HBUS. HUSI works with its affiliates to maximize opportunities and efficiencies in HSBC's operations in the US. These affiliates do so by providing each other with, among other things, alternative sources of liquidity to fund operations and expertise in specialized corporate functions and services.<sup>1</sup>

***HSBC Bank USA, National Association***

HBUS, HSBC's principal US banking subsidiary, is a national banking association chartered by the Office of the Comptroller of the Currency (**OCC**). As at December 31, 2012, HBUS had 253 branches and 22 representative offices in the US, including 165 branches in the State of New York and the remainder distributed across 10 states and the District of Columbia. As at December 31, 2012, HBUS and its subsidiaries had deposits of approximately US\$127.8 billion. HBUS has its main office in McLean, Virginia and its principal executive offices are located at 452 Fifth Avenue, New York, New York. Its domestic operations are located primarily in the State of New York.

HBUS offers its customers a full range of commercial and consumer banking products and related financial services. Customers include individuals, small businesses, corporations, institutions and governments. HBUS is also an international dealer in derivative instruments denominated in US dollars and other currencies, focusing on structuring of transactions to meet clients' needs.

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<sup>1</sup> HBUS is subject to significant restrictions imposed by federal law on extensions of credit to, and certain other "covered transactions" with, HNAH, HUSI or other affiliates. Covered transactions include loans and other extensions of credit, investments and asset purchases, and certain other transactions involving the transfer of value from a subsidiary bank to an affiliate or for the benefit of an affiliate. Starting in July 2012, a bank's credit exposure to an affiliate as a result of a derivative, securities lending or repurchase agreement are also subject to these restrictions. A bank's transactions with its non-bank affiliates are also generally required to be on arm's length terms.



***HSBC Securities (USA) Inc.***

HCSU is a corporation organized under the laws of the State of Delaware and is a registered broker-dealer of securities under the Securities Exchange Act of 1934 (***Exchange Act***) and a registered Futures Commission Merchant (***FCM***) with the Commodity Futures Trade Commission (***CFTC***). 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 of US government and government agency securities.

HCSU leads or participates as underwriter of domestic issuances of term debt in the US market for its clients. HCSU also participates as underwriter of HGHQ SEC registered issuances of debt and HBEU Rule 144A issuances of debt.

***HSBC Technology & Services (USA) Inc.***

HTSU is a corporation organized under the laws of the State of Delaware and is the primary provider of information technology and centralized operational and support services to the US Group, including human resources, tax, finance, compliance, legal and other shared services.

***HSBC Finance Corporation***

HBIO is a corporation organized under the laws of the State of Delaware and HBIO's subsidiaries provided real estate secured and personal non-credit card loans with both revolving and closed-end terms and with fixed or variable interest rates. HBIO and its subsidiaries have been operating in run-off mode since 2009 and are no longer originating new loans. HBIO and its subsidiaries continue to generate cash flow from the ongoing collections of the receivables, including interest and fees. HBIO has historically been the principal fund-raising vehicle for the operations of its subsidiaries.

***Non-US Material Entities***

In addition to the MEs identified for the US Resolution Plan, the non-US entities listed below have been identified as providing significant support for US MEs, CBLs, or COs.

***HSBC Holdings plc***

HGHQ is the holding company of the HSBC Group and is incorporated under the laws of England and Wales. HGHQ is listed in London, Hong Kong, New York, Paris and Bermuda. HGHQ is the primary provider of equity capital to its subsidiaries.

***HSBC Bank plc***

HBEU is incorporated under the laws of England and Wales and is HSBC's principal banking subsidiary in Europe.

***The Hongkong and Shanghai Banking Corporation Limited***

HBAP is incorporated in Hong Kong and is HSBC's principal banking subsidiary in the Asia-Pacific region.

### **3. Core Business Lines**

As required by the SIFI Rule, HSBC 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's four global businesses: RBWM, CMB, GBM and GPB.

