

## BrokerCheck Report

# HSBC SECURITIES (USA) INC.

CRD# 19585

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Please be aware that fraudsters may link to BrokerCheck from phishing and similar scam websites, trying to steal your personal information or your money. Make sure you know who you're dealing with when investing, and contact FINRA with any concerns.

For more information read our [investor alert](#) on imposters.

## About BrokerCheck®



BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:

- o information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
- o information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

**Thank you for using FINRA BrokerCheck.**



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at

[brokercheck.finra.org](http://brokercheck.finra.org)



For additional information about the contents of this report, please refer to the User Guidance or [www.finra.org/brokercheck](http://www.finra.org/brokercheck). It provides a glossary of terms and a list of frequently asked questions, as well as additional resources.

[For more information about FINRA, visit www.finra.org.](http://www.finra.org)



## HSBC SECURITIES (USA) INC.

CRD# 19585

SEC# 8-41562

### Main Office Location

452 FIFTH AVENUE  
NEW YORK CITY, NY 10018  
Regulated by FINRA New York Office

### Mailing Address

1421 W. SHURE DRIVE  
SUITE 100  
ARLINGTON HEIGHTS, IL 60004

### Business Telephone Number

224-880-7116

This firm is a brokerage firm and an investment adviser firm. For more information about investment adviser firms, visit the SEC's Investment Adviser Public Disclosure website at:

<https://www.adviserinfo.sec.gov>

## Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

### Firm Profile

This firm is classified as a corporation.

This firm was formed in Delaware on 12/31/1969.

Its fiscal year ends in December.

### Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

### Firm Operations

#### This firm is registered with:

- the SEC
- 15 Self-Regulatory Organizations
- 53 U.S. states and territories

Is this brokerage firm currently suspended with any regulator? **No**

This firm conducts 21 types of businesses.

This firm is affiliated with financial or investment institutions.

This firm does not have referral or financial arrangements with other brokers or dealers.

### Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

#### The following types of disclosures have been reported:

Type	Count
Regulatory Event	67
Arbitration	7



## Firm Profile

This firm is classified as a corporation.

This firm was formed in Delaware on 12/31/1969.

Its fiscal year ends in December.

## Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

### HSBC SECURITIES (USA) INC.

Doing business as HSBC SECURITIES (USA) INC.

CRD# 19585

SEC# 8-41562

### Main Office Location

452 FIFTH AVENUE  
NEW YORK CITY, NY 10018

Regulated by FINRA New York Office

### Mailing Address

1421 W. SHURE DRIVE  
SUITE 100  
ARLINGTON HEIGHTS, IL 60004

### Business Telephone Number

224-880-7116

## Other Names of this Firm

### Name

INVESTDIRECT

### Where is it used

AK, AL, AR, AZ, CA,  
CO, CT, DC, DE, FL,  
GA, HI, IA, ID, IL, IN,  
KS, KY, LA, MA, MD,  
ME, MI, MN, MO,  
MS, MT, NC, ND, NE,  
NH, NJ, NM, NV, NY,  
OH, OK, OR, PA, RI,  
SC, SD, TN, TX, UT,  
VA, VT, WA, WI, WV,

WY



## Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

### Direct Owners and Executive Officers

**Legal Name & CRD# (if any):** HSBC MARKETS (USA), INC.

**Is this a domestic or foreign entity or an individual?** Domestic Entity

**Position** PARENT

**Position Start Date** 08/1995

**Percentage of Ownership** 75% or more

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?**

**Legal Name & CRD# (if any):** BUSCAGLIA, SARA FAYE

4884059

**Is this a domestic or foreign entity or an individual?** Individual

**Position** DIRECTOR

**Position Start Date** 10/2020

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?**

**Legal Name & CRD# (if any):** FLANIGAN, MATTHEW JOHN III

2234890

**Is this a domestic or foreign entity or an individual?** Individual

**Position** HEAD OF OPERATIONS/CHIEF OPERATING OFFICER/PRINCIPAL OPERATIONS OFFICER

**Position Start Date** 05/2011



## Firm Profile

### Direct Owners and Executive Officers (continued)

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?**

**Legal Name & CRD# (if any):** HENDERSON, JASON RYAN  
7207400

**Is this a domestic or foreign entity or an individual?** Individual

**Position** PRESIDENT/CEO/DIRECTOR

**Position Start Date** 10/2020

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?**

**Legal Name & CRD# (if any):** LOMBARDO, STEVEN NICHOLAS  
1930093

**Is this a domestic or foreign entity or an individual?** Individual

**Position** CHIEF FINANCIAL OFFICER/PRINCIPAL FINANCIAL OFFICER

**Position Start Date** 12/2014

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?**

**Legal Name & CRD# (if any):** OSSANNA, MARCO

**Firm Profile****Direct Owners and Executive Officers (continued)**

	7293134
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	DIRECTOR
<b>Position Start Date</b>	08/2020
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	
<hr/>	
<b>Legal Name &amp; CRD# (if any):</b>	PITTSEY, MARK ANDREW 2226562
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	DIRECTOR AND EXECUTIVE VICE PRESIDENT AND HEAD OF WEALTH
<b>Position Start Date</b>	10/2020
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	
<hr/>	
<b>Legal Name &amp; CRD# (if any):</b>	RUGGIERO, JOHN HENRY 2294079
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	CHIEF COMPLIANCE OFFICER - INVESTMENT ADVISER
<b>Position Start Date</b>	08/2015
<b>Percentage of Ownership</b>	Less than 5%





## Firm Profile

### Direct Owners and Executive Officers (continued)

**Does this owner direct the management or policies of the firm?** No

**Is this a public reporting company?**

**Legal Name & CRD# (if any):** SAHADI, NICHOLAS MITCHELL  
4044856

**Is this a domestic or foreign entity or an individual?** Individual

**Position** CHIEF COMPLIANCE OFFICER - BD

**Position Start Date** 06/2018

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?**

**Legal Name & CRD# (if any):** SELBER, BLAIR C  
7007566

**Is this a domestic or foreign entity or an individual?** Individual

**Position** DIRECTOR

**Position Start Date** 08/2018

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?**

**Legal Name & CRD# (if any):** WEIGAND, FRANK JOSEPH

## Firm Profile



### Direct Owners and Executive Officers (continued)

<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	GENERAL COUNSEL
<b>Position Start Date</b>	10/2016
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	

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## Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.

### Indirect Owners

<b>Legal Name &amp; CRD# (if any):</b>	HSBC HOLDINGS PLC
<b>Is this a domestic or foreign entity or an individual?</b>	Foreign Entity
<b>Company through which indirect ownership is established</b>	HSBC OVERSEAS HOLDINGS (UK) LIMITED
<b>Relationship to Direct Owner</b>	ULTIMATE PARENT COMPANY
<b>Relationship Established</b>	07/2005
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	Yes

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<b>Legal Name &amp; CRD# (if any):</b>	HSBC NORTH AMERICA HOLDINGS INC.
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity
<b>Company through which indirect ownership is established</b>	HSBC MARKETS (USA) INC.
<b>Relationship to Direct Owner</b>	HOLDING COMPANY
<b>Relationship Established</b>	03/1983
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	HSBC OVERSEAS HOLDINGS (UK) LIMITED
<b>Is this a domestic or foreign entity or an individual?</b>	Foreign Entity

## Firm Profile



### Indirect Owners (continued)

<b>Company through which indirect ownership is established</b>	HSBC NORTH AMERICA HOLDINGS INC.
<b>Relationship to Direct Owner</b>	HOLDING COMPANY
<b>Relationship Established</b>	07/2005
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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## **Firm History**

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.





