HSBC Holdings plc

SIFI Plan
Section I – Public Section

Date: December 2018

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*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 Holdings plc's or HSBC Bank USA, National Association's actual results to differ materially from those described in the forward-looking statements can be found in HSBC Holdings plc's Annual Report on Form 20-F for the fiscal year ended December 31, 2017 filed with the SEC under the Securities Exchange Act of 1934, as amended (**Exchange Act**), on February 20, 2018 (**Form 20-F**) and in HSBC USA Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the SEC under the Exchange Act on February 20, 2018.*

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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***). The SIFI Rule requires foreign bank holding companies (***BHCs***) such as HSBC Holdings plc (***HGHQ***, and together with its subsidiaries and affiliates ***HSBC Group***) with total global consolidated assets of USD50 billion or more (***Covered Company***) to submit periodically to the FRB and the FDIC a plan for rapid and orderly resolution in the event of material distress or failure of the Covered Company's United States of America (***US***) operations. The global consolidated assets of HGHQ, 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***).

HSBC Group's initial SIFI Plan submission was made to the FDIC and the FRB as of July 1, 2013, which was subsequently updated and submitted to the FDIC and the FRB as of July 1, 2014 and subsequently as of December 31, 2015. The following sets out the public section of HSBC Group's fourth submission to the FDIC and the FRB, with the new submission due date of December 31, 2018.[1]

The FRB and FDIC have, by rule and through the supervisory process, prescribed the assumptions, required approach and scope for SIFI Plans and have required that certain information be included in a public section of SIFI Plans. HGHQ submits this public section of the SIFI Plan in compliance with the SIFI Rule and other relevant guidance.

The SIFI Plan provides a detailed analysis of how HSBC Group's material US operations (***US Group***) would be resolved in a rapid and orderly manner that would not disrupt US financial stability. The Core Business Lines (***CBLs***) and Material Entities (***MEs***) that have been designated as such by HSBC Group in accordance with the SIFI Rule are described further below. Except as otherwise specifically required by the SIFI Rule and as noted in the SIFI Plan, the information contained in the SIFI Plan relates to the subsidiaries, CBLs and Critical Operations (***COs***) of HGHQ that are domiciled, or conducted, in whole or material part, in the US.

[1] A resolution plan required under the final rule issued by the FDIC in relation to HSBC Bank USA, National Association was submitted to the FDIC as of July 1, 2018.

1.2 HSBC Group Global and US Structure

The HSBC Group is subject to regulation by financial regulators in multiple jurisdictions. As a BHC, HGHQ does not carry out any banking activities directly. Rather, HSBC Group primarily consists of a large number of separately incorporated and capitalized banking entities across different jurisdictions. The HSBC Group operates on the principle that each operating entity, including HSBC Bank USA, National Association (***HBUS***) and HSBC Securities (USA) Inc. (***HCSU***), is separately governed, capitalized, funded and risk managed, that funding and liquidity are premised on appropriate country-specific requirements and that each operating entity is capable of resolution consistent with applicable local law. Each of the operating entities is also managed independently, in order to reduce HSBC interconnectedness. The HSBC Group's regional and national subsidiary structure provides the HSBC Group with significant advantages in promoting greater resilience for the HSBC Group's operations within individual countries, including the US. In particular, 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.

HSBC North America Holdings Inc. (***HNAH***) is a financial holding company (***FHC***) organized under the laws of the State of Delaware and is the intermediate holding company (***IHC***) for the US Group. As of December 31, 2017, the US Group represents only a small portion of HSBC Group, making up only 11% (or approximately one-ninth) of HSBC Group's assets, most of which are in HBUS, which makes up 66% of the assets of the US Group. The rest of the HSBC Group's US subsidiaries are much less significant from an HSBC Group-wide perspective due to their much smaller sizes and due to their functions. The US Group's MEs are described in greater detail in Section 3.2.

1.3 HSBC Group Business Model

The 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 December 31, 2017, an international network of over 3,900 offices in 67 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, the HSBC Group's operations are conducted through a network of regional banks and locally incorporated regulated banking entities. Each operating entity, including HBUS and HCSU, is separately capitalized in accordance with applicable prudential requirements and maintains a capital buffer consistent with the HSBC Group's appetite for risk in its country or region. The banking entities manage their own funding and liquidity within parameters set centrally.

The HSBC Group has five principal activities, which are making payments, holding savings, enabling trade, providing finance and managing risks. Through these principal activities, the 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. The 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. The HSBC Group's direct lending includes residential and commercial mortgages and overdrafts, and term loan facilities. The HSBC Group finances importers and exporters engaged in international trade and provides advances to companies secured on amounts owed to them by their customers. The 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. The 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

The RBWM global business served nearly 37 million customers globally as at December 31, 2017. 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

The CMB global business provides a broad range of banking and financial services to enable customers to manage and grow their businesses domestically and internationally. CMB offers credit and lending services, including commercial real estate, international trade and receivables finance, payments and cash management services, insurance and investment products.

1.3.3 Global Banking and Markets

The GBM global business provides wholesale capital markets and transaction banking services organized across the following client-facing businesses: (i) Global Markets, which includes four businesses organized by asset class, including: (a) Global Fixed Income (Rates and Credit) (b) Global Foreign Exchange (***FX***) (FX Cash, Options and Metals); (c) Equities; and (d) Research; (ii) Global Banking, which includes (a) Lending, (b) Underwriting and (c) Advisory; (iii) Global Liquidity and Cash Management; (iv) Securities Services; and (v) 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 Global Markets limit structure.

1.3.4 Global Private Banking

The GPB global business 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 the 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

Group Resolution Strategy

The HSBC Group's resolution strategy is designed to provide maximum optionality to resolution authorities via a highly resolvable structure that includes internal Total Loss Absorbing Capacity (***TLAC***) which allows for the HSBC Group's ownership structure to be maintained at the point of non-viability, which provides time, by stabilizing the HSBC Group, allowing restructuring to be planned and executed over a longer timeframe.

Restructuring is facilitated by the separability embedded within the structure of the HSBC Group. The HSBC Group is composed of separate Operating Banks, with no one bank greater than 25% of the whole HSBC Group. When this is combined with the actions that the HSBC Group has taken and continues to take to remove barriers to resolution and to allow separability to occur with minimum disruptions, the HSBC Group is prepared, ex-ante to be restructured in resolution.

The HSBC Group's preferred resolution strategy is therefore based on the resolution and restructuring of regional or national groups of affiliated companies in what is referred to as a multiple point of entry (***MPE***) resolution strategy (i.e., a resolution strategy where each material enitty is resolved independently in its own resolution proceedings). The US Group's resolution strategy for purposes of this SIFI Plan is described in Section 2.3. This MPE strategy is based on local resolution actions and therefore does not overly depend on cross-border cooperation in resolution, which cannot necessarily be relied upon in a systemic crisis. An MPE strategy contemplates multiple points of entry in the resolution process and is consistent with the HSBC Group's legal structure given it is principally made up of locally incorporated, regulated and capitalized Operating Banks.

The HSBC Group has significant recapitalization capacity in the form of non-equity capital and TLAC debt issued by HGHQ to the market. These instruments can all be converted into equity to replenish the HSBC Group's common equity tier 1 (***CET1***) capital base. HGHQ has down-streamed internal TLAC resources to its material subsidiaries, including those in the US Group.

As a direct result of the legally separated structure of the HSBC Group Operating Banks, combined with the actions to improve resolvability described below and the HSBC Group's internal TLAC structure, the HSBC Group has a highly resolvable business model with material optionality embedded into the strategy allowing for the Group to be stabilized in resolution (via internal TLAC conversion to equity, maintaining the Group legal structure) and then, at a later date, restructured and potentially separated under the MPE strategy.

Improvements to Resolvability

- The HSBC Group has fully implemented a global bankruptcy-remote service company structure (the ***ServCo Group***), which legally separates the risks of the Operating Banks from the provision of critical services to the Operating Banks by the ServCo Group.

- HGHQ, as ultimate parent entity of the HSBC Group, has more than USD100 billion of bail-in-able debt and non-equity capital issued to external investors, to comply with UK capital and TLAC requirements. This has been down-streamed to material subsidiaries, including those in the US Group.

- The HSBC Group has significantly simplified its legal structure and reduced the number of legal entities by around 40% since 2015.

- The HSBC Group has established intermediate holding companies to facilitate structural subordination of internal and external TLAC instruments in Hong Kong and the UK. HSBC already had an intermediate holding company in the US.

- A full contingency arrangement is now in place for the Operating Banks to clear USD, should HBUS become unable to clear for the Operating Banks.

The SIFI Plan was accordingly prepared as part of the HSBC Group's 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 SIFI Plan is focused on planning for the resolution of the 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 SIFI Plan may differ from those in similar plans filed by HGHQ or its subsidiaries pursuant to other applicable rules and laws.

2.2 Improvements to Address 2018 Feedback

The Agencies provided HSBC with specific feedback on its 2015 SIFI Plan in the 2018 Feedback Letter. HSBC has completed a variety of initiatives in response to the 2018 Feedback Letter and believes that it has addressed each item. Below is a summary of the improvements made by HSBC to address the 2018 Feedback Letter in the 2018 SIFI Plan.

2.2.1 Capital Capabilities

Agencies' Feedback

HSBC should have a methodology for periodically estimating the amount of capital that may be needed to support each US ME throughout the resolution period. The methodology is not required to produce aggregate losses that are greater than the amount of total loss absorbing capacity, or TLAC, that would be required for HSBC under the Board's final rule. 12 CFR 252; 82 FR 8266 (January 24, 2017). The 2018 Plan should provide an explanation of the methodology used for this analysis. If HSBC continues to assume an infusion of capital by the foreign parent into its US operations immediately prior to the runway period, the 2018 Plan should describe the governance processes leading to and concluding in such an infusion and the potential obstacles thereto.

Financial Capital Analysis

HSBC has developed an initial methodology (the Financial Capital Analysis) for estimating the amount of capital that may be needed to support each ME throughout resolution. This Financial Capital Analysis can be used in a crisis to compare available resources with needs in resolution. It will be used to inform how close any of the US Group MEs are to reaching the point of no viability (***PNV***). In the medium term the methodology, together with the equivalent liquidity methodology, will be further refined in order to support the proposed pivot to a single point of entry resolution strategy for the US Group (***Pivot to SPE***) which the HSBC Group is currently evaluating.