#### ***Global Banking***

The Global Banking CBL (**GB CBL**) is conducted through the GBM global business. HSBC's GB CBL provides a wide variety of financial products to corporate and other customers. The GB CBL offers financing, advisory and transaction 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, 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.

#### ***Global Markets Core Business Lines***

HSBC's three designated US Global Markets CBLs are conducted through the GBM global business and comprise Global Markets – Foreign Exchange (**GM-FX CBL**), Global Markets – Metals (**GM-Metals CBL**) and Global Markets – Rates (**GM-Rates CBL**). Global Markets' operations consist of treasury and capital markets services, and provide a hub for international clients across the Americas and globally, providing US dollar funding. With a presence in over 60 countries/territories and access to HSBC's worldwide presence and capabilities this business serves subsidiaries and offices of HSBC's clients on a global basis. Global 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.

##### ***GM-FX***

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

##### ***GM-Metals***

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

##### ***GM-Rates***

The GM-Rates CBL provides services in government bonds, interest rate swaps (**IRSs**) and other related derivatives.

***Commercial Banking***

The Commercial Banking CBL (***CMB CBL***) is part of HSBC's CMB global business. The CMB CBL is segmented into Corporate, which serves both corporate and mid-market companies with more sophisticated financial needs; and Business Banking, which serves SMEs, enabling differentiated coverage of its target customers. The CMB CBL focuses on faster-growing markets, repositioning towards international business and enhancing collaboration across the HSBC group.

The CMB CBL offers credit and lending services including in respect of commercial real estate, international trade and receivables finance, payments and cash management services, insurance and investment products.

***Retail Banking and Wealth Management***

The Retail Banking and Wealth Management CBL (***RBWM CBL***) is part of HSBC's RBWM global business and provides a full range of banking and wealth products and services through branches and direct channels. The RBWM CBL is primarily run out of HBUS.

***Consumer Finance***

The primary business of the CF CBL is servicing a range of residential real estate products, including fixed and variable rate mortgages and home equity lines of credit, and a portfolio of unsecured personal homeowner loans that the business originated or acquired in and before 2009. The CF CBL business is being run off and no new business has been originated by HBIO and its subsidiaries since February 2009. 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.

***Private Banking***

The Private Banking CBL (***PB CBL***) is conducted as part of HSBC's GPB global business. The PB CBL provides private banking and trustee services to high net worth individuals and their families with local and international needs. Accessing the most suitable products from the marketplace, the PB CBL works with its clients to offer both traditional and innovative ways to manage and preserve wealth while optimizing returns. The PB CBL offers a wide range of wealth management and specialist advisory services, including banking, liquidity management, investment services, custody services, tailored lending, wealth planning, trust and fiduciary services, insurance, family wealth and philanthropic advisory services. The PB CBL also works to ensure that its clients have access to other products and services, capabilities, resources and expertise available throughout the HSBC Group, such as credit cards, investment banking, commercial real estate lending and middle market lending, to deliver services and solutions for all aspects of their wealth management needs.

**4. Summary financial information regarding assets, liabilities, capital and major funding sources**
***The HSBC Group's financial information***

The following summarizes the consolidated balance sheet of the HSBC Group as at December 31, 2012 presented in accordance with International Financial Reporting Standards (*IFRS*).

	US\$m
<b>ASSETS</b>	
Cash and balances at central banks .....	141,532
Trading assets .....	408,811
Financial assets designated at fair value .....	33,582
Derivatives .....	357,450
Loans and advances to banks .....	152,546
Loans and advances to customers .....	997,623
Financial investments .....	421,101
Assets held for sale .....	19,269
Other assets .....	160,624
<b>Total assets .....</b>	<b><u>2,692,538</u></b>
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities</b>	
Deposits by banks .....	107,429
Customer accounts .....	1,340,014
Trading liabilities .....	304,563
Financial liabilities designated at fair value .....	87,720
Derivatives .....	358,886
Debt securities in issue .....	119,461
Liabilities under insurance contracts .....	68,195
Liabilities of disposal groups held for sale .....	5,018
Other liabilities .....	118,123
<b>Total liabilities .....</b>	<b><u>2,509,409</u></b>
<b>Equity</b>	
Total shareholders' equity .....	175,242
Non-controlling interests .....	7,887
<b>Total equity .....</b>	<b><u>183,129</u></b>
<b>Total equity and liabilities .....</b>	<b><u>2,692,538</u></b>

The following summarizes the capital ratios of the HSBC Group as at December 31, 2012 calculated based on currently available information about upcoming Basel III/Capital Requirements Directive IV metrics.