## Firm Operations

### Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

**This firm is currently registered with the SEC, 15 SROs and 53 U.S. states and territories.**

Federal Regulator	Status	Date Effective
SEC	Approved	09/11/1989

### SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: Yes

A government securities broker or dealer only: No

This firm has ceased activity as a government securities broker or dealer: No

Self-Regulatory Organization	Status	Date Effective
FINRA	Approved	07/25/1987
Cboe BYX Exchange, Inc.	Approved	04/03/2017
Cboe BZX Exchange, Inc.	Approved	04/03/2017
Cboe EDGA Exchange, Inc.	Approved	04/03/2017
Cboe EDGX Exchange, Inc.	Approved	04/03/2017
Cboe Exchange, Inc.	Approved	12/05/2005
Investors' Exchange LLC	Approved	05/15/2017
NYSE American LLC	Approved	12/06/1996
NYSE Arca, Inc.	Approved	04/22/2003
NYSE Chicago, Inc.	Approved	03/03/1997
Nasdaq BX, Inc.	Approved	01/12/2009
Nasdaq ISE, LLC	Approved	03/15/2005
Nasdaq PHLX LLC	Approved	01/03/2005
Nasdaq Stock Market	Approved	07/12/2006
New York Stock Exchange	Approved	01/02/1996



## Firm Operations

### Registrations (continued)

U.S. States & Territories	Status	Date Effective	U.S. States & Territories	Status	Date Effective
Alabama	Approved	02/02/1996	North Carolina	Approved	12/12/1995
Alaska	Approved	01/24/1996	North Dakota	Approved	01/29/1996
Arizona	Approved	01/01/1999	Ohio	Approved	07/27/1987
Arkansas	Approved	01/18/1996	Oklahoma	Approved	11/20/1995
California	Approved	07/25/1987	Oregon	Approved	01/18/1996
Colorado	Approved	07/01/1987	Pennsylvania	Approved	10/02/1973
Connecticut	Approved	12/05/1995	Puerto Rico	Approved	01/03/2005
Delaware	Approved	12/07/1995	Rhode Island	Approved	10/31/1995
District of Columbia	Approved	11/01/1995	South Carolina	Approved	03/07/1996
Florida	Approved	01/11/1996	South Dakota	Approved	10/26/1995
Georgia	Approved	03/07/1988	Tennessee	Approved	07/27/1987
Hawaii	Approved	02/12/1996	Texas	Approved	09/01/1983
Idaho	Approved	01/01/1996	Utah	Approved	01/31/1992
Illinois	Approved	11/15/1995	Vermont	Approved	01/02/1996
Indiana	Approved	03/08/1996	Virgin Islands	Approved	03/20/2009
Iowa	Approved	10/18/1995	Virginia	Approved	11/30/1995
Kansas	Approved	01/17/1996	Washington	Approved	11/22/1995
Kentucky	Approved	01/05/1996	West Virginia	Approved	12/01/1995
Louisiana	Approved	12/22/1995	Wisconsin	Approved	07/29/1996
Maine	Approved	07/24/1987	Wyoming	Approved	11/20/1995
Maryland	Approved	10/17/1995			
Massachusetts	Approved	02/10/1988			
Michigan	Approved	02/17/1999			
Minnesota	Approved	01/04/1999			
Mississippi	Approved	02/02/1996			
Missouri	Approved	01/12/1999			
Montana	Approved	11/06/1995			
Nebraska	Approved	02/22/1996			
Nevada	Approved	12/06/1995			
New Hampshire	Approved	07/27/1987			
New Jersey	Approved	01/19/1996			
New Mexico	Approved	07/22/1986			
New York	Approved	03/03/1988			



## Firm Operations

### Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

**This firm currently conducts 21 types of businesses.**

#### Types of Business

Exchange member engaged in exchange commission business other than floor activities
Broker or dealer making inter-dealer markets in corporation securities over-the-counter
Broker or dealer retailing corporate equity securities over-the-counter
Broker or dealer selling corporate debt securities
Underwriter or selling group participant (corporate securities other than mutual funds)
Mutual fund retailer
U S. government securities dealer
U S. government securities broker
Municipal securities dealer
Municipal securities broker
Broker or dealer selling variable life insurance or annuities
Solicitor of time deposits in a financial institution
Put and call broker or dealer or option writer
Investment advisory services
Non-exchange member arranging for transactions in listed securities by exchange member
Trading securities for own account
Private placements of securities
Broker or dealer selling interests in mortgages or other receivables
Broker or dealer involved in a networking, kiosk or similar arrangement with a: bank, savings bank or association, or credit union
Broker or dealer involved in a networking, kiosk or similar arrangement with a: insurance company or agency
Other - 10Y AGENT IN THE SYNDICATION OF LOANS. 10T APPLICANT IS A PRIMARY DEALER IN U.S. GOVERNMENT AND FEDERAL AGENCY SECURITIES AND OTHER MONEY MARKET INSTRUMENTS REGISTERING ACCORDING TO THE PROVISIONS OF THE GOVERNMENT SECURITIES ACT OF 1986 UNDER RULE 15C OF THE SECURITIES EXCHANGE ACT OF 1934; SECURITIES FUTURES; STATE INSURANCE LICENSED NY, PA,VA,CA,NJ,NC,DE,D.C.,IL,MD,TX,WA,FL& CT. ENGAGE IN PRIME BROKERAGE BUSINESS.



### **Other Types of Business**

This firm does effect transactions in commodities, commodity futures, or commodity options.

This firm does engage in other non-securities business.

Non-Securities Business Description: THE APPLICANT IS A LICENSED NEW YORK, PENNSYLVANIA, VIRGINIA, CALIFORNIA, NEW JERSEY, NORTH CAROLINA, DELAWARE, DISTRICT OF COLUMBIA, ILLINOIS, MARYLAND, TEXAS, WASHINGTON, FLORIDA & CONNECTICUT STATE INSURANCE AGENCY.

## **Firm Operations**



### **Clearing Arrangements**

**This firm does hold or maintain funds or securities or provide clearing services for other broker-dealer(s).**

### **Introducing Arrangements**

**This firm does not refer or introduce customers to other brokers and dealers.**

## Firm Operations

### Industry Arrangements



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**This firm does have books or records maintained by a third party.**

**Name:** PERSHING LLC  
**CRD #:** 7560  
**Business Address:** ONE PERSHING PLAZA  
JERSEY CITY, NJ 07399  
**Effective Date:** 05/28/2008  
**Description:** PERSHING LLC ACTS AS CUSTODIAN AND CLEARING AGENT ON A FULLY DISCLOSED BASIS FOR HSBC SECURITIES (USA) INC'S RETAIL BROKERAGE BUSINESS. THE FIRM'S INSTITUTIONAL BUSINESS REMAINS WITH HSBC ON A SELF-CLEARING BASIS.

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**This firm does have accounts, funds, or securities maintained by a third party.**

**Name:** PERSHING LLC  
**CRD #:** 7560  
**Business Address:** ONE PERSHING PLAZA  
JERSEY CITY, NJ 07399  
**Effective Date:** 05/28/2008  
**Description:** PERSHING LLC ACTS AS CUSTODIAN AND CLEARING AGENT ON A FULLY DISCLOSED BASIS FOR HSBC SECURITIES (USA) INC'S RETAIL BROKERAGE BUSINESS. THE FIRM'S INSTITUTIONAL BUSINESS REMAINS WITH HSBC ON A SELF-CLEARING BASIS.

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**This firm does have customer accounts, funds, or securities maintained by a third party.**

**Name:** PERSHING LLC  
**CRD #:** 7560  
**Business Address:** ONE PERSHING PLAZA  
JERSEY CITY, NJ 07399  
**Effective Date:** 05/28/2008  
**Description:** PERSHING LLC ACTS AS CUSTODIAN AND CLEARING AGENT ON A FULLY DISCLOSED BASIS FOR HSBC SECURITIES (USA) INC'S RETAIL BROKERAGE BUSINESS. THE FIRM'S INSTITUTIONAL BUSINESS REMAINS WITH HSBC ON A SELF-CLEARING BASIS.