Methodology Overview

The Financial Capital Analysis performs a calculation of capital demand through a resolution scenario. Each ME is projected through the Financial Capital Analysis, which takes into account regulatory capital for MEs subject to such a requirement. For example, for purposes of the Financial Capital Analysis, it is assumed that HBUS needs to be able to maintain a level of Well Capitalized. To be categorized as Well Capitalized under regulatory guidelines, an insured depository institution (***IDI***) must have a CET1 ratio in excess of 6.5%, a Tier 1 Capital ratio in excess of 8% and a Total Capital ratio in excess of 10%, and must not be subject to a directive, order, or written agreement to meet and maintain specific capital levels.

The Financial Capital Analysis is based on a stress scenario projection, or in the case of an actual resolution event, would be the best estimate of the specific resolution stress. The overall capital needs of each ME are based on any applicable regulatory capital requirements and the operating requirements for the ME throughout the resolution period. The operating requirements include: the losses expected in the stress scenario; losses from haircuts to high quality liquid assets (***HQLA***) that is liquidated as a result of the concurrent liquidity stress; additional staff costs required to retain key staff; and other operational costs as a consequence of the frictions that arise in resolution. The operating capital needs are aggregated over the anticipated resolution period for the ME.

2.2.2 Funding Sources

Agencies' Feedback

HSBC should describe in the 2018 Plan a comprehensive understanding of funding sources available to its US MEs and COs, including the uses of and risks to such funding and how funding sources may be affected under stress. For example, with respect to its US MEs, HSBC should have and describe its capabilities to:

- *Evaluate the funding requirements necessary to perform the payments CO, including shared and outsources services and access to financial market utilities (**FMUs**);*
- *Monitor liquidity reserves and relevant custodial arrangements by ME; and*
- *Routinely test funding and liquidity outflows and inflows for US MEs at the legal entity level under a range of adverse stress scenarios, taking into account the effect on intraday, overnight, and term funding flows between affiliates and across jurisdictions.*

HSBC has five MEs for purposes of the 2018 SIFI Plan, some of which are necessary to the performance of its COs. As a consequence, HSBC's comprehensive understanding of the funding of its MEs redounds to the understanding of the funding of its COs. An overview of HSBC's understanding of the funding sources available to each ME is provided below, and more detailed analysis is included in the SIFI Plan.

HBUS

HBUS's primary source of funding is its diversified deposit base. This is supplemented by the issuances of short-and long-term debt to affiliates and to the market as well as borrowings under secured and unsecured facilities.

In summary, of HBUS's USD180.4 billion of liabilities and equity funding its asset portfolio, USD132.5 billion is deposits and USD30.1 billion is long-term debt and equity. In addition, USD88.2 billion of HBUS's deposits are classified as stable. Consequently, equity, long-term debt and stable deposits make up USD118.3 billion (or 66%) of HBUS's total liabilities and equity. This provides a very robust funding base that underpins HBUS's business in BAU and would also contribute towards HBUS's peak funding needs in resolution which would arise in connection with HBUS maintaining COs during the Runway and Resolution Periods. Therefore, the main risk to HBUS's funding is a deposit run, given that HBUS' deposit base is, by far, its largest source of funding. The multiple point of entry resolution scenario assumes a very severe deposit outflow. This provides an extreme, albeit highly unlikely, scenario of deposit outflows commensurate with a resolution event. The outflows assumed in this scenario are split into the outflows in the Runway and the subsequent outflows in the first two months of Resolution in the Scenario where HBUS is transferred to a Bridge Bank and subsequently sold at a later date. It is assumed that deposit outflows abate as the resolution strategy is executed.

HBUS sources long term debt from affiliates, including its direct parent HUSI. HUSI, an SEC registrant and the US Group's main external issuing entity, maintains a number of external debt issuance programs. HNAH, as the ultimate parent entity of the US Group, issues debt and equity to HGHQ. HBUS' internal funding is provided by HNAH, which is turn is funded by HGHQ. HGHQ is the HSBC Group's primary issuing entity with total equity, non-equity capital and TLAC in excess of USD180 billion, all of which is issued externally and largely down-streamed to subsidiaries, including the US Group.

In addition, from January 1, 2019 HBUS will have USD5 billion of TLAC issued to HNAH. This will replace existing term funding of USD4 billion issued to HNAH, therefore represents an increase in HBUS's capital and TLAC resources and an increase in the proportion of HBUS' funding that is long-term and stable.

HBUS is necessary to the performance of the US Group’s COs mainly through the employment of key front office staff, membership of key FMUs, and ownership of the master account with the Federal Reserve Bank of New York. The HBUS operated and/or supported FMUs which are necessary to the performance of the COs have been assessed for their potential heightened or peak liquidity needs in a resolution scenario, based on a scenario that is both market wide and idiosyncratic to HSBC, and such needs have been incorporated into the US Group’s resolution funding and liquidity models.

The US Group is able to regularly assess stressed funding needs. In addition, as part of the intended Pivot to SPE, HSBC is developing a Financial Liquidity Analysis (equivalent to the Financial Capital Analysis described above) focused on estimating the liquidity requirements of each of the MEs, including HBUS, in the runway and the resolution period, including intraday peak funding needs for FMUs.

US Group management, and the US Balance Sheet Management (***US BSM***) and Asset, Liability and Capital Management (***US ALCM***) teams monitor the HBUS liquidity position on a daily basis. Overall responsibility for liquidity management resides with the Asset and Liability Committee (***ALCO***). BSM has responsibility for the daily management of liquidity, with support from various operating areas within HBUS. BSM provides oversight for all collateral placements and asset disposals. Coordination and support of all of these functions is provided by ALCM and BSM.

HSBC also regularly conducts a number of stress tests on HBUS and the wider US Group.

HCSU

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 affiliates and third parties. The main risk to HCSU's funding would be an inability to access wholesale Repo markets, which could occur in an idiosyncratic stress scenario. To mitigate this risk HCSU has committed and uncommitted facilities with an affiliate. HCSU monitors its liquidity position on a daily basis, including via a number of reports and management information.

HUSI

HUSI’s primary sources of funding are short-term CP issued to third party investors and long-term debt issued to both affiliates and third-parties. HUSI is the US Group’s main external issuing entity, and as an SEC registrant maintains a number of external debt issuance programmes. HUSI does not provide loans and advances to third parties. The main risk to this wholesale funding is HUSI becoming constrained in its ability to issue debt to third party investors at a sustainable price.

HNAH

HNAH's primary source of funding is HGHQ. HNAH does not provide loans and advances to third parties. The bulk of HNAH's funding is equity and long term debt all of which is issued to HOHU, which in turn has issued equity and debt to HGHQ.

HTSU

As the US ServCo, HTSU's funding is provided by the payments it receives for services. Its main customers are US Group affiliates. It does not have funding risks in the same manner as a bank or a bank holding company, rather its main risk is cash flow risk: that its affiliate customers fail to pay for the services received when due. HTSU's main customers are HBUS and HCSU. The HSBC ServCo model has been stress-tested to demonstrate its resilience in a variety of scenarios.

2.2.3 Payment, Clearing and Settlement Activities

Agencies' Feedback

*HSBC should continue to develop its playbooks related to continued access to payments, clearing, and settlement (**PCS**) activities necessary to support the payments CO in a manner that would support an orderly resolution under its US strategy. HSBC should quantify and explain how it would satisfy its relevant obligations and exposures associated with PCS activities. HSBC should use volume and value data for each FMU to identify the key FMUs for the payments CO and describe this analysis in the 2018 Plan. HSBC should describe arrangements to facilitate continued access to all of these key FMUs, including operational and liquidity considerations and contingency arrangements. Bearing in mind the objective of an order resolution, HSBC's analysis of the contingency arrangement should include, but not be limited to, pre-positioning of additional liquidity at FMUs, limiting intraday credit provisions to clients, and requiring clients to pre-fund settlement activity, as appropriate. HSBC should provide clients with transparency into the potential impacts from implementation of the contingency arrangements and consider whether additional actions are appropriate to facilitate continued access to key FMUs.*

HSBC should have and describe its ability to assess, for each US ME, obligations and exposures associated with PCS activities related to the payments CO, including contractual obligations and commitments. For example, HSBC should be able to:

- *Track the following items by ME and location/ jurisdiction, using systems that contain current information:*
  - *PCS activities, with each activity mapped to the relevant ME and CBL;*
  - *Customers and counterparties for PCS activities, including values and volumes of various transaction types, as well as used and unused capacity for all lines of credit;*
  - *Exposures to and volumes transacted with FMUs and agent banks; and*
  - *Services provided and service-level agreements for other current agents and service providers (internal and external).*
- *Assess the potential effects of adverse actions by FMUs, agent banks, and other service providers, including suspension or termination of membership or services, on HSBC's US operations, customers and counterparties;*
- *Develop contingency arrangements in the event of such adverse actions; and*
- *Quantify the liquidity needs and operational capacity required to meet all PCS obligations, including any change in demand for and in the sources of liquidity needed to meet such obligations.*

FMU Playbooks

HSBC Group has continued to develop and enhance its FMU Playbooks related to continued access to payments, clearing, and settlement activities, including those necessary to support the Payments CO in a manner that would support an orderly resolution under its US strategy. In particular, the FMU Playbooks each include a thorough analysis of the potential heightened requirements that could be imposed by the relevant FMUs on an individual-member basis. This list of potential heightened requirements is compiled based on an examination of the FMUs' rules, Principles for Financial Market Infrastructure disclosures and other relevant materials to identify requirements that the FMUs may impose on an individual member in material financial distress.

Generally, these heightened requirements serve to limit the FMU's exposure to a participant in resolution or material distress. In light of this detailed analysis, the HSBC Group has developed plans and contingency arrangements to respond to each of these heightened requirements, including by pre-positioning additional liquidity at FMUs, limiting intraday credit provisions to clients, and requiring clients to prefund settlement activity, as appropriate. The HSBC Group is also taking steps to provide its clients with transparency into the potential impacts from implementation of the contingency arrangements, including by providing them with a notice describing the potential steps that the HSBC Group could take in a resolution scenario. Transparency notices will be sent to clients that access our payments and non-payments FMUs no later than February 28, 2019, along with standard annual client notifications. In addition, these transparency notices will be incorporated in new account opening documentation for all new clients that access our payments and non-payments FMUs. Both the nature of material FMUs' heightened requirements and the US Group's capacity to respond to those requirements are described in the enhanced FMU Playbooks.