	Ratio
Core tier 1 ratio .....	12.3%
Tier 1 ratio .....	13.4%
Total capital ratio .....	16.1%

Further details of the assets, liabilities, capital and major funding sources of the consolidated organization are set forth in the HSBC Group's Annual Report and Accounts (**AR&A**) on Form 20-F for the year ended December 31, 2012. Please refer to pages 25 to 57 of the AR&A for a description of financial and operating results of HSBC and its subsidiaries. Please refer to pages 58 to 122 of the AR&A for a description of financial and operating results by global business and relevant geographical regions. Please refer to pages 371 to 515 of the AR&A for the consolidated financial statements and related notes of HGHQ and its subsidiaries.

## **HSBC Bank USA, National Association financial information**

The following summarizes the consolidated balance sheet of HBUS as at December 31, 2012, presented in accordance with US Generally Accepted Accounting Principles (**US GAAP**).

US\$m

### **ASSETS**

Cash and due from banks .....	1,356
Interest bearing deposits with banks .....	12,718
Federal funds sold and securities purchased under agreements to resell.....	3,149
Trading assets .....	31,964
Securities available for sale.....	67,101
Securities held to maturity .....	1,612
Loans.....	58,864
Loans held for sale .....	1,018
Properties and equipment, net .....	276
Other assets .....	8,701
<b>Total assets .....</b>	<b>186,759</b>

### **LIABILITIES AND EQUITY**

#### **Liabilities**

Deposits.....	127,831
Short-term borrowings.....	9,916
Trading liabilities.....	16,625
Long-term borrowings .....	2,690
Subordinated debt .....	5,589
Interest, taxes and other liabilities .....	5,286
<b>Total liabilities .....</b>	<b>167,937</b>

#### **Equity**

Preferred stock .....	-
Common shareholder's equity:	
Common stock.....	2
Additional paid-in capital .....	16,061
Retained earnings (deficit) .....	1,987
Accumulated other comprehensive loss .....	772
<b>Total equity .....</b>	<b>18,822</b>
<b>Total equity and liabilities .....</b>	<b>186,759</b>

The following summarizes the capital ratios of HBUS as at December 31, 2012 and is calculated in accordance with US banking regulations.

	Ratio
Tier 1 capital ratio.....	15.2%
Tier 1 common ratio .....	15.2%
Tier 1 leverage ratio .....	8.4%
Total capital ratio .....	21.1%

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***Funding sources***

HSBC 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, issuing preferred equity in certain entities, and, as necessary, through capital contributions from parent entities.

HSBC'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, the effectiveness of compliance remediation efforts, and the management of the credit risks inherent in HSBC's US business and customer base.

**5. Derivative and hedging activities**

In the normal course of business, the derivative instruments HSBC enters into are for trading, market making and risk management purposes. The derivative instruments held are predominantly swaps, futures, options and forward contracts. All freestanding derivatives are stated at fair value (**FV**).

Within the held-for-trading classification are two types of derivatives: those used in sales and trading activities and those used for risk management purposes but which for various reasons do not meet the qualifying criteria for hedge accounting. The second category includes derivatives managed in conjunction with financial instruments designated at FV. These activities are described more fully below.

HSBC's derivative activities give rise to 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 employs the same credit risk management framework to assess and approve potential credit exposures that is used for traditional lending.

***Trading derivatives***

HSBC is a market-maker for a number of derivative products and the majority of HSBC's derivative transactions relate to customer facilitation activities. HSBC's client driven focus allows for customers to take, transfer, modify or reduce current or expected risks. HSBC's risk positions arising from customer trades may be hedged immediately in the market or held over a period of time, depending on general market conditions. All trading activities are conducted within Board approved market risk limits.