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### Control Persons/Financing

**This firm does not have individuals who control its management or policies through agreement.**

## Firm Operations



### Industry Arrangements (continued)

**This firm does not have individuals who wholly or partly finance the firm's business.**



## Firm Operations

### Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

**This firm is, directly or indirectly:**

- in control of
  - controlled by
  - or under common control with
- the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

**HSBC GLOBAL ASSET MANAGEMENT (USA) INC. is under common control with the firm.**

<b>CRD #:</b>	105686
<b>Business Address:</b>	452 FIFTH AVENUE NEW YORK, NY 10018
<b>Effective Date:</b>	01/29/1986
<b>Foreign Entity:</b>	No
<b>Country:</b>	
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT HSBC HOLDING PLC.

**HSBC SECURITIES (FRANCE) is under common control with the firm.**

<b>Business Address:</b>	103 AVENUE DES CHAMPS-ELYSEES PRAIS, FRANCE 75008
<b>Effective Date:</b>	12/18/1957
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	FRANCE
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	INVESTMENT COMPANY - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

**HSBC OVERSEAS HOLDINGS (UK) LIMITED is under common control with the firm.**

**Firm Operations****Organization Affiliates (continued)**

**Business Address:** 8 CANADA SQUARE  
LONDON, UNITED KINGDOM E14 5HQ

**Effective Date:** 07/01/2005

**Foreign Entity:** Yes

**Country:** ENGLAND

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** HOLDING COMPANY - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**WAYFOONG FINANCE LTD. is under common control with the firm.**

**Business Address:** LEVEL 14, 1 QUEEN'S ROAD CENTRAL  
HONGKONG, HONGKONG

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** HONGKONG

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** PRIVATE INVESTMENTS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**SOGES-DEWAAY is under common control with the firm.**

**Business Address:** SWITZERLAND  
SWITZERLAND, SWITZERLAND

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** SWITZERLAND

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE

**Firm Operations****Organization Affiliates (continued)**

ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**INTERNATIONALE KAPITALANLAGEGESELLSCHAFT MBH is under common control with the firm.**

**Business Address:** GERMANY  
GERMANY, GERMANY

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** GERMANY

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC PRIVATE EQUITY MANAGEMENT (MAURITIUS) LIMITED is under common control with the firm.**

**Business Address:** MAURITIUS  
MAURITIUS, MAURITIUS

**Effective Date:** 03/07/2007

**Foreign Entity:** Yes

**Country:** MAURITIUS

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** PRIVATE INVESTMENTS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC PRIVATE EQUITY (ASIA) LIMITED is under common control with the firm.**

**Business Address:** 10 LOWER THAMES STREET  
LONDON, LONDON

**Effective Date:** 02/15/2007

**Foreign Entity:** Yes

**Country:** LONDON

**Securities Activities:** No

## Firm Operations



### Organization Affiliates (continued)

**Investment Advisory Activities:** Yes

**Description:** PRIVATE INVESTMENTS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**GESELLSCHAFT FUR INDUSTRIELLE BETEILIGUNGEN UND FINANZIERUNG MBH is under common control with the firm.**

**Business Address:** GERMANY  
GERMANY, GERMANY

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** GERMANY

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**FINANCIERE D'UZES is under common control with the firm.**

**Business Address:** FRANCE  
FRANCE, FRANCE

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** FRANCE

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**CL RESIDENTIAL LTD. is under common control with the firm.**

**Business Address:** 10 LOWER THAMES  
LONDON, LONDON

**Effective Date:** 01/01/2004



## Firm Operations



### Organization Affiliates (continued)

<b>Foreign Entity:</b>	Yes
<b>Country:</b>	LONDON
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	PRIVATE INVESTMENTS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### HSBC PRIVATE BANKING HOLDINGS(SUISSE)SA is under common control with the firm.

<b>Business Address:</b>	FRANCE FRANCE, FRANCE
<b>Effective Date:</b>	02/15/2007
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	FRANCE
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	PRIVATE INVESTMENTS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### SOCIETE MARSEILLAISE DE CREDIT is under common control with the firm.

<b>Business Address:</b>	FRANCE FRANCE, FRANCE
<b>Effective Date:</b>	01/01/2004
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	FRANCE
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	PRIVATE INVESTMENTS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### SINOPIA ASSET MANAGEMENT (UK) LIMITED is under common control with the firm.

**Firm Operations****Organization Affiliates (continued)**

**Business Address:** LUXEMBOURG  
LUXEMBOURG, LUXEMBOURG

**Effective Date:** 03/07/2007

**Foreign Entity:** Yes

**Country:** LUXEMBOURG

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**SINOPIA FINANCIAL SERVICES is under common control with the firm.**

**Business Address:** LUXEMBOURG  
LUXEMBOURG, LUXEMBOURG

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** LUXEMBOURG

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** PRIVATE INVESTMENTS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**SINOPIA - SOCIETE DE GESTION is under common control with the firm.**

**Business Address:** FRANCE  
FRANCE, FRANCE

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** FRANCE

**Securities Activities:** No

**Investment Advisory Activities:** Yes

## Firm Operations



### Organization Affiliates (continued)

**Description:** PRIVATE INVESTMENTS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### **SINOPIA ASSET MANAGEMENT is under common control with the firm.**

**Business Address:** LUXEMBOURG  
LUXEMBOURG, LUXEMBOURG

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** LUXEMBOURG

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** ASSET MANAGEMENT - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### **SINOPIA ASSET MANAGEMENT LUXEMBOURG S.A. is under common control with the firm.**

**Business Address:** LUXEMBOURG  
LUXEMBOURG, LUXEMBOURG

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** LUXEMBOURG

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT HSBC HOLDINGS PLC.

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#### **HSBC PRIVATE EQUITY MANAGEMENT (BERMUDA) LIMITED is under common control with the firm.**

**Business Address:** BERMUDA  
BERMUDA, BERMUDA

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** BERMUDA

## Firm Operations



### Organization Affiliates (continued)

<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	PRIVATE INVESTMENTS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### HSBC PRIVATE EQUITY (ASIA) LIMITED is under common control with the firm.

<b>Business Address:</b>	10/F CITIBANK TOWER 3 GARDEN CENTRAL HONGKONG, HONGKONG
<b>Effective Date:</b>	01/01/2004
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	HONGKONG
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	PRIVATE INVESTMENTS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### HSBC CAPITAL LIMITED is under common control with the firm.

<b>Business Address:</b>	TD CENTRE, TD BANK TOWER TORONTO, CANADA
<b>Effective Date:</b>	01/01/2004
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	CANADA
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	PRIVATE INVESTMENTS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### HSBC CAPITAL (CANADA) INC. is under common control with the firm.

<b>Business Address:</b>	TD CENTRE, TD BANK TOWER TORONTO, CANADA
<b>Effective Date:</b>	03/07/2007

## Firm Operations



### Organization Affiliates (continued)

<b>Foreign Entity:</b>	Yes
<b>Country:</b>	CANADA
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### HSBC AUSTRALIA (HOLDINGS) LIMITED is under common control with the firm.

<b>Business Address:</b>	LEVEL 7, 99 WILLIAM STREET MELBOURNE, VICTORIA, AUSTRALIA 3000
<b>Effective Date:</b>	01/01/2004
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	AUSTRALIA
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	PRIVATE INVESTMENTS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### PRIVATE EQUITY MANAGEMENT BVI LIMITED is under common control with the firm.