PCS Activities

HSBC Group has also quantified the liquidity needs and operational capacity required to meet all PCS obligations, including any change in demand for and in the sources of liquidity needed to meet such obligations in a resolution scenario, and explained how it would satisfy its relevant obligations and exposures associated with PCS activities in the FMU Playbooks and has incorporated this analysis into the 2018 SIFI Plan's financial projections. HSBC Group has used volume and value data and market share metrics for each FMU to identify the key FMUs for the Payments CO based on their market share or materiality to the business.

In the 2018 SIFI Plan, HSBC Group has described its ability to assess, for each US ME, its obligations and exposures associated with PCS activities related to the Payments CO, including its contractual obligations and commitments.

In particular, the 2018 Plan provides for the following to be tracked:

i. PCS activities mapped to the relevant ME and CBL;

ii. Key customers and counterparties for PCS activities, including values and volumes of various transaction types, as well as used and unused capacity for all lines of credit;

iii. Exposures to and volumes transacted with FMUs; and

iv. Services provided and service-level agreements for service providers (internal and external).

2.2.4 Shared and Outsourced Services

Agencies' Feedback

By the submission of the 2018 Plan, HSBC should identify all shared services and vendors that support COs and maintain a mapping of how and where these services support US COs.

The 2018 Plan should provide a detailed update regarding (1) the implementation of the Global ServCo Structure and its effect on the provision of shared services to HSBC's US operations, specifically improvements made to resolution preparedness; (2) any evaluation of or amendments to IGSAs and to critical vendor contracts that cannot be promptly substituted and any strategies that increase their resolution resiliency; and (3) an analysis of how CSS are funded in resolution to ensure the continuity of shared and outsourced services that support US COs.

(1) Implementation of the Global ServCo Structure

Historically, HSBC Group has had significant operational interbank dependencies clustered around its operating banks, including HBUS.

The most effective means to address these shared dependencies is the creation of the ServCo Group, whereby critical shared infrastructure, services and systems are moved into a bankruptcy-remote group of separately capitalized and funded non-bank service companies. These service companies provide services to the operating banks through resolution-resilient contracts on commercially reasonable terms. In this way, the ServCo Group significantly reduces the risk associated with operational dependencies across critical functions, jurisdictions and legal entities. HSBC Group completed the implementation of a ServCo Group structure at the end of 2018.

The ServCo Group operates on a commercial basis in order to ensure its standalone viability, and is able to retain sufficient capital and funding to deal with any financial stresses arising from the resolution of any of the operating banks that it serves, and any subsequent costs associated with the post-resolution restructuring of service delivery. The resulting structure facilitates a quicker disposal of businesses and/or restructuring of operating banks in a recovery or resolution than could be achieved with highly integrated and embedded operations. As such, the structure lowers the operational costs, complexity and risks of resolution and results in a better preservation of value in HSBC Group.

As of the end of 2018, both HTSU (which is not part of the Global ServCo legal sub-group) and the ServCo Group are in compliance with all applicable operational continuity regulatory requirements. In particular, HTSU houses all US domestic CSSs and has been in full operation for many years. This structure already addresses operational continuity issues within the US Group. In addition, HTSU's Operational Continuity in Resolution (***OCIR***) set-up is similar to that of the ServCo Group.

(2) Critical Shared Services and Vendors Supporting Critical Operations

HSBC Group has taken substantial steps in order to ensure continued provision of CSSs to the US Group, including by amending IGSAs and critical vendor agreements in order to ensure that they would be legally resilient in as resolution scenario while also financially incentivizing the service provider to continue providing services.

Amendment of IGSAs

All services provided on an intra-HSBC Group basis are provided on arms-length terms and documented by standard IGSAs so that intra-HSBC Group service arrangements are documented in a consistent and efficient manner, and in accordance with legal, regulatory and tax requirements. After the implementation of the ServCo Group in 2018, all IGSAs for operational services are entered into between ServCo entities and the regional operating banks. Therefore, in the United States, all IGSAs for operational services document the provision of services from HTSU to HBUS, as well as HCSU. In addition, certain other limited services will continue to be provided pursuant to standard IGSAs entered into between operating banks.

All IGSAs incorporate by reference a set of standard form Intra-Group Service Standards (***IGSS***), which include resolution-resilient terms such that the IGSAs will not automatically terminate in the unlikely event that the operating entity party enters into proceedings under a special resolution regime. These services are provided on an arms-length commercial basis and on a cost-plus basis to further incentivize the continuation of services in a resolution scenario. There were originally a few US Group IGSAs that contain provisions that were inconsistent with the HSBC Group- wide IGSS terms. These US IGSAs were remediated in 2015 and since then all US IGSAs are in compliance with the IGSS.

Amendment of Critical Vendor Contracts

Since the submission of the 2015 SIFI Plan, as part of the HSBC Group-wide efforts, the US Group in 2016 completed its remediation of third-party contracts to incorporate resolution-friendly terms and the transfer of contractual relationships from the operating entities to HTSU and the ServCo Group.

As part of this remediation, all third-party contracts now include the following resolution-friendly terms:

- The supplier will have no rights to exercise direct default or cross-default rights to terminate based on the direct the HSBC Group entity party to the contract or based on an affiliate becoming subject to a resolution event; and

- The contract must be freely assignable within the HSBC Group to accommodate any restructuring that may occur as part of a resolution or insolvency proceeding.

In addition, as a matter of HSBC Group policy:

- No other HSBC Group entity will guarantee the performance of any other HSBC Group party's obligations; and

- No other HSBC Group entity will be required to perform any obligations for the supplier in order for the supplier to continue to provide the relevant services or support to an operating bank, such as HBUS.

Accordingly, a third-party vendor would be in breach of its contract with the US Group if it decided to stop providing services in resolution on the basis of a resolution event, assuming the relevant US Group entity otherwise continued to perform on the contract.

(3) Funding of Critical Shared Services in Resolution

HSBC Group has completed substantial steps that are designed to ensure that internal service providers to the US Group (in particular, HTSU) would remain solvent and economically incentivized to continue providing CSSs in resolution, including those that support the US Group's COs. Specifically, the HSBC Group has:

- amended its IGSAs to incorporate arms-length pricing, service levels and charging methodologies, as well as terms are designed to survive the service provider or recipient's entry into resolution proceedings while incentivizing the continued provision of services, even in a situation where the service provider and service recipient become disaffiliated, such as if HTSU entered into its own insolvency proceeding (described in greater detail above);
- arranged for the implementation of liquidity buffers for ServCo entities (described below);
- conducted stress testing of the ServCo Group; and
- incorporated funding requirements for CSSs in resolution into the 2018 Plan's financial projections.

Liquidity Buffers

HTSU

HSBC Group has created a backstop liquidity buffer for HTSU which could be drawn down during the runway period in order to cover any potential disruption (however unlikely) to payments for services rendered during the resolution period. The proposed liquidity buffer amount would be sufficient to cover any disruptions because, among other reasons, it includes costs associated with all services provided by HTSU, rather than only costs associated with CSSs.

Global ServCo Group

HSBC has also established a similar liquidity buffer in HGSU and will also establish a buffer in HGSH in 2019.

The UK ServCo liquidity buffer has been established in accordance with applicable local regulatory requirements.

The HK ServCo is not yet subject to any regulatory requirements with respect to operational continuity in resolution, however requirements are anticipated to be applied later in 2019. Consequently, and consistent with both the UK and US, HSBC will also establish a liquidity buffer for the HK ServCo.

2.3 US Resolution Strategy

The SIFI Rule requires that the 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 the HSBC Group provides one US resolution strategy. The HSBC Group believes that the SIFI Plan achieves these goals and allows for the rapid and orderly resolution of the HSBC Group's US operations.

The HSBC Group's SIFI Plan, which envisions the separate resolution of the US MEs through separate resolution or insolvency proceedings, reflects the current resolution strategy for the US Group.

The HSBC Group has identified five US MEs based on the criteria set forth in the SIFI Rule[2]:

- HNAH is the holding company for HSBC Group's US operations, which are conducted out of several subsidiaries, including HBUS, HCSU and HSBC Technology & Services (USA) Inc. (***HTSU***). HNAH will also be HSBC Group's 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 a direct 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.

- 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 a direct wholly owned subsidiary of HNAH, and is not an ME. 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.

- HTSU is a corporation organized under the laws of the State of Delaware and is a direct wholly owned subsidiary of HNAH. HTSU forms part of the HSBC Operations, Services and Technology (***HOST***) shared services organization and is a dedicated service provider, and the primary provider, of HOST services to all of the US Group MEs and CBLs. It also houses the majority of Global Function (***Global Function***) employees.

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[2] In the 2015 submission, HSBC Finance Corporation (***HBIO***), a corporation organized under the laws of the State of Delaware and a direct, wholly owned subsidiary of HNAH, was included as an ME. HBIO's primary business is Consumer Finance, which is being wound down for strategic reasons and accordingly HBIO is no longer regarded as an ME.

In addition, HGHQ, HSBC Bank plc (***HBEU***), HSBC Global Services (UK) Limited (***HGSU***) and The Hongkong and Shanghai Banking Corporation Limited (***HBAP***) have certain interconnections with the US Group and are discussed in the SIFI Plan, even though they are not MEs.

The HSBC Group believes that the MPE resolution strategy that it has developed for the US Group is robust, credible and would facilitate a rapid resolution in the event that the US Group encountered material financial distress and failed. At the same time, the HSBC Group is cognizant of the additional benefits that would result from preserving the solvency of its key US operating subsidiaries in order to maintain COs in resolution. The HSBC Group is also mindful of the significant progress that has taken place in recent years to enhance the operational feasibility and robustness of US Single Point of Entry (***SPE***) resolution strategies. Accordingly, the US Group is evaluating transitioning to an SPE resolution strategy. If a decision is reached to proceed with the transition to an SPE resolution strategy, the process is expected to be completed prior to the submission of the HSBC Group's next SIFI Plan, subject to ongoing adjustment based on the results of internal diligence, financial modeling, validation by key internal and external stakeholders and other relevant factors.

While the current preferred resolution strategy for the US Group is still the MPE resolution strategy as described in this SIFI Plan, set forth below is an overview of the US Group's potential future SPE resolution strategy. The overview includes a discussion of the progress that has already been made in pivoting to SPE and the future steps that HSBC Group intends to take in order to have an operational and credible SPE resolution strategy for the US Group.