***Derivatives for hedging risks***

HSBC uses derivatives, principally IRSs, for hedging purposes in the management of its own asset and liability portfolios and structural positions. This enables HSBC to optimize the overall cost to the 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 accounting treatment of hedge transactions varies according to the nature of the instrument hedged and the type of hedge transactions. Derivatives may qualify as hedges for accounting purposes if they are FV hedges, cash flow hedges, or hedges of net investment in foreign operations.



## 6. 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 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 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’s customers and clients around the globe. See below for a table mapping ME membership to key FMUs significant to HSBC’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
London Metal Exchange	Clearing and Settlement	HBEU
London Precious Metals Clearing Ltd.	Clearing and Settlement	HBUS London Branch
Mortgage-Backed Securities Division	Clearing and Settlement	HBUS
National Securities Clearing Corporation	Clearing and Settlement	HCSU
NYMEX	Clearing and Settlement	HCSU
NYSE Liffe	Clearing and Settlement	HBEU, HSBC Futures Inc.

**7. Foreign operations**

HSBC serves approximately 58 million customers globally. As at December 31, 2012, HSBC’s network covered 81 countries and territories organized into geographic regions. The HSBC Group is structured as a network of locally incorporated regulated banking entities.

As at December 31, 2012, HSBC had a total global workforce of approximately 270,000 full-time and part-time employees of which approximately 21,000 were located in the US.

As at December 31, 2012, HSBC had approximately US\$2.7 trillion of assets. HSBC had approximately US\$20.6 billion in profit before tax for the year ended December 31, 2012. The breakdown of both by geographic region is presented in the table below.

<b>FINANCIAL HIGHLIGHTS BY GEOGRAPHIC REGIONS</b>				
<b>AT OR FOR THE YEAR ENDED DECEMBER 31, 2012</b>				
	Total Assets <sup>2</sup>	Net Operating Income (Revenue) <sup>2</sup>	Profit (Loss) before Tax	Profit (Loss) after Tax
	US\$m	US\$m	US\$m	US\$m
Europe .....	1,389,240	17,608	(3,414)	(3,587)
Hong Kong .....	518,334	12,422	7,582	6,487
Rest of Asia Pacific .....	342,269	13,584	10,448	8,832
Middle East and North Africa .....	62,605	2,430	1,350	1,096
North America .....	490,247	14,693	2,299	986
Latin America .....	131,277	10,951	2,384	1,520

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HGHQ were held by approximately 220,000 shareholders in 129 countries and territories as at December 31, 2012.

***HBUS foreign operations***

In addition to HBUS’s domestic offices, HBUS currently maintains a foreign branch office in each of London, England; Toronto, Canada; and Hong Kong. These non-US branches in aggregate offer the following products and services: metals deposits, FX products, clearing of metals, and limited over-the-counter trading of metals. HBUS also has representative offices in Sao Paulo, Brazil; Bogota, Colombia; Santiago, Chile; and, effective May 15, 2013, Lima, Peru.

<sup>2</sup> Figures do not include intra-HSBC items.

**8. Material supervisory authorities*****US supervisory authorities******Banking supervisory authorities***

HSBC is subject to the extensive US legal and regulatory framework applicable to bank holding companies, banks and securities firms. Such laws and regulations apply to certain activities of HSBC, 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 have elected to become financial holding companies. They are regulated by the FRB, which exercises umbrella authority over HSBC's US activities.

HBUS is subject to extensive regulation promulgated by the OCC, the FDIC, the Consumer Financial Protection Bureau (**CFPB**) and FRB. HBUS is subject to supervision and examination primarily by the OCC, 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.

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

***US securities regulatory authorities***

HCSU is a registered broker-dealer of securities under the Exchange Act and a registered FCM with the CFTC. In 1996, HSBC was granted the authority by the FRB to engage, through HCSU, in limited underwriting and dealing activities under the Bank Holding Company Act of 1956 as amended. 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.