<b>Business Address:</b>	10 LOWER THAMES STREET LONDON, UNITED KINGDOM EC3R 6AE
<b>Effective Date:</b>	01/01/2004
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	LONDON
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	ASSET MANAGEMENT - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### KENYA EQUITY MANAGEMENT LIMITED is under common control with the firm.

**Firm Operations****Organization Affiliates (continued)**

**Business Address:** KENYA  
KENYA, KENYA

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** KENYA

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** ASSET MANAGEMENT - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC INVESTMENTS (SINGAPORE) LIMITED is under common control with the firm.**

**Business Address:** 143 CECIL STREET UNIT 01-00 6B BUILDING  
SINGAPORE, SINGAPORE

**Effective Date:** 02/15/2007

**Foreign Entity:** Yes

**Country:** SINGAPORE

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** ASSET MANAGEMENT - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC INVESTMENTS (JAPAN) K.K. is under common control with the firm.**

**Business Address:** JPAN  
JAPAN, JAPAN

**Effective Date:** 02/15/2007

**Foreign Entity:** Yes

**Country:** JAPAN

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** ASSET MANAGEMENT - APPLICANT AND AFFILIATE ARE UNDER COMMON

## Firm Operations



### Organization Affiliates (continued)

OWNERSHIP BY ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

#### HSBC INVESTMENTS (UK) LIMITED is under common control with the firm.

**Business Address:** 10 THAMES STREET  
LONDON, UNITED KINGDOM EC3R 6AE

**Effective Date:** 02/15/2007

**Foreign Entity:** Yes

**Country:** LONDON

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

#### FRAMLINGTON UNIT MANAGEMENT LIMITED is under common control with the firm.

**Business Address:** IRELAND  
IRELAND, IRELAND

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** IRELAND

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE PARENT COMPANY HSBC HOLDINGS PLC.

#### HALBIS CAPITAL MANAGEMENT (HONG KONG) LIMITED is under common control with the firm.

**Business Address:** LEVEL 15, 1 QUEEN'S ROAD CENTRAL  
HONGKONG, HONGKONG

**Effective Date:** 12/31/2007

**Foreign Entity:** Yes

**Country:** HONGKONG

**Securities Activities:** No

## Firm Operations



### Organization Affiliates (continued)

**Investment Advisory Activities:** Yes

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

#### **HSBC ASSET MANAGEMENT (ASIA PACIFIC) LIMITED is under common control with the firm.**

**Business Address:** LEVEL 15, 1 QUEEN'S ROAD CENTRAL  
HONGKONG, HONGKONG

**Effective Date:** 03/07/2007

**Foreign Entity:** Yes

**Country:** HONGKONG

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** ASSET MANAGEMENT - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

#### **HSBC INVESTMENTS (USA) INC. is under common control with the firm.**

**Business Address:** 452 FIFTH AVE.  
NEW YORK, NY 10018

**Effective Date:** 05/25/2004

**Foreign Entity:** No

**Country:** DELEWARE

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

#### **HANG SENG INVESTMENT MANAGEMENT LIMITED is under common control with the firm.**

**Business Address:** 80 RAFFLES PLACE, #59-01 UOB PLAZA 1  
SINGAPORE, SINGAPORE

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes



**Firm Operations****Organization Affiliates (continued)**

**Country:** SINGAPORE

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** ASSET MANAGEMENT - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BT THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**FRAMLINGTON INVESTMENT TRUST SERVICES LIMITED is under common control with the firm.**

**Business Address:** IRELAND  
IRELAND, IRELAND

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** IRELAND

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**FRAMLINGTON INVESTMENT MANAGEMENT LIMITED is under common control with the firm.**

**Business Address:** IRELAND  
IRELAND, IRELAND

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** IRELAND

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** APPLICATION AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**FRAMLINGTON INVESTMENT MANAGEMENT (IRELAND) LIMITED is under common control with the firm.**

**Business Address:** IRELAND  
IRELAND, IRELAND

**Firm Operations****Organization Affiliates (continued)**

**Effective Date:** 01/01/2004  
**Foreign Entity:** Yes  
**Country:** IRELAND  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE UNTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

**FRAMLINGTON INVESTMENT MANAGEMENT (BERMUDA) LIMITED is under common control with the firm.**

**Business Address:** BERMUDA  
BERMUDA, BERMUDA  
**Effective Date:** 01/01/2004  
**Foreign Entity:** Yes  
**Country:** BERMUDA  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

**HSBC ASIA INVESTMENT SERVICES (LUXEMBOURG) S.A. is under common control with the firm.**

**Business Address:** LUXEMBOURG  
LUXEMBOURG, LUXEMBOURG  
**Effective Date:** 01/01/2004  
**Foreign Entity:** Yes  
**Country:** LUXEMBOURG  
**Securities Activities:** Yes  
**Investment Advisory Activities:** No  
**Description:** SECURITIES BUSINESS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

## Firm Operations



### Organization Affiliates (continued)

**HSBC INVESTMENTS (HONG KONG) LIMITED is under common control with the firm.**

**Business Address:** LEVEL 17, QUEEN'S ROAD CENTRAL  
HONGKONG, HONGKONG

**Effective Date:** 02/15/2007

**Foreign Entity:** Yes

**Country:** HONGKONG

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** ASSET FUND/MANAGEMENT - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC INVESTMENT FUNDS (LUXEMBOURG) SA is under common control with the firm.**

**Business Address:** LUXEMBOURG  
LUXEMBOURG, LUXEMBOURG

**Effective Date:** 02/15/2007

**Foreign Entity:** Yes

**Country:** LUXEMBOURG

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC PANTELAKIS SECURITIES S.A. is under common control with the firm.**

**Business Address:** 6 DRAGATSANIOU ST 10559 ATHENS GREECE  
ATHENS, GREECE

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** GREECE

**Securities Activities:** Yes

## Firm Operations



### Organization Affiliates (continued)

**Investment Advisory Activities:** No

**Description:** APPLICANT AND AFFILATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

#### HSBC RESEARCH (MALAYSIA) SDN BHD is under common control with the firm.

**Business Address:** 10 HARCPUT ROAD  
HONGKONG, HONGKONG

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** HONGKONG

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** SECURITIES BUSINESSS - APPLICANT AND AFFILIATES ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

#### HSBC SECURITIES AND CAPITAL MARKETS (INDIA) PRIVATE LIMITED is under common control with the firm.

**Business Address:** INDIA  
INDIA, INDAI

**Effective Date:** 02/15/2007

**Foreign Entity:** Yes

**Country:** INDAI

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** APLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

#### HSBC SECURITIES (ASIA) LIMITED. is under common control with the firm.

**Business Address:** LEVEL 17, QUEEN'S ROAD CENTRAL  
HONGKONG, HONGKONG

**Effective Date:** 03/07/2007

## Firm Operations



### Organization Affiliates (continued)

<b>Foreign Entity:</b>	Yes
<b>Country:</b>	HONGKONG
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### HSBC SECURITIES CANADA INC. is under common control with the firm.

<b>Business Address:</b>	TD CENTRE, TD BANK TOWER SUITE 5300 TORONTO, CANADA
<b>Effective Date:</b>	01/01/2004
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	CANADA
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	SECURITIES BUSINESS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### HSBC TRINKAUS is under common control with the firm.

<b>Business Address:</b>	LEVEL 14, QUEEN'S ROAD CENTRAL HONGKONG, HONGKONG
<b>Effective Date:</b>	01/01/2004
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	HONGKONG
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	SECURITIES BUSINESS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### HSBC TRINKAUS & BURKHARDT AG is under common control with the firm.