Many of the requirements to be able to execute an SPE resolution strategy are already in place, including, for example, down-streamed TLAC, or require some limited enhancements that are relatively straightforward to implement. In other areas, such as capital and liquidity capabilities, HSBC is implementing additional capabilities to be able to project capital and liquidity needs in resolution. The necessary components of an operational and credible SPE resolution strategy for US Group include the following:

HSBC Group has determined that the necessary components of an operational and credible SPE resolution strategy for the US Group are:

i. governance mechanisms that (a) enable the board of directors and senior management to receive necessary information and take timely actions under stress conditions in order to successfully implement the planned resolution strategy and (b) validate the legal feasibility of the resolution strategy;

ii. capital and liquidity resources needed to maintain the solvency of the US Group's operating MEs and the financial capabilities needed to accurately monitor the condition of the US Group and model resolution resource execution needs under the SPE strategy;

iii. operational capabilities to ensure continuity of performance in resolution between the operating MEs and their FMUs, external and internal service suppliers and counterparties; and

iv. a contractually binding mechanism and associated structural changes to enable the down-streaming of capital and liquidity to the operating MEs during resolution in a manner that is resistant to creditor challenge.

If a decision is reached to proceed with the transition to an SPE resolution strategy, HSBC Group will implement these capabilities for the US Group while building on the existing enhancements undertaken in response to feedback from the FRB and FDIC (described in Section 2.2).

In accordance with the current MPE resolution strategy for the US Group, the 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 hypothetical scenario used for resolution planning purposes, an idiosyncratic trigger leads to a financial and reputational stress scenario at the US Group that ultimately leads to the US MEs' entry into resolution. This idiosyncratic event would result in a 30-day period of financial distress preceding the entrance of the US MEs into resolution. During this hypothetical 30-day period, the US MEs would experience a run-off of deposits and other funding sources, as well as drawdowns of committed credit facilities and increased collateral requirements, reducing liquidity at HBUS. Once HBUS reached a point where it would have insufficient liquidity to meet its financial obligations, HBUS would be placed into receivership by the FDIC under the Federal Deposit Insurance Act of 1950 (***FDIA***), HCSU would be sold immediately before resolution or resolved under the Securities Investor Protection Act of 1970 (***SIPA***) and HNAH and HUSI would be resolved under Chapter 11 of the US Bankruptcy Code (***Bankruptcy Code***). HTSU is not expected to fail or enter into bankruptcy proceedings under Chapter 11 for purposes of the SIFI Plan due to the commercial resolution-resilient terms of its contracts and its access to committed liquidity facilities.

Following HBUS's receivership, multiple strategies for its resolution are available, including an immediate whole-bank sale (HSBC Group's preferred resolution strategy for HBUS), a whole-bank sale of a bridge bank (***Bridge Bank***), a sale of certain of its business lines to different acquirers (a ***Multiple Acquirer Strategy***) and the Liquidation Strategy, each 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 and the resolution strategies for each ME are designed to minimize the risk of a disorderly cessation of HSBC Group's COs in a resolution scenario.

2.3.1 HBUS

HBUS would be resolved under the FDIA by the FDIC, following its appointment as receiver 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 resolution involving the transfer of HBUS's operations and the majority of its assets and liabilities to a Bridge Bank that would be operated by the FDIC and that preserves continuity and maintains the value of HBUS's business and assets, followed by:

    a. A P&A transaction with an acquirer involving substantially all of the Bridge Bank's assets and liabilities; or

    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; or

3. A pay-out of insured deposits and the liquidation of assets out of the FDIC receivership (the ***Liquidation Strategy***).

An immediate whole-bank P&A transaction is HSBC Group's preferred resolution strategy for HBUS as it 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 FDIC's Deposit Insurance Fund (***DIF***) or systemic impact.

If an immediate whole-bank P&A transaction were not possible, 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, and any remainder would be wound down. 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 business combinations which would provide the most value in a resolution scenario sale. A wide population of potential acquirers was identified based upon interest in HBUS's large and diversified deposit base, significant branch network and business lines.

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.

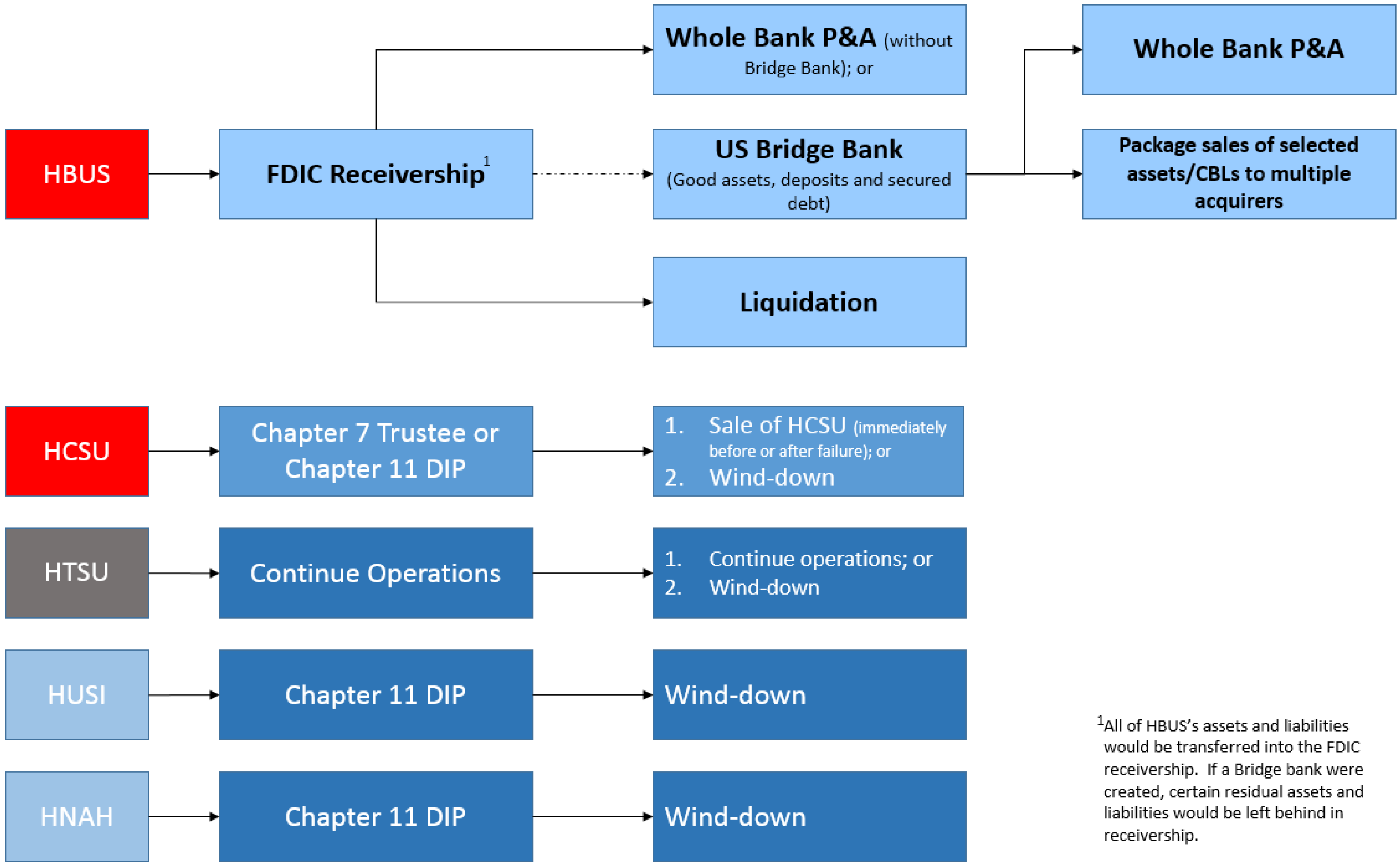
2.3.2 HCSU

HSBC Group would attempt a sale of HCSU immediately before resolution. If such a sale could not be arranged, then HCSU would be resolved under the 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 FCM customer accounts to the extent possible and liquidate the remainder of the FCM business that is not transferred in a SIPA proceeding.

2.3.3 HNAH and HUSI

HNAH and HUSI would be resolved under Chapter 11 of the Bankruptcy Code. HUSI is a holding company with minimal operations and has publicly listed debt and structured notes which are registered on the New York Stock Exchange (***NYSE***). HNAH is a holding company with no operations and few assets. HNAH and HUSI would simply be wound down in resolution. Figure 2.3.3 below illustrates the resolution strategies described for each ME.

Figure 2.3.3 – Summary of Resolution Strategies



[1]All of HBUS's assets and liabilities would be transferred into the FDIC receivership. If a Bridge bank were created, certain residual assets and liabilities would be left behind in receivership.

2.3.4 HTSU

HTSU is the dedicated US ServCo and can be expected to continue providing services to the Bridge Bank and other MEs as needed during resolution. HTSU, like other ServCo entities, has access to certain committed facilities from HNAH and HUSI to deal with cash flow problems resulting from the resolution or insolvency of HBUS. HTSU is paid on an arm's-length commercial basis, which further facilitates the continued provision of services to HBUS in a resolution scenario. Therefore, HTSU is not expected to fail or enter into bankruptcy proceedings under Chapter 11 for purposes of the SIFI Plan. HTSU would either be sold with HBUS or would scale down operations in conjunction with reductions in the scope of activity of the Bridge Bank and other members of the US Group.

2.4 Post-Resolution Structure

The resulting state of the US Group MEs upon execution of the resolution strategy described in HSBC Group's SIFI Plan would be as follows:

- HBUS's business would remain open, funded, capitalized and operating under the whole-bank P&A transaction and the Bridge Bank P&A transaction. Under the Multiple Acquirer 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.

- 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 remain solvent and operational and would either be sold with HBUS or would scale down operations in conjunction with the reductions in scope of activity of the Bridge Bank and other members of the US Group.

- HNAH and HUSI, as holding companies with no operations and few assets, would simply be wound down under Chapter 11 of the Bankruptcy Code.

The HSBC Group expects that all of the US MEs should have access to sufficient liquidity to either continue operation post-resolution or be wound down in an orderly manner, in accordance with their strategy. As all of HSBC Group's US CBLs are operated out of the US MEs, the orderly resolution of the MEs ensures that all CBLs conducted out of the US Group are able to continue, transfer or wind down in an orderly manner.