HCSU is a member of the the Financial Industry Regulatory Authority (**FINRA**), the New York Stock Exchange, Inc., CME Group Inc. (**CME**), Intercontinental Exchange (**ICE**), LCH Clearnet Ltd (**LCH**) and the Options Clearing Corporation. HCSU is eligible to clear over-the-counter derivatives at the CME, ICE and LCH.

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

***Foreign supervisory authorities******Wider HSBC Group***

The 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.

### *Non-US Material Entities*

HGHQ is the holding company of the 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 Prudential Regulation Authority (**PRA**) or the Financial Conduct Authority (**FCA**) in the UK. It is, however, the holding company of the HSBC Group which is regulated, on a consolidated basis, in respect of prudential matters by the PRA.

HBEU's principal regulators are the PRA and FCA.

HBAP's lead regulators are the Hong Kong Monetary Authority (**HKMA**) and the Securities and Futures Commission of Hong Kong.

### *Regulators comprising the Crisis Management Group*

HSBC 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'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 (France), the HKMA (Hong Kong), Banco de Mexico (Mexico), Comisión Nacional Bancaria y de Valores (Mexico), Instituto para la Protección al Ahorro Bancario (Mexico), Central Bank of the United Arab Emirates (United Arab Emirates), the Bank of England (UK), the PRA (UK), the FRB, the FDIC and the OCC.

**9. Principal officers**
***HSBC Holdings plc***

Information regarding the HGHQ Board of Directors (***HGHQ Board***) as at July 1, 2013, is 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
<b>Non-Executive Directors</b>		
<b>Name</b>	<b>Appointed</b>	<b>Title</b>
Sir Simon Robertson	2006	Deputy Chairman and Senior Independent Non-Executive Director
Safra A. Catz	2008	Independent Non-Executive Director
Laura M. L. Cha	2011	Independent Non-Executive Director
Marvin K. T. Cheung	2009	Independent Non-Executive Director
James B. Comey	2013	Independent Non-Executive Director
John D. Coombe	2005	Independent Non-Executive Director
Joachim Faber	2012	Independent Non-Executive Director
Rona A. Fairhead	2004	Independent Non-Executive Director
Renato Fassbind	2013	Independent Non-Executive Director
James W. J. Hughes-Hallett	2005	Independent Non-Executive Director
W. Sam H. Laidlaw	2008	Independent Non-Executive Director
John P. Lipsky	2012	Independent Non-Executive Director
J. Rachel Lomax	2008	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 and Head of Corporate Governance

***HSBC North America Holdings Inc.***
*Board of Directors and Principal Executive Officers*

Information regarding the HNAH Board of Directors (***HNAH Board***) as at July 1, 2013, is presented in the following table.

<b>HNAH BOARD OF DIRECTORS</b>		
<b>Executive Directors</b>		
<b>Name</b>	<b>Appointed</b>	<b>Title</b>
Irene M. Dorner	2010	Chief Executive Officer
<b>Non-Executive Directors</b>		
<b>Name</b>	<b>Appointed</b>	<b>Title</b>
Robert K. Herdman	2005	Interim Non-Executive Chair <sup>3</sup>
Phillip D. Ameen	2012	Non-Executive Director
Jeffrey A. Bader	2012	Non-Executive Director
William R. P. Dalton	2008	Non-Executive Director
Anthea Disney	2005	Non-Executive Director
Richard A. Jalkut	2008	Non-Executive Director
George A. Lorch	2005	Non-Executive Director
Samuel Minzberg	2005	Non-Executive Director
Nancy G. Mistretta	2012	Non-Executive Director
Beatriz R. Perez	2007	Non-Executive Director
Larree M. Renda	2008	Non-Executive Director

<sup>3</sup> Robert K. Herdman was appointed to the Board of Directors in 2005 as a Non-Executive Director and was appointed as Interim Non-Executive Chair on May 31, 2013.