**Firm Operations****Organization Affiliates (continued)**

**Business Address:** LEVEL 14, QUEEN'S ROAD CENTRAL  
HONGKONG, HONGKONG

**Effective Date:** 02/15/2007

**Foreign Entity:** Yes

**Country:** HONGKONG

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** SECURITIES BUSINESS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

**HSBC INVESTMENTS DEUTSCHLAND GMBH is under common control with the firm.**

**Business Address:** LEVEL 14, 1 QUEEN'S ROAD CENTRAL  
HONGKONG, HONGKONG

**Effective Date:** 02/15/2007

**Foreign Entity:** Yes

**Country:** HONGKONG

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** SECURITIES BUSINESS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC,

**HSBC SECURITIES (CANADA) INC. is under common control with the firm.**

**Business Address:** TORONTO DOMINION CENTER, TORONTO DOMINION BANK  
TORONTO, ONTARIO, CANADA M5K 1E7

**Effective Date:** 03/04/1954

**Foreign Entity:** Yes

**Country:** ONTARIO, CANADA

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** SECURITIES DEALING BUSINESS - APPLICANT AND AFFILIATE ARE UNDER

## Firm Operations



### Organization Affiliates (continued)

COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### HSBC SECURITIES (ASIA) LIMITED is under common control with the firm.

**Business Address:** LEVEL 17, 1 QUEEN'S ROAD CENTRAL  
HONGKONG, HONGKONG HONGKONG

**Effective Date:** 05/18/1973

**Foreign Entity:** Yes

**Country:** HONGKONG

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** SECURITIES DEALING BUSINESS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### HALBIS CAPITAL MANAGEMENT (HONG KONG) LIMITED is under common control with the firm.

**Business Address:** 10/F., CITIBANK TOWER, 3 GARDEN ROAD, CENTRAL  
HONGKONG, HONGKONG HONGKONG

**Effective Date:** 03/07/2007

**Foreign Entity:** Yes

**Country:** HONGKONG

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** SECURITIES DEALING BUSINESS - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### HSBC CAPITAL (USA) INC. is under common control with the firm.

**Business Address:** 140 BROADWAY  
NEW YORK, NY 10005

**Effective Date:** 01/04/1978

**Foreign Entity:** No

## Firm Operations



### Organization Affiliates (continued)

**Country:** DELAWARE

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** PRIVATE EQUITIES - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

#### HSBC SECURITIES (SINGAPORE) PTE LTD. is under common control with the firm.

**Business Address:** 80 RAFFLES PLACE #30-01  
SINGAPORE, SINGAPORE 0104

**Effective Date:** 03/26/1992

**Foreign Entity:** Yes

**Country:** SINGAPORE

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** INVESTMENT TRADING COMPANY - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

#### HSBC BROKING SECURITIES (HONGKONG) LIMITED is under common control with the firm.

**Business Address:** 3RD FLOOR, HUTCHISON HOUSE, 10 HARTCOURT ROAD  
HONGKONG, HONGKONG HONGKONG

**Effective Date:** 09/08/1983

**Foreign Entity:** Yes

**Country:** HONGKONG

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

#### HSBC BROKING SECURITIES (ASIA ) LIMITED is under common control with the firm.

**Business Address:** 3RD FLOOR, HUTCHISON HOUSR, 10 HARCOURT ROAD



**Firm Operations****Organization Affiliates (continued)**

HONGKONG, HONGKONG HONGKONG

**Effective Date:** 10/14/1993

**Foreign Entity:** Yes

**Country:** HONGKONG

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** STOCKBROKER - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDING PLC.

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**HSBC BROKING FUTURES (HONGKONG) LIMITED is under common control with the firm.**

**Business Address:** 3RD FLOOR, HUTCHISON, 10 HARCOURT ROAD  
HONGKONG, HONGKONG HONGKONG

**Effective Date:** 08/07/1984

**Foreign Entity:** Yes

**Country:** HONGKONG

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** FINANCIAL FUTURES TRADING - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDING PLC.

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**HSBC BROKING FUTURES (ASIA) LIMITED is under common control with the firm.**

**Business Address:** 3RD FLOOR, HUTCHISON HOUSE, 10 HARCOURT ROAD  
HONGKONG, HONGKONG HONGKONG

**Effective Date:** 07/08/1986

**Foreign Entity:** Yes

**Country:** HONGKONG

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** FINANCIAL FUTURES TRADING - APPLICANT AND AFFILIATE ARE UNDER

## Firm Operations



### Organization Affiliates (continued)

COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### HSBC TRUST COMPANY (CANADA) is under common control with the firm.

**Business Address:** 2700-10303 JASPER AVENUE, EDMONTON  
ALBERTA, CANADA T5J 3N6

**Effective Date:** 03/07/2004

**Foreign Entity:** Yes

**Country:** CANADA

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT HSBC HOLDINGS PLC.

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#### HSBC INVESTMENT FUNDS (CANADA) INC. is under common control with the firm.

**Business Address:** 6TH FLOOR, 885 WEST GEORGIA STREET,  
VANCOUVER, B.C., CANADA CANADA

**Effective Date:** 01/01/2004

**Foreign Entity:** Yes

**Country:** CANADA

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** MUTUAL FUNDS SALES - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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#### HANG SENG ASSET MANAGEMENT PTE LTD is under common control with the firm.

**Business Address:** 80 RAFFLES PLACE, #59-01 UOB PLAZA 1  
SINGAPORE, SINGAPORE 048624

**Effective Date:** 01/04/1995

**Foreign Entity:** Yes

**Country:** SINGAPORE

**Securities Activities:** No

## Firm Operations



### Organization Affiliates (continued)

**Investment Advisory Activities:** Yes

**Description:** INVESTMENT/FUND MANAGEMENT - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC TRINKAUS INVESTMENT MANAGEMENT LIMITED is under common control with the firm.**

**Business Address:** LEVEL 14, 1 QUEEN'S ROAD CENTRAL  
HONGKONG, HONGKONG HONGKONG

**Effective Date:** 07/13/1993

**Foreign Entity:** Yes

**Country:** HONGKONG

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** INVESTMENTS - APPLICANT AND AFFITIAE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC INVESTMENT BANK ASIA LIMITED is under common control with the firm.**

**Business Address:** LEVEL 15, 1 QUEEN'S ROAD CENTRAL  
HONGKONG, HONGKONG HONGKONG

**Effective Date:** 05/26/1972

**Foreign Entity:** Yes

**Country:** HONGKONG

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** PRIVATE BANKING - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC FUTURES (SINGAPORE) PTE. LTD. is under common control with the firm.**

**Business Address:** 21 COLLYER QUAY #03-01, HONGKONG BANK BUILDING  
SINGAPORE, SINGAPORE 049320

**Effective Date:** 06/29/1984

## Firm Operations



### Organization Affiliates (continued)

<b>Foreign Entity:</b>	Yes
<b>Country:</b>	SINGAPORE
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	FINANCIAL FUTURES TRADING - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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This firm is directly or indirectly, controlled by the following:

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank

**HSBC INVESTMENT BANK HOLDINGS PLC is a Foreign Bank and controls the firm.**

<b>Business Address:</b>	10 LOWER THAMES STREET LONDON, LONDON EC3R 6AE
<b>Effective Date:</b>	01/01/2004
<b>Description:</b>	BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC PRIVATE BANK (SUISSE) SA is a Foreign Bank and controls the firm.**

<b>Business Address:</b>	SWITZERLAND SWITZERLAND, SWITZERLAND
<b>Effective Date:</b>	02/15/2007
<b>Description:</b>	BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC BANK MALAYSIA BERHAD is a Foreign Bank and controls the firm.**

<b>Business Address:</b>	MALAYSIA MALAYSIA, MALAYSIA
<b>Effective Date:</b>	01/01/2004