3 MATERIAL ENTITIES

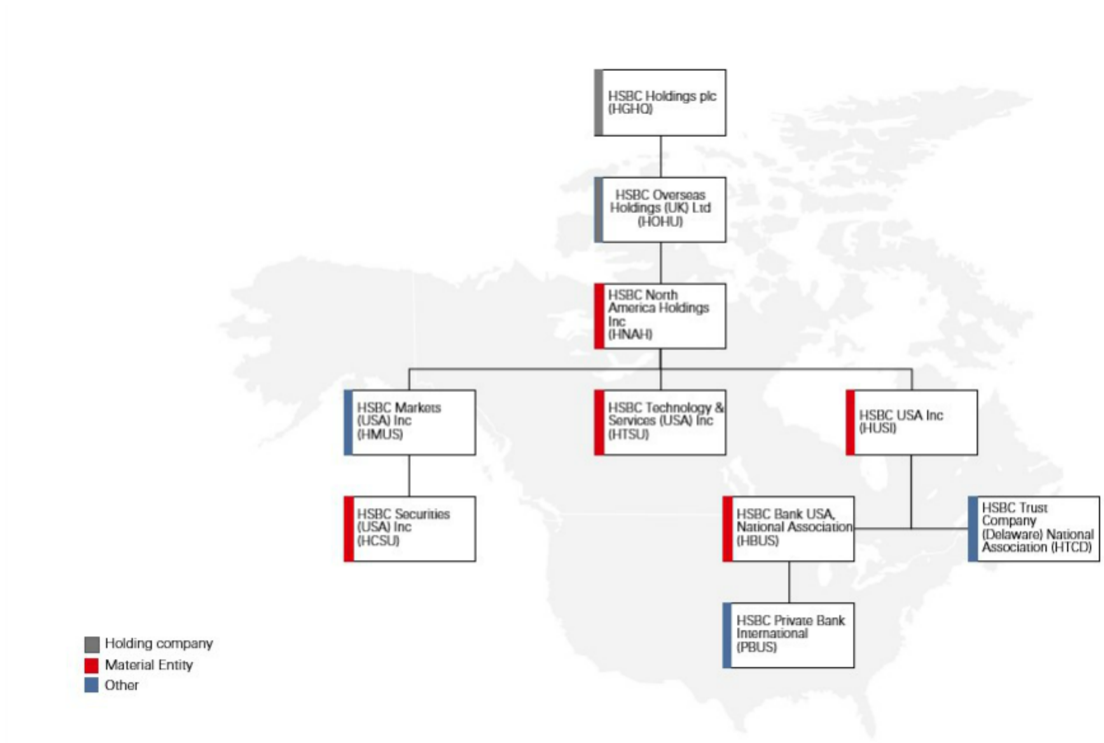
3.1 Introduction

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 five US MEs based on the criteria set forth in the SIFI Rule: HNAH, HUSI, HBUS, HCSU and HTSU.

A current simplified structure chart of the US MEs and their UK parent companies as at December 31, 2017, is shown in Figure 3.1.1 below.

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 FHC organized under the laws of the State of Delaware and is the top-level holding company for HSBC Group's US operations, which are conducted out of several subsidiaries, including HBUS, HCSU and HTSU. HNAH is an indirect wholly owned subsidiary of HGHQ and serves HSBC Group's IHC under the FRB's rule on enhanced prudential standards (***Regulation YY***).

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, 2017.

Figure 3.2.1.2-A — HNAH Summary Balance Sheet

HNAH CONSOLIDATED SUMMARY BALANCE SHEET	
	USDm
Assets	
Cash and due from banks	7,398
Interest bearing deposits with banks	11,161
Federal funds sold and securities purchased under agreements to resell	101,909
Trading assets	26,443
Securities available for sale	30,700
Securities held to maturity	13,978
Loans, net of allowances	65,192
Loans held for sale	715
Properties and equipment, net	325
Other assets	15,665
Total assets	273,486
Liabilities	
Deposits	113,261
Short-term borrowings	74,074
Trading liabilities	11,539
Long-term borrowings	30,203
Subordinated debt	9,313
Interest, taxes and other liabilities	8,680
Total liabilities	247,071
Shareholders' equity	
Preferred stock	3,840
Common shareholder's equity:	
Common stock	
Additional paid-in capital	38,820
Retained earnings / (deficit)	(15,397)
Accumulated other comprehensive income / (loss)	(848)
Total shareholders' equity	26,415
Non-controlling interests	—
Total liabilities and shareholders' equity	273,486

The following table shows HNAH's unconsolidated income statement presented in accordance with US GAAP for the year ended December 31, 2017.

Figure 3.2.1.2-B — HNAH Summary Income Statement

HNAH UNCONSOLIDATED INCOME STATEMENT	
	USDm
Interest income	196
Interest expense	263
Net interest income	(67.00)
Provision for credit losses	—
Net interest income after provision for credit losses	(67.00)
Other revenues:	
Other income	(639.00)
Total other revenues	(639.00)
Operating expenses:	
Other expenses	11
Total operating expenses	11
Income / (loss) before taxes and extraordinary items	(718.00)
Income tax expense / (benefit)	55
Equity in undistributed income / (losses) of subsidiaries and associated expenses	(2.00)
Net income / (loss)	(775.00)

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.

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 primary source of funds is from HGHQ in the form of: (i) equity; (ii) non-equity capital; and (iii) TLAC debt. HNAH uses its cash flows and existing cash resources to pay operating expenses, to service the debt that it has issued and to issue loans to affiliates.

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 FHC organized under the laws of the State of Maryland and is an intermediate level holding company for the US Group. HUSI is a direct 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 debt securities, certain of which are registered on the NYSE. As an issuer of securities registered pursuant to Section 12 (b) of the Exchange Act, HUSI is required to file periodic reports with the SEC.

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, 2017.

Figure 3.2.2.2-A — HUSI Summary Balance Sheet

HUSI SUMMARY BALANCE SHEET	
	USDm
Assets	
Interest-bearing deposits with banks	1
Receivables and balances due from subsidiaries	14,536
Securities held-to-maturity	2
Receivables from other HSBC affiliates	6,722
Investment in subsidiary	23,316
Other assets	149
Total assets	**44,726**
Liabilities	
Repurchase agreements and other short-term borrowings	1,154
Long-term debt	21,266
Subordinated debt	2,050
Other liabilities	137
Total liabilities	**24,632**
Shareholders' equity	
Preferred stock	1,265
Common shareholders' equity:	
Common stock	-
Additional paid-in capital	18,130
Retained earnings / (deficit)	1,130
Accumulated other comprehensive income / (loss)	(431)
Total shareholders' equity	**20,094**
Total liabilities and shareholders' equity	**44,726**

The following table shows HUSI's unconsolidated revenues and expenses presented in accordance with US GAAP for the year ended December 31, 2017.

Figure 3.2.2.2-B — HUSI Summary Income Statement

HUSI SUMMARY INCOME STATEMENT	
	USDm
Income	
Dividends from banking subsidiaries	136
Interest from subsidiaries	309
Interest from other HSBC affiliates	37
Other interest income	5
Other income (loss)	320
Total income	**807**
Interest to other HSBC Affiliates	40
Other interest expense	541
Other expenses	**18**
Total expenses	**599**
Income (loss) before taxes and equity in undistributed income (loss) of subsidiaries	**208**
Income tax expense (benefit)	18
Income (loss) before equity in undistributed income (loss) of subsidiaries	190

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 direct parent, HNAH.

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 FHC 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 interconnections 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. 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 an insured depository institution (***IDI***) with assets of USD50billion is a national banking association chartered by the Office of the Comptroller of the Currency (***Comptroller***). HBUS is a direct wholly owned subsidiary of HUSI and 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 all seven of the US Group's 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 17 subsidiaries of HBUS as at December 31, 2017. HBUS has one significant but not material subsidiary, HSBC Private Bank International (***PBUS***), which is an Edge Act corporation engaged in but not material to the PB CBL. PBUS services high net worth non-US clients. HBUS has a number of other subsidiaries which support 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, 2017, HBUS and its subsidiaries had deposits of approximately USD132.4 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, 2017.

Figure 3.2.3.2-A — HBUS Summary Balance Sheet

HBUS SUMMARY BALANCE SHEET	USDm
Assets	
Cash and due from banks	1,115
Interest-bearing deposits with banks	11,103
Federal funds sold and securities purchased under agreements to resell	32,618
Trading assets	16,146
Securities available for sale	30,700
Securities held to maturity	13,974
Loans, net of allowances	65,172
Loans held for sale	715
Properties and equipment, net	185
Other assets	8,622
Total assets	**180,350**
Liabilities	
Deposits	132,465
Repurchase agreements and other short-term borrowings	3,496
Trading liabilities	4,362
Long-term borrowings	7,411
Subordinated debt	4,238
Other liabilities	5,100
Total liabilities	157,073
Shareholders' equity	
Preferred stock	2,500
Common shareholders' equity:	—
Common stock	2
Additional paid-in capital	18,468
Retained earnings / (deficit)	2,691
Accumulated other comprehensive income / (loss)	(384)
Total shareholders' equity	**23,278**
Non-controlling interests	—
Total liabilities and shareholders' equity	**180,350**

The following table shows HBUS's unconsolidated revenues and expenses presented in accordance with US GAAP for the year ended December 31, 2017.

Figure 3.2.3.2-B — HBUS Summary Income Statement

HBUS SUMMARY INCOME STATEMENT	
	USDm
Interest income	4,081
Interest expense	(1,579)
Net interest income / (expense)	**2,502**
Provision for credit losses	(165)
Net interest income after provision for credit losses	**2,667**
Other revenues:	
Fees and commissions	715
Income from fiduciary activities	156
Trading revenue	352
Other income	422
Total other revenues	1,645
Operating expenses:	
Salaries and employee benefits	1,076
Expenses of premises and fixed assets	**256**
Other expenses	2,004
Total operating expenses	3,336
Income / (loss) before taxes	977
Income tax expense / (benefit)	1,195
Income / (loss)	(218)
Net income / (loss) attributable to bank and minority interests	(437)
Net income / (loss) attributable to minority interests	—
Net income / (loss)	(437)
Discontinued operations	**—**
Net income / (loss) attributable to bank and minority interests	558
Net income / (loss) attributable to minority interests	—
Net income / (loss)	**558**

3.2.3.3 Location and Jurisdiction

HBUS is a national banking association chartered under the laws of the United States 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, Tysons, Virginia.

As at December 31, 2017, HBUS had 228 branches and 35 representative offices in 17 states and the District of Columbia.

In addition to its domestic offices, HBUS has a foreign branch in London, UK and in Hong Kong. The London Branch is inactive and has no dedicated staff. HBUS also maintains a representative office authority in Brazil through a contractual relationship with HSBC Brasil SA - Banco de Investimento, S.A. which is utilized by the PB CBL, and a representative office presence in Bogota, Colombia and Lima, Peru, each utilized by the Global Banking CBL (***GB CBL***).