## US Resolution Plan: Section I – Public Section

Information regarding the Principal Executive Officers of HNAH as at July 1, 2013, is presented in the following table.

HNAH EXECUTIVE OFFICERS		
Name	Appointed	Title
Irene M. Dorner	2011	Chief Executive Officer
Stuart A. Alderoty	2010	Senior Executive Vice President and General Counsel
Mary E. Bilbrey	2012	Executive Vice President, Head of Human Resources USA
Patrick J. Burke	2010	Chief Executive Officer, HSBC Finance Corporation
Steven G. Ekert	2013	Senior Executive Vice President and Chief Risk Officer
Eric K. Ferren	2010	Executive Vice President and Chief Accounting Officer
Kevin I. Fromer	2011	Executive Vice President, Public Policy
Loren C. Klug	2012	Executive Vice President, Head of Strategy and Planning
Mark Martinelli	2009	Senior Executive Vice President, Chief Auditor
John T. McGinnis	2010	Senior Executive Vice President and Chief Financial Officer
Gary E. Peterson	2012	Senior Executive Vice President and Chief Compliance Officer
Patrick D. Schwartz	2008	Executive Vice President and Corporate Secretary
Lisa M. Sodeika	2005	Executive Vice President, Corporate Affairs
Gregory T. Zeeman	2012	Senior Executive Vice President and Chief Operating Officer, USA

### **HSBC Bank USA, National Association**

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

Information regarding the HBUS Board of Directors (**HBUS Board**) as at July 1, 2013, is presented in the following table.

HBUS BOARD OF DIRECTORS		
Executive Directors		
Name	Appointed	Title
Irene M. Dorner	2010	Chairman of the Board, President and Chief Executive Officer
Non-Executive Directors		
Phillip D. Ameen	2013	Non-Executive Director
Jeffrey A. Bader	2012	Non-Executive Director
William R. P. Dalton	2008	Non-Executive Director
Anthea Disney	2008	Non-Executive Director
Robert K. Herdman	2010	Non-Executive Director
Richard A. Jalkut	1992	Non-Executive Director
Samuel Minzberg	2013	Non-Executive Director
Nancy G. Mistretta	2012	Non-Executive Director

The senior management team of HBUS contains the same officers as shown above in the table for HNAH Principal Officers with the addition of Patrick A. Cozza (Senior Executive Vice President and Regional Head of Insurance), Mark A. Hershey (Senior Executive Vice President and Regional Head of Wholesale and Market Risk and Chief Credit Officer) and the Americas/US heads of the HSBC global businesses. Patrick J. Burke and Kevin Fromer are not officers of HBUS and do not participate in the HBUS Senior Management meetings.

**10. Resolution planning corporate governance structure and processes related to resolution planning*****Global resolution planning***

HSBC supports the FSB's 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 the Group Head of Corporate Structuring who leads the Group Corporate Structuring team and is accountable to a steering committee led by the Group Finance Director. The RRP Program is focused on ensuring that each RRP, including the US Resolution Plan, both satisfies jurisdictional regulatory requirements while also maintaining consistency with the overall HSBC Group resolution strategy. To achieve this, the Group Corporate Structuring team oversees country-level RRP teams and contributes to the production of jurisdictional plans.

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

***US resolution planning governance and organization***

The US RRP team was established to take responsibility for the ongoing activities required to produce the US Resolution Plan. The US RRP team proceeded by locating key stakeholders from across the global businesses, global functions, and HSBC Technology and Services. The key stakeholders contributed to the plan formation as required, including participation in specialized workstreams 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 US Resolution Plan. The RRP ESC is composed of the respective Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer and General Counsel for each of HBUS and HNAH, as well as the Group Head of Corporate Structuring and the Global Finance Chief Operating Officer. 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 and the North America Regulatory Activities Steering Committee.

***Approval of US Resolution Plan***

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





**HSBC**

## US Resolution Plan: Section I – Public Section

The Board of Directors of HNAH also approved the US Resolution Plan and the Board of Directors of HBUS approved the IDI Plan in accordance with the IDI Rule.