## Firm Operations



### Organization Affiliates (continued)

**Description:** BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**SAUDI BRITISH BANK is a Foreign Bank and controls the firm.**

**Business Address:** LONDON  
LONDON, UNITED KINGDOM

**Effective Date:** 01/01/2004

**Description:** BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC GYERZELLER BANK (BVI) LIMITED is a Foreign Bank and controls the firm.**

**Business Address:** SWITZERLAND  
SWITZERLAND, SWITZERLAND

**Effective Date:** 03/07/2007

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC GUYERZELLER BANK AG is a Foreign Bank and controls the firm.**

**Business Address:** SWITZERLAND  
SWITZERLAND, SWITZERLAND

**Effective Date:** 02/15/2007

**Description:** BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**BANQUE MARZE is a Foreign Bank and controls the firm.**

**Business Address:** FRANCE  
FRANCE, FRANCE

**Effective Date:** 01/01/2004

**Description:** BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**BANQUE DUPUY DE PARSEVAL is a Foreign Bank and controls the firm.**

**Business Address:** FRANCE  
FRANCE, FRANCE

**Effective Date:** 01/01/2004

## Firm Operations



### Organization Affiliates (continued)

**Description:** BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**BANQUE DE SAVOIE is a Foreign Bank and controls the firm.**

**Business Address:** FRANCE  
FRANCE, FRANCE

**Effective Date:** 01/01/2004

**Description:** BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**BANQUE DE PICARDIE is a Foreign Bank and controls the firm.**

**Business Address:** FRANCE  
FRANCE, FRANCE

**Effective Date:** 01/01/2004

**Description:** BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDING PLC.

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**BANQUE CHAIX is a Foreign Bank and controls the firm.**

**Business Address:** FRANCE  
FRANCE, FRANCE

**Effective Date:** 01/01/2004

**Description:** BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**SOCIETE DES CADRES DE LA BANQUE EUROFIN is a Foreign Bank and controls the firm.**

**Business Address:** FRANCE  
FRANCE, FRANCE

**Effective Date:** 01/01/2004

**Description:** BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC UBP is a Foreign Bank and controls the firm.**

**Business Address:** FRANCE  
FRANCE, FRANCE

**Effective Date:** 03/03/2007

## Firm Operations



### Organization Affiliates (continued)

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**PBBS LTD is a Foreign Bank and controls the firm.**

**Business Address:** FRANCE  
FRANCE, FRANCE

**Effective Date:** 02/15/2007

**Description:** BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HANG SENG BANK LIMITED is a Foreign Bank and controls the firm.**

**Business Address:** SINGAPORE  
SINGAPORE, SINGAPORE

**Effective Date:** 01/01/2004

**Description:** BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (THE) is a Foreign Bank and controls the firm.**

**Business Address:** LEVEL 17, 1 QUEEN'S ROAD CENTRAL  
HONGKONG, HONGKONG

**Effective Date:** 01/01/2004

**Description:** BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT HSBC HOLDINGS PLC.

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**HSBC BANK AUSTRALIA LIMITED. is a Foreign Bank and controls the firm.**

**Business Address:** LEVEL 7, 99 WILLIAM STREET  
MELBOURNE VICTORIA, AUSTRALIA 3000

**Effective Date:** 01/01/2004

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC BANK BRASIL S.A. - BANCO MULTIPLO is a Foreign Bank and controls the firm.**

**Business Address:** AVENUE BRIGADEIRO FARIALIMA/30 64 EDIFICIO L'ARCHE  
SAO PAULO, BRAZIL CEP01451-10

**Effective Date:** 02/15/2007

## Firm Operations



### Organization Affiliates (continued)

**Description:** BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT HSBC HOLDINGS PLC.

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**HSBC BANK CANADA is a Foreign Bank and controls the firm.**

**Business Address:** 1981 MC GILL COLLEGE AVENUE  
MONTREAL, CANADA H3A3A9

**Effective Date:** 01/01/2004

**Description:** BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC BANK (CHILE) is a Foreign Bank and controls the firm.**

**Business Address:** CHILE  
CHILE, CHILE

**Effective Date:** 03/07/2007

**Description:** APPLICANT AND AFFILATE ARE UNDER COMMON OWNERSHIP BY THR ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC BANK (URUQUAY) S.A. is a Foreign Bank and controls the firm.**

**Business Address:** URUQUAY  
URUQUAY, URUQUAY

**Effective Date:** 01/01/2004

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT HSBC HOLDINGS PLC.

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**HSBC PRIVATE BANK (JERSEY) LIMITED. is a Savings Association and controls the firm.**

**Business Address:** JERSEY  
JERSEY, NJ

**Effective Date:** 03/07/2007

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

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**HSBC PRIVATE BANK (MONACO) SA is a Foreign Bank and controls the firm.**

**Business Address:** MONACO  
MONACO, MONACO

**Effective Date:** 02/15/2007



## Firm Operations



### Organization Affiliates (continued)

**Description:** BANK AFFILIATE - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT HSBC HOLDINGS PLC.

**HSBC INVESTMENT BANK HOLDINGS BV (HMHI) is a Bank Holding Company and controls the firm.**

**Business Address:** HOOGOORDDREEF 9, 3RD FLOOR 1101 BA  
AMSTERDAM, THE NETHERLANDS 1101

**Effective Date:** 01/01/1999

**Description:** OWNS 100% OF HSBC MARKETS (USA) INC.- APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

**HSBC MARKETS (USA) INC. is a Bank Holding Company and controls the firm.**

**Business Address:** 140 BROADWAY  
NEW YORK CITY, NY 10005

**Effective Date:** 08/29/1995

**Description:** OWNS 100% OF HSI- DIRECT OWNER.

**HSBC HOLDINGS BV (HHBV) is a Bank Holding Company and controls the firm.**

**Business Address:** HOOGOORDDREEF 9, 3RD FLOOR  
1101 BA AMSTERDAM, THE NETHERLANDS 1101

**Effective Date:** 04/20/1978

**Description:** OWNS 100% OD HMHI - APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY THE ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

**HSBC FINANCE (NETHERLANDS) is a Bank Holding Company and controls the firm.**

**Business Address:** 10 LOWER THAMES STREET  
LONDON, ENGLAND EC3RAE

**Effective Date:** 03/07/2007

**Description:** APPLICANT AND AFFILIATE ARE UNDER COMMON OWNERSHIP BY ULTIMATE PARENT COMPANY HSBC HOLDINGS PLC.

**HSBC HOLDINGS PLC is a Bank Holding Company and controls the firm.**

**Business Address:** 10 LOWER THAMES STREET  
LONDON, ENGLAND EC3R 6AE

**Effective Date:** 01/01/1959

## Firm Operations



### Organization Affiliates (continued)

**Description:** APPLICANT'S ULTIMATE PARENT COMPANY

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## Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	<b>Pending</b>	<b>Final</b>	<b>On Appeal</b>
Regulatory Event	0	67	0
Arbitration	N/A	7	N/A

## Disclosure Event Details

### What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
  - o A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
  - o Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
  - o A disclosure event may have a status of *pending*, *on appeal*, or *final*.
    - § A "pending" event involves allegations that have not been proven or formally adjudicated.
    - § An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
    - § A "final" event has been concluded and its resolution is not subject to change.
  - o A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
    - § An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
    - § A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
    - § A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

### Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

#### Disclosure 1 of 67

**Reporting Source:** Firm  
**Current Status:** Final



<b>Allegations:</b>	THE OFFICE OF THE INSURANCE COMMISSIONER FOR THE STATE OF WASHINGTON FOUND THAT THE FIRM VIOLATED WAC-284-17-473 BY NOT AFFILIATING 4 INSURANCE PRODUCERS WHO CONDUCTED BUSINESS WITHIN THE STATE. THE FIRM HAS SINCE AFFILIATED ALL AGENTS LICENSED TO SELL INSURANCE IN THE STATE. THE FIRM ENTERED INTO A CONSENT ORDER LEVYING A FINE AND THE IMPOSITION OF A \$10,000 FINE.
<b>Initiated By:</b>	STATE OF WASHINGTON OFFICE OF INSURANCE COMMISSIONER
<b>Date Initiated:</b>	07/17/2020
<b>Docket/Case Number:</b>	21-0133
<b>Principal Product Type:</b>	Insurance
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	04/22/2021
<b>Sanctions Ordered:</b>	Monetary/Fine \$10,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	TOTAL FINE- \$10,000.00. PORTION AGAINST APPLICANT -\$10,000.00 WAS PAID ON 4/22/21.
<b>Firm Statement</b>	CONSENT ORDER WAS AGREED TO BY APPLICANT ON 4/22/2021.