HBUS also has two Edge Act corporations, PBUS and HSBC International Finance Corporation (Delaware), utilized in the PB CBL.

3.2.3.4 Capital and Funding Resources

Capital resources

HBUS's shareholders' equity includes preferred and common stock, additional paid-in capital, retained earnings and accumulated other comprehensive income, and totals USD23.3 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 Sections 23A and 23B of the Federal Reserve Act of 1913 and the FRB's Regulation W (12 CFR Part 223), as well as 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 three types of operational support, which they receive from a number of sources: HOST, Global Functions and the Global Businesses, in respect of primarily back-office services provided to multiple Operating Banks (***Global Business Managed Services***). In the UK, Hong Kong and the US, where Global Business Managed Services are shared between different Operating Banks, they have been (or will be) transferred from the respective Operating Bank to a ServCo entity.

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, HGHQ, HBEU and HBAP for certain services;
- HBEU, HGSU, HTSU, HSBC France, HSBC Private Bank (Suisse) SA, HSBC Mexico S.A., Hang Seng Bank Limited and HBAP in relation to data centers; and
- HCSU and HBEU for certain 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 direct wholly owned subsidiary of HMUS, which is a direct 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 (***Repo****s*) 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, 2017.

Figure 3.2.4.2-A — HCSU Summary Balance Sheet

HCSU SUMMARY BALANCE SHEET	
	USDm
Assets	
Cash and due from banks	6,313
Interest-bearing deposits with banks	3
Federal funds sold and securities purchased under agreements to resell	70,687
Trading assets	10,206
Other assets	4,192
Total assets	**91,402**
Liabilities	
Repurchase agreements and other short-term borrowings	79,633
Trading liabilities	7,238
Subordinated debt	750
Other liabilities	2,946
Total liabilities	**90,567**
Shareholders' equity	
Total shareholders' equity	**835**
Total liabilities and shareholders' equity	**91,402**

The following table shows HCSU's consolidated revenues and expenses presented in accordance with US GAAP for the year ended December 31, 2017.

Figure 3.2.4.2-B — HCSU Summary Income Statement

HCSU SUMMARY INCOME STATEMENT	
	USDm
Interest income	1,443
Interest expense	1,262
Net interest income (expense)	**0.000181**
Other revenues	
Other fees and commissions	478
Trust income	31
Trading revenue, net	(4)
HSBC Group affiliate income	268
Other / (loss) income	2
Total other revenues	**775**
Operating expenses	
Salaries and employee benefits	367
Support services from HSBC Group affiliates	420
Occupancy expense, net	1
Other expenses	192
Total operating expenses	**980**
Income / (loss) before taxes and discontinued operations	(24)
Income tax expense / (benefit)	(45)
Net Income / (loss)	**21**

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, New York, New York.

HCSU no longer maintains a registered branch in HK. HCSU has retained its Business Registration Certificate with the Hong Kong Companies Registry and is deemed to have a 'fiscal branch' in Hong Kong, but is not currently active to conduct securities business.

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 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 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, 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 internal provider of information technology and centralized operational and support services, including HR, tax, finance, compliance, legal, policy, communications and other services shared among HNAH and its subsidiaries, as well as across HSBC Group. HTSU is a direct 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 Financial Crime Risk; US Internal Audit; US Risk (including Compliance); US HR; US Legal; US Communications; US Strategy and Planning (which includes Corporate Sustainability); US Marketing and US Company 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.

As one of HSBC Group's ServCo entities, HTSU receives payment from and provides services to other US Group entities on arm's-length terms pursuant to intercompany service agreements that have been amended to contain resolution-resilient terms that facilitate the continued provision of services during resolution. Similarly, HTSU has access to certain committed facilities from HNAH and HUSI, equivalent to three months of HTSU’s annual operating costs, to deal with any disruption to service payments.

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, 2017.

Figure 3.2.5.2-A — HTSU Summary Balance Sheet

HTSU SUMMARY BALANCE SHEET	
	USDm
Assets	
Cash and due from banks	218
Properties and equipment, net	140
Other assets	304
Total assets	**662**
Liabilities	
Repurchase agreements and other short-term borrowings	90
Long-term debt	225
Other liabilities	391
Total liabilities	**706**
Shareholders' equity	
Total shareholders' equity	**(44)**
Total liabilities and shareholders' equity	**662**

The following table shows HTSU's revenues and expenses presented in accordance with US GAAP for the year ended December 31, 2017.

Figure 3.2.5.2-B — HTSU Summary Income Statement

HTSU SUMMARY INCOME STATEMENT	
	USDm
Interest income	-
Interest expense	12
Net interest income / (expense)	**(12)**
Other revenues	
Fees and commissions	-
Other income	1,653
Total other revenues	**1,653**
Operating expenses	
Salaries and employee benefits	979
Expenses of premises and fixed assets	48
Amortization expense and impairment losses for other intangible assets	-
Other expenses	648
Total operating expenses	**1,675**
Income / (loss) before taxes and extraordinary items	(34)
Income tax expense / (benefit)	78
Net Income / (loss)	**(112)**

3.2.5.3 Location and Jurisdiction

HTSU is incorporated under the laws of Delaware and has its principal office at 1421 W. Shure Drive, Arlington Heights, IL 60004.

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, HNAH.

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 services provided, mainly to the US MEs. It has also received term funding from HNAH and also has access to certain committed facilities from HNAH and HUSI to cover any possible disruption to service payments. HTSU uses those cash flows and existing cash resources to pay operating expenses and to service the loan that it has received from HNAH.

As one of HSBC Group's US ServCo entities, HTSU receives payment from and provides services to other US Group entities on arm's-length terms pursuant to intercompany service agreements that have been amended to contain resolution-resilient terms that facilitate the continued provision of services during resolution.

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 services provided by the Global Functions and HOST. In order to provide the support to the US Group, HTSU itself relies on dedicated HOST service providers, known as GSCs and GLTs. HTSU also relies on support from other HSBC Group entities to perform Global Function and HOST services.

4 CORE BUSINESS LINES

As required by the SIFI Rule, HSBC Group must identify as a CBL any business line of the US Group, including associated operations, services, functions and support, that, in the view of HBUS, upon failure would result in a material loss of revenue, profit or franchise value.

HSBC Group has identified seven CBLs based on the criteria set forth in the SIFI Rule. All of the CBLs are carried out primarily through HBUS, and some include operations with HCSU. The CBLs operate as part of HSBC Group's four global businesses: RBWM, CMB, GBM and GPB.

In addition, owing to legal entity and business simplification, Consumer Finance, which was the CBL previously operated out of HBIO, is being wound down and is no longer a CBL for purposes of the SIFI Plan.

4.1 Global Banking

The Global Banking CBL (***GB CBL***) sits within the GBM global business. The GB CBL offers lending, cash management and relationship management services for GBM clients. It provides a variety of banking products and services to its clients to support their diverse capital structures.

4.2 Global Markets

HSBC Group's three designated Global Markets CBLs are conducted as part of the GBM global business and comprise Global Markets – Foreign Exchange (***GM-FX CBL***), Global Markets – Precious Metals (***GM-Metals CBL***) and Global Markets – Rates (***GM-Rates CBL***).

4.2.1 Markets-FX

The GM-FX CBL provides services in FX spot, forwards, swaps and other related derivatives. The business is a leading market-maker globally, quoting buy/sell prices in a wide range of tradable currencies, 24 hours a day across over 60 countries and territories.

4.2.2 Markets-Metals

The GM-Metals CBL's principal activities include market-making, risk management/hedging, physical trading, bullion banking (i.e., lending), custody and clearing in gold, silver, platinum and palladium.

4.2.3 Markets-Rates

The GM-Rates CBL provides services in government bonds, interest rate swaps and other related derivatives. Its principal activities include dealing in U.S. government bonds, financing, innovative risk management and investment solutions by providing access to a broad range of vanilla and derivative products. The GM-Rates CBL is a market maker quoting real-time competitive prices across a number of rates products.

4.3 Commercial Banking

The Commercial Banking CBL (***CMB CBL***) is segmented into three primary groups: Corporate, Commercial Direct and International Subsidiary Banking. Additionally, the CMB CBL has a specialized Commercial Real Estate group which focuses on selective business opportunities in markets where the CMB CBL has strong portfolio expertise. The CMB CBL offers credit and lending services, including commercial real estate, international trade and receivables finance, payments and cash management services, insurance and investment products. The CMB CBL offers a variety of standard banking products and services, including deposits, which may be insured up to USD250,000 per depositor.

4.4 Retail Banking and Wealth Management

The RBWM CBL is part of HSBC Group's RBWM global business and focuses on checking and savings accounts (which may be insured up to USD250,000 per depositor), mortgages (including home equity), credit cards and overdraft facilities.

4.5 Private Banking

The PB CBL is part of HSBC Group's GPB global business and is operated within HBUS. Its main products include banking products (checking and savings accounts, which may be insured up to USD250,000 per depositor), credit advisory (lending), mortgages, custody and investment management. Clients serviced by the PB CBL are categorized as ultra-high net worth and high net worth clients. The PB CBL provides banking services to clients located both in the United States and internationally. The major centers where the PB CBL operates in the United States include New York, New York and Miami, Florida. The PB CBL products offered to clients are structured according to the client classification and range from standardized banking products to full-range tailored and institutional-type investment products sourced from GBM.

5 ACTIONS TAKEN TO ENHANCE RESOLVABILITY OF HBUS AND THE US GROUP

HSBC Group continues to review and revise its resolution plans globally (including its SIFI Plan) 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 Global Systemically Important Banking Organizations (***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. While most of these enhancement efforts span across the US Group or even more broadly across the HSBC Group, they also improve the resolvability of the US Group and the MEs within the US Group on a standalone basis, including if HBUS were to be resolved under the FDIA. The continued reduction of HSBC Group interdependencies, together with HSBC Group's efforts to enhance continuity of operations in resolution, serves to ensure that the US Group could be resolved in an orderly fashion in the unlikely event of their failure.

5.1 Global ServCo Structure

In particular, in order to remove interbank 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 has transferred shared services from the individual subsidiary banks to the ServCo Group. The ServCo Group houses shared infrastructure, services and systems in a bankruptcy-remote group of non-bank operating companies. HSBC Group completed the implementation of the ServCo Group structure at the end of 2018. These operating companies provide services to HSBC Group operating banks (including HBUS) through contracts on commercially reasonable terms, significantly reducing the risk associated with operational dependencies within an operating bank and across operating banks.