**11. Material management information systems**

HSBC'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 global businesses, global functions and/or HSBC Technology and Services provide management and the regulators with risk management, liquidity, accounting, operations and financial reports detailing a broad range of information necessary to maintain HSBC'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.

In order to streamline the processes for the collection, analysis and reporting of the information and analytics underlying the US Resolution Plan, HSBC is undertaking process and systems improvements to achieve improved efficiencies in production. Through these improvements, the collection and analysis of the information required will be operationalized into a business-as-usual process. While HSBC systems provide effective information and analytics to operate and manage the business, these improvements will allow for a more efficient production process for the US Resolution Plan as well as other recovery and resolution planning requirements.

## 12. Resolution strategy summary

The SIFI Rule requires that HSBC's US operations be resolved in a manner that substantially mitigates the risk that the failure of HSBC would have serious adverse effects on the financial stability of the US. The IDI Rule requires that HBUS be resolved in a manner that is least costly to the Deposit Insurance Fund. In addition, the IDI Rule 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. HSBC believes that the resolution strategy it has outlined achieves these goals and allows for the orderly resolution of HSBC's US operations. The strategy to resolve the US operations of HSBC is organized around the resolution of its MEs.

HSBC's preferred resolution strategy for its US operations is the immediate sale of HBUS and HCSU with the continuation of the services provided by HTSU to HSBC Group entities under service level agreements or transition services agreements. The remaining US MEs, namely HNAH, HUSI, HTSU and HBIO, would be resolved under the United States Bankruptcy Code (**Bankruptcy Code**). HTSU could be expected to continue to provide shared services to permit the resolution of the other HSBC entities under the existing service level agreements or under transition services agreements because that would provide funding needed to retain value and repay creditors.

Potential acquirers of HSBC's US MEs, CBLs and COs include US-headquartered global and national banking groups with complementary branch networks and service offerings and foreign-based global banking groups interested in entering the US market or expanding their US operations.

If an immediate sale were not possible, HBUS would most likely be resolved through the use of a bridge depository institution (**Bridge Bank**), followed by a whole bank purchase and assumption transaction, a sale of HBUS's CBLs separately or in packages or a recapitalization of HBUS. A Bridge Bank is a new national bank organized by the FDIC in accordance with 12 U.S.C. § 1821(n) that preserves continuity and maintains the value of HBUS's business and assets. HSBC expects that HBUS would be an attractive acquisition either through an immediate purchase and assumption transaction or through a sale from a Bridge Bank. HBUS is largely self-funded and HSBC expects that the Bridge Bank would be self-funding and be an attractive acquisition to a number of financial institutions given its branch network and business lines, facilities and customer base.

Unless HCSU's business could be sold immediately before failure, HCSU would be resolved under the Securities Investor Protection Act (**SIPA**). If there exists a ready acquirer, HCSU's business or accounts could be sold out of a SIPA proceeding. However, if a sale could not be arranged, a trustee appointed by SIPA would likely liquidate HCSU's broker-dealer business, transfer its remaining FCM customer accounts to the extent possible and liquidate the remainder of the FCM business that is not transferred in a SIPA proceeding.

HNAH, HUSI, HTSU and HBIO would be resolved through Chapter 11 proceedings. As holding companies with limited or no operations, HSBC believes that HNAH and HUSI would be wound down in conjunction with the resolution of their subsidiaries. HTSU, as a dedicated service company funded by payments from the US and non-US affiliates that receive its services, is unlikely to fail so long as a significant portion of those payments continue. If HTSU were placed into bankruptcy, it is anticipated that HTSU would continue to

provide services under existing service level agreements and potentially under transition services agreements with buyers of other HSBC Group assets, because this would maximize its value to vendors and other creditors. In resolution proceedings, it is likely that HTSU would charge the service recipients on a cost-plus or market basis. HTSU would subsequently be wound down. With respect to HBIO, the assets of its parent company and its subsidiaries would be sold in a commercially reasonable manner and these companies wound down.