#### Disclosure 2 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT ENTERED ERRONEOUS ORDERS. THE FINDINGS STATED THAT ON MARCH 9, 2018, A FOREIGN BANK AFFILIATE SENT TO THE FIRM A MARKET ON CLOSE (MOC) ORDER, WHICH SHOULD NOT HAVE BEEN EXECUTED UNTIL THE CLOSE OF TRADING, TO BUY 37,000 SHARES OF AN EQUITY SECURITY. THE FIRM'S TRADER ENTERED THE ORDER INTO THE FIRM'S SMART ORDER ROUTER (SOR) USING AN AUTOMATED MOC "HOTKEY" FUNCTION IN THE FIRM'S



ORDER ENTRY SYSTEM. HOWEVER, DUE TO FAULTY HOTKEY PROGRAMMING, THE ORDER WAS ENTERED AS A REGULAR MARKET ORDER. UPON RECEIPT OF THE ORDER, THE FIRM'S SOR IMMEDIATELY ROUTED CHILD ORDERS TO MARKET WITH LIMIT PRICES UP TO 27.9 PERCENT ABOVE THE NATIONAL BEST OFFER (NBO). AS A RESULT, A TOTAL OF 18,801 SHARES WERE EXECUTED WITHIN 0.3 SECONDS, REPRESENTING 84 PERCENT OF TOTAL SHARES PURCHASED IN THE SECURITY. THE FINDINGS ALSO STATED THAT THE FIRM'S ERRONEOUS PRICE CONTROL FOR OUTBOUND ORDERS SENT FROM THE SOR WAS NOT REASONABLY DESIGNED AND THUS FAILED TO PREVENT ENTRY OF ERRONEOUS ORDERS. THE CONTROL WAS DESIGNED TO BLOCK ORDERS WITH LIMIT PRICES MORE THAN 10 PERCENT ABOVE THE NBO FOR A SECURITY AT THE TIME THE SOR RECEIVED THE PARENT ORDER. THE OUTBOUND PRICE CONTROL, HOWEVER, WAS NOT DESIGNED TO BLOCK ORDERS IN THE EVENT THE CONTROL WAS NOT ABLE TO CALCULATE A PRICE THRESHOLD. FOR EXAMPLE, ON MARCH 9, 2018, THIS CONTROL WAS NOT ABLE TO CALCULATE A PRICE THRESHOLD BECAUSE OF AN INTERRUPTION IN THE QUOTE DATA FEED. THEREFORE, THE CONTROL DID NOT BLOCK THE ERRONEOUS ORDERS. IN ADDITION, THE FIRM'S WRITTEN DESCRIPTION OF ITS CONTROLS DID NOT REFERENCE OR DESCRIBE THE SOR OUTBOUND PRICE CONTROL. THE FINDINGS ALSO INCLUDED THAT THE OTHER FIRM ERRONEOUS ORDER CONTROLS WERE NOT REASONABLY DESIGNED. THE FIRM MAINTAINED AN AVERAGE DAILY VOLUME (ADV) LIMIT CONTROL. FOR TRADER-MANAGED ORDERS SUCH AS THE MARCH 9, 2018 ORDER, WHICH WERE REVIEWED AND HANDLED BY A FIRM TRADER RATHER THAN THROUGH ENTIRELY AUTOMATED MEANS, THE ADV LIMIT APPLIED WAS 50 PERCENT OF THE SECURITY'S ADV. THE LIMIT WAS NOT REASONABLY DESIGNED FOR THE FIRM'S BUSINESS MODEL. THE 50 PERCENT LIMIT WAS IMPLEMENTED WHEN TRADER-MANAGED CLIENT ORDERS FREQUENTLY INVOLVED ILLIQUID SECURITIES AND ROUTED EXCLUSIVELY TO OTHER BROKER DEALERS, NOT DIRECTLY TO EXCHANGES. SINCE THEN, TRADER-MANAGED ORDERS INCREASINGLY INVOLVED LIQUID SECURITIES AND ROUTING DIRECTLY TO EXCHANGES. FURTHER, ACCORDING TO THE FIRM'S PROCEDURES, IT SHOULD HAVE APPLIED AN ADV LIMIT OF 25 PERCENT TO THE MARCH 9, 2018 ORDER. THE FIRM SELECTED A LOWER ADV LIMIT OF 25 PERCENT IN LATE 2017, AND UPDATED ITS WRITTEN PROCEDURES ACCORDINGLY, BUT THE THRESHOLD WAS NOT UPDATED IN THE FIRM'S SYSTEMS UNTIL APRIL 2018. AS SUCH, THE FIRM'S WRITTEN DESCRIPTION OF ITS ADV CONTROL AND LIMIT WAS INACCURATE. THE FIRM ALSO DID NOT DOCUMENT ITS RATIONALE FOR SETTING THE TRADER-MANAGED ORDER ADV THRESHOLD AT 50 PERCENT. IN ADDITION, THE FIRM COULD OVERRIDE CERTAIN CONTROL TRIGGERS ON A CASE-BY-CASE BASIS BUT THE FIRM'S WRITTEN POLICIES AND PROCEDURES DID NOT PROVIDE GUIDANCE CONCERNING THE REVIEW PROCESS OR CRITERIA FOR SUCH



OVERRIDES. FURTHERMORE, THE FIRM'S WSPS DID NOT ACCURATELY REFLECT POST-TRADE REVIEWS OF OVERRIDES. THE FIRM ALSO HAD A NOTIONAL ORDER SIZE CONTROL FOR TRADER-MANAGED CLIENT ORDERS, WHICH APPLIED A UNIQUE THRESHOLD FOR EACH CLIENT. AS OF MARCH 9, 2018, HOWEVER, THE FIRM HAD NOT CONFIGURED THIS CONTROL TO APPLY TO TRADER-MANAGED ORDERS OF THE AFFILIATE CLIENT THAT SENT THE MOC ORDER. NASDAQ FOUND THAT THE FIRM DID NOT HAVE REASONABLE SUPERVISORY PROCEDURES, INCLUDING WSPS, FOR TECHNOLOGY CHANGE MANAGEMENT RELATING TO THE FIRM'S ORDER ENTRY SYSTEM. SPECIFICALLY, THE FIRM DID NOT HAVE REASONABLE SUPERVISORY PROCEDURES CONCERNING HOTKEYS USED FOR PROCESSING ORDERS. AS A RESULT, THE FIRM FAILED TO IDENTIFY THE PROGRAMMING FLAW THAT RESULTED IN THE MOC ORDER BEING ENTERED INTO THE SOR AS A MARKET ORDER.