The ServCo Group is separately capitalized and funded to ensure continuity of services in the event of resolution. The ServCo Group retains 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.

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 US Group entities and the rest of the HSBC Group are not significant because the large majority of shared services are located within an existing ServCo, namely HTSU. The existing US ServCo, HTSU, will remain in the US Group structure and will not be part of the ServCo Group, however it operates on the same basis as the ServCo Group.

5.2 Legal Structure of HSBC Group's US Operations

Under the FRB’s Regulation YY, 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. Such an IHC is supervised and regulated by the FRB, and subject to enhanced prudential standards as if it were a US BHC. IHCs are 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. HNAH is the US Group’s US IHC for purposes of the FRB’s Regulation YY.

5.3 QFC Stay Rules

The FRB, the FDIC and the Comptroller issued final rules in 2017 (the ***QFC Stay Rules***) to require the covered Qualified Financial Contracts (***QFCs***) of entities covered by the rules to include an express recognition of the statutory stay-and-transfer powers of the FDIC under the FDIA and Title II of the Dodd-Frank Act, and prohibit the inclusion of cross-defaults based on an affiliate's entry into insolvency proceedings. The QFC Stay Rules are designed to complement the other rules issued by the US bank regulators to enhance the resiliency and resolvability of G-SIBs. In particular, the QFC Stay Rules facilitate the recognition of the FDIC's powers to stay and transfer QFCs with non-US counterparties governed by non-US law, and to prevent the exercise of early termination rights and a fire sale of collateral based on an affiliate's entry into insolvency proceedings, which may in turn lead to the failure of subsidiaries that were otherwise performing under their contracts. Of the US Group's MEs, HBUS, HCSU and HUSI have already adhered to the ISDA 2018 US Resolution Stay Protocol and HSBC Group is actively working to identify the population of QFCs that will require remediation. The US Group intends to comply with the QFC Stay Rules as they are phased in, which will further enhance the resolvability of HBUS and the rest of the US Group.

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, 2017 presented in accordance with IFRS as issued by the International Accounting Standards Board and as endorsed by the European Union.

Figure 6.1-A — HGHQ Consolidated Balance Sheet

HSBC HOLDINGS PLC CONSOLIDATED BALANCE SHEET	USDm
Assets	
Cash and balances at central banks	180,624
Trading assets	287,995
Financial assets designated at fair value	29,464
Derivatives	219,818
Loans and advances to banks	90,393
Loans and advances to customers	962,964
Reverse repurchase agreements – non?trading	201,553
Financial investments	389,076
Other assets	159,884
Total assets	**2,521,771**
Liabilities and Equity	
Liabilities	
Deposits by banks	69,922
Customer accounts	1,364,462
Repurchase agreements – non?trading	130,002
Trading liabilities	184,361
Financial liabilities designated at fair value	94,429
Derivatives	216,821
Debt securities in issue	64,546
Liabilities under insurance contracts	85,667
Other liabilities	113,690
Total liabilities	**2,323,900**
Total equity	**197,871**
Total liabilities and equity	**2,521,771**

Further details of the assets, liabilities, capital and major funding sources of the consolidated organization are set forth in HGHQ's Annual Report and Accounts (***AR&A***) on Form 20-F for the year ended December 31, 2017. Please refer to pages 32 to 63 of the AR&A for a description of financial and operating results of HSBC Group. Please refer to pages 64 to 82 of the AR&A for a description of financial and operating results by global business and relevant geographical regions. Please refer to pages 211 to 297 of the AR&A for the consolidated financial statements and related notes of HGHQ and its subsidiaries.

The following summarizes HSBC Group's Consolidated Statement of Income / (Loss) as at December 31, 2017 and presented in accordance with IFRS.

Figure 6.1-B — HGHQ Consolidated Income Statement

HSBC HOLDINGS PLC CONSOLIDATED STATEMENT OF INCOME / (LOSS)	USDm
Interest income	40,995
Interest expense	(12,819)
Net interest income	**28,176**
Fee income	15,853
Fee expense	(3,042)
Net fee income	**12,811**
Trading income excluding net interest income	6,098
Net interest income on trading activities	1,621
Net trading income	**7,719**
Changes in fair value of long?term debt issued and related derivatives	672
Net income from other financial instruments designated at fair value	3,026
Net income/(expense) from financial instruments designated at fair value	**3,698**
Gains less losses from financial investments	1,150
Dividend income	106
Net insurance premium income	9,779
Other operating income	337
Total operating income	**63,776**
Net insurance claims and benefits paid and movement in liabilities to policyholders	(12,331)
Net operating income before loan impairment charges and other credit risk provisions	**51,445**
Loan impairment charges and other credit risk provisions	(1,769)
Net operating income	**49,676**
Employee compensation and benefits	(17,315)
General and administrative expenses	(15,707)
Depreciation and impairment of property, plant and equipment	(1,166)
Amortisation and impairment of intangible assets	(696)
Total operating expenses	**(34,884)**
Operating profit	14,792
Share of profit in associates and joint ventures	2,375
Profit before tax	**17,167**
Tax expense	(5,288)
Profit for the year	**11,879**
Profit attributable to shareholders of the parent company	10,798
Profit attributable to non-controlling interests	1,081
Basic earnings per ordinary share	0.48
Diluted earnings per ordinary share	0.48

6.2 Funding Sources

HSBC Group funds the US Group 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), 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.

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.

Most of the US Group's derivative exposures arise from sales and trading activities within the GBM business line. 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, the US 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 the US 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.

7.2 Derivatives for Hedging Risks

The US 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 the US Group to optimize the overall cost 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.

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, the US Group participates in payment, messaging, clearing and settlement systems, also known as FMUs, to conduct financial transactions in a global economy.

The FMUs allow the US Group to provide payment services to customers and clients, to facilitate securities transactions (including through HCSU) 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.

For purposes of this section, "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 the US Group's operations.

Figure 8 – Key FMU Memberships

Key Financial Market Utilities		
Name	**Type**	**Membership**
CHIPS	Payments	HBUS
EPN	Payments	HBUS
Fedwire	Payments	HBUS
Continuous Linked Settlement (***CLS***)	FX Settlement	HBEU (settlement member)
SWIFT	Messaging	HBEU
Chicago Mercantile Exchange Inc. (***CME***)	Clearing and Settlement	HCSU
Depository Trust Company (***DTC***)	Clearing and Settlement	HBUS, HCSU
Fixed Income Clearing Corporation (***FICC***) (Government Securities Division)	Clearing and Settlement	HBUS, HCSU
Fixed Income Clearing Corporation (***FICC***) (Mortgage-Backed Securities Division)	Clearing and Settlement	HBUS
LCH Limited (***LCH***)	Clearing and Settlement	HBUS

Payment systems

- CHIPS – CHIPS is an electronic payments system that is owned by The Clearing House Association LLC, which is itself owned by a number of financial institutions (including HBUS). CHIPS is operated by The Clearing House Payments Company LLC, an affiliate of The Clearing House Association LLC. CHIPS carries out intra-day, high value US dollar payments settled in real time.

- EPN – The Electronic Payments Network (***EPN***) is a payment system that is owned by the Clearing House Association LLC and operated by The Clearing House Payments Company LLC. EPN provides automated clearing house services and handles a wide variety of lower-value US dollar transfers, such as payroll and dividends.

- Fedwire – Fedwire is a real-time gross settlement system owned and operated by the 12 Federal Reserve Banks, which enables financial institutions to transfer funds between members.

FX settlement systems

- CLS – CLS provides a multi-currency cash settlement system. Through its CLS Settlement platform, CLS settles payment instructions related to trades in FX contracts.

Messaging systems

- SWIFT – The Society for Worldwide Interbank Financial Telecommunication (***SWIFT***) is a global message network for payment exchange that enables financial transaction messages to be sent and received securely and rapidly.

Clearing and settlement systems

- CME – CME Group Inc.'s wholly owned subsidiary, CME, is used to clear interest rate swaps and certain other products through CME Clearing, a division of CME. CME Group Inc. is a publicly owned corporation, with shares listed on the NASDAQ Global Select Market.

- DTC – The Depository Trust Company (***DTC***) is a central securities depository providing depository and book-entry services for eligible securities and other financial assets to its participants, which are principally banks and broker-dealers. DTC is a subsidiary of The Depository Trust & Clearing Corporation (***DTCC***) which is owned by the participants/members of its clearing agency subsidiaries

- FICC – Fixed Income Clearing Corp (***FICC***), a subsidiary of DTCC, is a US securities clearing agency. FICC operates two divisions, including the Government Securities Division and the Mortgage-Backed Securities Division.

- LCH – LCH Limited (***LCH***), a central counterparty (***CCP***) incorporated under the laws of England and Wales is used to clear interest rate swaps. LCH is a wholly-owned subsidiary of LCH Clearnet Group Limited (***LCH Group***). LCH Group is majority owned by the London Stock Exchange Group; the remaining shareholding is held by its users and other exchanges.

9 FOREIGN OPERATIONS

HSBC Group serves approximately 38 million customers globally. As at December 31, 2017, HSBC Group's network covered 67 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, 2017, HSBC Group had a total global workforce of approximately 229,000 full-time and part-time employees of which approximately 13,600 were located in the US.

As at December 31, 2017, HSBC Group had approximately USD2.5 trillion of assets. HSBC Group had approximately USD17.2 billion in profit before tax for the year ended December 31, 2017. The breakdown of both figures by geographic region is presented in the table below.

Figure 9 — HSBC Group Financial Highlights

Financial Highlights by geographic regions at or for the year ended December 31, 2017			
	Total Assets USDm	Net Operating Income (Revenue) USDm	Profit (Loss) before Tax USDm
Europe	1,169,515	17,420	(1,864)
Asia	1,008,498	25,806	15,329
Middle East and North Africa	57,469	2,660	1,501
North America	391,292	6,713	1,601
Latin America	48,413	3,225	600
Intra-HSBC Group items	(153,416)	(4,379)	0
Group	**2,521,771**	**51,445**	**17,167**

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HGHQ were held by approximately 200,000 shareholders in 131 countries and territories as at December 31, 2017.

HBUS foreign operations

In addition to its domestic offices, HBUS has a foreign branch in each of the UK and in Hong Kong. HBUS's Hong Kong branch engages solely in administrative activities as part of the GM-Metals CBL. The London branch is inactive and has no dedicated staff. HBUS also maintains a representative office authority in Brazil through a contractual relationship with HSBC Brasil SA - Banco de Investimento, S.A. which is utilized by the PB CBL, and a representative office presence in Bogota, Colombia, and Lima, Peru, each utilized by the GB CBL.

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 BHCs, FHCs, 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 US 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 BHCs that qualified as FHCs as a result of amendments to the BHC Act effected by the GLB Act. Under these amendments, FHCs may engage in a broader range of activities than BHCs, 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.

HCSU is a member of the FINRA, the NYSE, CME, Intercontinental Exchange (***ICE***), LCH and the Options Clearing Corporation (***OCC***). 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.

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 Regulators Comprising the Crisis Management Group

HSBC Group has a Crisis Management Group (***CMG***) comprised of regulators from jurisdictions in which HSBC Group 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: the Office of the Superintendent of Financial Institutions (Canada), the Canada Deposit Insurance Corporation (Canada), the EU Single Resolution Board, the European Central Bank, the European Banking Authority, The Autorité de contrôle prudentiel et de résolution (France), the HKMA (Hong Kong), Banco de Mexico (Mexico), Instituto para la Protección al Ahorro Bancario (Mexico), the Dubai Financial Services Authority, the Bank of England Resolution Directorate (UK), the PRA (UK) (a subsidiary of the Bank of England), the Federal Reserve Bank of Chicago, the FDIC and the Comptroller.

11 PRINCIPAL OFFICERS

11.1 HSBC HOLDINGS PLC

Board of Directors and Principal Executive Officers

As of December 19, 2018, the HGHQ Board of Directors (***HGHQ Board***) consisted of the members presented in the following table.

Figure 11.1A – HGHQ Board

HGHQ BOARD OF DIRECTORS		
Executive Directors		
Name	**Appointed**	**Title**
John M Flint	2018	Group Chief Executive
Ewen Stevenson*	2019	Group Chief Financial Officer Designate
Marc Moses	2014	Group Chief Risk Officer
Non-Executive Directors		
Name	**Appointed**	**Title**
Kathleen Casey	2014	Independent non-executive Director
Laura Cha	2011	Independent non-executive Director
Henri de Castries	2016	Independent non-executive Director
Lord Evans of Weardale	2013	Independent non-executive Director
Irene Lee	2015	Independent non-executive Director
Heidi Miller	2014	Independent non-executive Director
David Nish	2016	Independent non-executive Director
Jonathan Symonds	2014	Independent non-executive Director
Jackson Tai	2016	Independent non-executive Director
Mark Tucker	2017	Non-executive Group Chairman
Pauline van der Meer Mohr	2015	Independent non-executive Director

*Ewen Stevenson will become Group Chief Financial Officer with effect from 1 January 2019.

As of December 19, 2018, the Principal Executive Officers of HGHQ consisted of the members presented in the following table.

Figure 11.1B – HGHQ Principal Executive Officers

HGHQ PRINCIPAL EXECUTIVE OFFICERS		
Name	**Appointed**	**Title**
John M Flint	2018	Group Chief Executive
Ewen Stevenson*	2019	Group Chief Financial Officer Designate
Marc Moses	2014	Group Chief Risk Officer
Elaine Arden	2017	Group Head of Human Resources
Samir Assaf	2011	Chief Executive, Global Banking and Markets
Colin Bell	2017	Group Head of Financial Crime Risk
Peter Boyles	2013	Chief Executive, Global Private Banking
Patrick J Burke	2015	President and Chief Executive Officer, HNAH
Pierre Goad	2015	Group Chief Communications Officer
Pam Kaur	2013	Group Head of Internal Audit
Stuart Levey	2012	Chief Legal Officer
Andy Maguire	2015	Group Chief Operating Officer
Paulo Maia	2016	Chief Executive, Latin America
Stephen Moss	2018	Chief of Staff to the Group Chief Executive
Charlie Nunn	2018	Chief Executive, Retail Banking and Wealth Management
Noel Quinn	2015	Chief Executive, Global Commercial Banking
António Simões**	2019	Chief Executive Designate, Global Private Banking
Ian Stuart	2017	CEO, HSBC UK Bank plc
Peter Wong	2010	Deputy Chairman and Chief Executive, HBAP

*Ewen Stevenson will become Group Chief Financial Officer with effect from 1 January 2019.

**António Simões will become Chief Executive, Global Private Banking with effect from 1 January 2019.

11.2 HSBC NORTH AMERICA HOLDINGS INC.

Board of Directors and Principal Executive Officers

As of November 20, 2018, the HNAH Board of Directors (***HNAH Board***) consisted of the members presented in the following table.

Figure 11.2A – HNAH Board

HNAH BOARD OF DIRECTORS		
Executive Directors		
Name	**Appointed**	**Title**
Patrick J. Burke	2014	President and Chief Executive Officer
Rhydian H. Cox	2014	Senior Executive Vice President and Chief Risk Officer
Non-Executive Directors		
Name	**Appointed**	**Title**
Brian Robertson	2014	Non-Executive, Non-Independent Director
Paulo Maia	2015	Non-Executive, Non-Independent Director
Phillip D. Ameen	2012	Non-Executive Director
Kevin M. Blakely	2013	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

As of November 20, 2018, the Principal Executive Officers of HNAH consisted of the members presented in the following table.

Figure 11.2B – HNAH Principal Executive Officers

HNAH PRINCIPAL EXECUTIVE OFFICERS		
Name	**Appointed**	**Title**
Patrick J. Burke	2014	President and Chief Executive Officer
Mark Steffensen	2016	Senior Executive Vice President and General Counsel
Maureen A. Gillan-Myer	2016	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
John Panagopoulos	2018	Head of Financial Crime Compliance and Bank Secrecy Act Compliance Officer
Loren C. Klug	2012	Senior Executive Vice President, Head of Strategy and Planning and Chief of Staff to CEO
Mark A. Zaeske	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
Lopa Zielinski	2018	Executive Vice President and Corporate Secretary
Andre Brandao	2018	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
Jennifer Strybel	2018	Senior Executive Vice President and Chief Operating Officer, USA
William Tabaka	2015	Executive Vice President and Chief Accounting Officer
Joseph Abruzzo	2017	Executive Vice President, Head of Private Banking Americas

11.3 HSBC BANK USA, NATIONAL ASSOCIATION

Board of Directors and senior management

As of November 20, 2018, the HBUS Board of Directors (***HBUS Board***) will consist of the members presented in the following table.

Figure 11.3A – HBUS Board

HBUS BOARD OF DIRECTORS		
Name	**Appointed**	**Title**
Executive Directors		
Patrick J. Burke	2014	Chairman, President and Chief Executive Officer
Rhydian H. Cox	2014	Senior Executive Vice President and Chief Risk Officer
Non-Executive Directors		
Phillip D. Ameen	2013	Non-Executive Director
Kevin M. Blakely	2013	Non-Executive Director
Barry F. Kroeger	2016	Non-Executive Director
Nancy G. Mistretta	2012	Non-Executive Director
Brian Robertson	2018	Non-Executive Director
Jane C. Sherburne	2015	Non-Executive Director

As of November 20, 2018, the Principal Executive Officers of HBUS consisted of the members presented in the following table.

Figure 11.3B – HBUS Principal Executive Officers

HBUS PRINCIPAL EXECUTIVE OFFICERS		
Name	**Appointed**	**Title**
Patrick J. Burke	2014	President and Chief Executive Officer
Mark A. Steffensen	2016	Senior Executive Vice President and General Counsel
Maureen A. Gillan-Myer	2016	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
Lopa P. Zielinski	2018	Executive Vice President and Corporate Secretary
Andre Brandao	2018	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
Jennifer Strybel	2018	Senior Executive Vice President and Chief Operating Officer, USA
William Tabaka	2015	Executive Vice President and Chief Accounting Officer
Joseph Abruzzo	2017	Executive Vice President, Head of Private Banking Americas
Mark A. Zaeske	2014	Senior Executive Vice President and Chief Financial Officer
John Panagopoulos	2018	Head of Financial Crime Compliance and Bank Secrecy Act Compliance Officer

12 CORPORATE GOVERNANCE STRUCTURE AND PROCESSES RELATED TO RESOLUTION PLANNING

12.1 Global Resolution Planning and Origination

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 (***RRP Program***) was established. The RRP Program is led by HSBC Group Head of Corporate Structuring who leads the 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 SIFI Plan, 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 SIFI Plan. The US RRP team retains primary responsibility for the production of the SIFI Plan 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 2018 SIFI 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 approval of the 2018 SIFI Plan. The RRP ESC is composed of the CEO, Chief Financial Officer and General Counsel for each of HBUS and HNAH, as well as HSBC Group Head of Corporate Structuring. Additional Legal, Finance, Risk, HOST 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.

12.3 Approval of SIFI Plan

The HGHQ Board considered the SIFI Plan on behalf of the Covered Company. Prior to the applicable meeting of the HGHQ Board, the SIFI Plan was considered by the Group Corporate Structuring steering committee. The SIFI Plan was subsequently approved by the HSBC Group Finance Director and HSBC Group Chief Risk Officer under the Board's delegation and in accordance with the requirements of the SIFI Rule.

The HNAH Board also approved the SIFI Plan subsequent to approval and recommendation by the US RRP ESC.

13 MATERIAL MANAGEMENT INFORMATION SYSTEMS

The US Group's operations rely on robust management information systems (***MIS***) 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 SIFI Plan.

HSBC Group continues to make progress to improve processes and systems for producing the required information and analytics. Through these improvements the collection and analysis of the information required is incorporated into more business-as-usual processes.

In connection with enhancing its MIS capabilities, HSBC Group's work has focused on identifying the most critical MIS reports that would be required to manage its operations during a period of crisis. This analysis includes when each report is typically available, quantifying the effort required to produce each report, and highlighting relevant aspects of the US corporate governance model where such management information (***MI***) is reviewed and decisions are made. The MIS reference database houses a complete inventory of MI, including critical and other business-as-usual reports. HSBC Group has documented the link between critical MIS and the critical shared services that would be required in a resolution scenario.

The US Group's critical MIS includes systems that are used by its businesses and functions to manage a wide array of business as usual processes including, but not limited to: (i) deposit-taking activities, (ii) client activity, (iii) risk measures, (iv) liquidity and capital management, (v) financial and regulatory reporting, (vi) financial crime risk management and (vii) other operational processes.