**Initiated By:** NASDAQ STOCK MARKET

**Date Initiated:** 04/28/2021

**Docket/Case Number:** 2018057736001

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 04/28/2021

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$9,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** THE FIRM WAS CENSURED, FINED A TOTAL OF \$45,000, OF WHICH \$9,000 IS ALLOCATED TO NASDAQ, WITH THE REMAINDER ALLOCATED TO OTHER REGULATORS, AND REQUIRED TO REVISE ITS WRITTEN DESCRIPTION OF ITS RISK MANAGEMENT CONTROLS WITH RESPECT TO ITS PRICE



CONTROL FOR OUTBOUND ORDERS SENT FROM THE SMART ORDER ROUTER, AND WRITTEN PROCEDURES WITH RESPECT TO THE FIRM'S ABILITY TO OVERRIDE CERTAIN CONTROL TRIGGERS ON A CASE-BY-CASE BASIS.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT ENTERED ERRONEOUS ORDERS. THE FINDINGS STATED THAT ON MARCH 9, 2018, A FOREIGN BANK AFFILIATE SENT TO THE FIRM A MARKET ON CLOSE (MOC) ORDER, WHICH SHOULD NOT HAVE BEEN EXECUTED UNTIL THE CLOSE OF TRADING, TO BUY 37,000 SHARES OF AN EQUITY SECURITY. THE FIRM'S TRADER ENTERED THE ORDER INTO THE FIRM'S SMART ORDER ROUTER (SOR) USING AN AUTOMATED MOC "HOTKEY" FUNCTION IN THE FIRM'S ORDER ENTRY SYSTEM. HOWEVER, DUE TO FAULTY HOTKEY PROGRAMMING, THE ORDER WAS ENTERED AS A REGULAR MARKET ORDER. UPON RECEIPT OF THE ORDER, THE FIRM'S SOR IMMEDIATELY ROUTED CHILD ORDERS TO MARKET WITH LIMIT PRICES UP TO 27.9 PERCENT ABOVE THE NATIONAL BEST OFFER (NBO). AS A RESULT, A TOTAL OF 18,801 SHARES WERE EXECUTED WITHIN 0.3 SECONDS, REPRESENTING 84 PERCENT OF TOTAL SHARES PURCHASED IN THE SECURITY. THE FINDINGS ALSO STATED THAT THE FIRM'S ERRONEOUS PRICE CONTROL FOR OUTBOUND ORDERS SENT FROM THE SOR WAS NOT REASONABLY DESIGNED AND THUS FAILED TO PREVENT ENTRY OF ERRONEOUS ORDERS. THE CONTROL WAS DESIGNED TO BLOCK ORDERS WITH LIMIT PRICES MORE THAN 10 PERCENT ABOVE THE NBO FOR A SECURITY AT THE TIME THE SOR RECEIVED THE PARENT ORDER. THE OUTBOUND PRICE CONTROL, HOWEVER, WAS NOT DESIGNED TO BLOCK ORDERS IN THE EVENT THE CONTROL WAS NOT ABLE TO CALCULATE A PRICE THRESHOLD. FOR EXAMPLE, ON MARCH 9, 2018, THIS CONTROL WAS NOT ABLE TO CALCULATE A PRICE THRESHOLD BECAUSE OF AN INTERRUPTION IN THE QUOTE DATA FEED. THEREFORE, THE CONTROL DID NOT BLOCK THE ERRONEOUS ORDERS. IN ADDITION, THE FIRM'S WRITTEN DESCRIPTION OF ITS CONTROLS DID NOT REFERENCE OR DESCRIBE THE SOR OUTBOUND PRICE CONTROL. THE FINDINGS ALSO INCLUDED THAT THE OTHER FIRM ERRONEOUS ORDER CONTROLS WERE NOT REASONABLY DESIGNED. THE FIRM MAINTAINED AN AVERAGE DAILY VOLUME (ADV) LIMIT CONTROL. FOR TRADER-MANAGED ORDERS SUCH AS THE MARCH 9, 2018 ORDER, WHICH WERE REVIEWED AND HANDLED BY A FIRM TRADER RATHER THAN THROUGH ENTIRELY AUTOMATED MEANS, THE ADV LIMIT APPLIED WAS 50 PERCENT OF THE SECURITY'S ADV. THE LIMIT WAS NOT REASONABLY DESIGNED FOR THE FIRM'S





BUSINESS MODEL. THE 50 PERCENT LIMIT WAS IMPLEMENTED WHEN TRADER-MANAGED CLIENT ORDERS FREQUENTLY INVOLVED ILLIQUID SECURITIES AND ROUTED EXCLUSIVELY TO OTHER BROKER DEALERS, NOT DIRECTLY TO EXCHANGES. SINCE THEN, TRADER-MANAGED ORDERS INCREASINGLY INVOLVED LIQUID SECURITIES AND ROUTING DIRECTLY TO EXCHANGES. FURTHER, ACCORDING TO THE FIRM'S PROCEDURES, IT SHOULD HAVE APPLIED AN ADV LIMIT OF 25 PERCENT TO THE MARCH 9, 2018 ORDER. THE FIRM SELECTED A LOWER ADV LIMIT OF 25 PERCENT IN LATE 2017, AND UPDATED ITS WRITTEN PROCEDURES ACCORDINGLY, BUT THE THRESHOLD WAS NOT UPDATED IN THE FIRM'S SYSTEMS UNTIL APRIL 2018. AS SUCH, THE FIRM'S WRITTEN DESCRIPTION OF ITS ADV CONTROL AND LIMIT WAS INACCURATE. THE FIRM ALSO DID NOT DOCUMENT ITS RATIONALE FOR SETTING THE TRADER-MANAGED ORDER ADV THRESHOLD AT 50 PERCENT. IN ADDITION, THE FIRM COULD OVERRIDE CERTAIN CONTROL TRIGGERS ON A CASE-BY-CASE BASIS BUT THE FIRM'S WRITTEN POLICIES AND PROCEDURES DID NOT PROVIDE GUIDANCE CONCERNING THE REVIEW PROCESS OR CRITERIA FOR SUCH OVERRIDES. FURTHERMORE, THE FIRM'S WSPS DID NOT ACCURATELY REFLECT POST-TRADE REVIEWS OF OVERRIDES. THE FIRM ALSO HAD A NOTIONAL ORDER SIZE CONTROL FOR TRADER-MANAGED CLIENT ORDERS, WHICH APPLIED A UNIQUE THRESHOLD FOR EACH CLIENT. AS OF MARCH 9, 2018, HOWEVER, THE FIRM HAD NOT CONFIGURED THIS CONTROL TO APPLY TO TRADER-MANAGED ORDERS OF THE AFFILIATE CLIENT THAT SENT THE MOC ORDER. NASDAQ FOUND THAT THE FIRM DID NOT HAVE REASONABLE SUPERVISORY PROCEDURES, INCLUDING WSPS, FOR TECHNOLOGY CHANGE MANAGEMENT RELATING TO THE FIRM'S ORDER ENTRY SYSTEM. SPECIFICALLY, THE FIRM DID NOT HAVE REASONABLE SUPERVISORY PROCEDURES CONCERNING HOTKEYS USED FOR PROCESSING ORDERS. AS A RESULT, THE FIRM FAILED TO IDENTIFY THE PROGRAMMING FLAW THAT RESULTED IN THE MOC ORDER BEING ENTERED INTO THE SOR AS A MARKET ORDER.

**Initiated By:** NASDAQ STOCK MARKET

**Date Initiated:** 04/28/2021

**Docket/Case Number:** 2018057736001

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)



<b>Resolution Date:</b>	04/28/2021
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$9,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKING
<b>Sanction Details:</b>	THE FIRM WAS CENSURED, FINED A TOTAL OF \$45,000, OF WHICH \$9,000 IS ALLOCATED TO NASDAQ, WITH THE REMAINDER ALLOCATED TO OTHER REGULATORS, AND REQUIRED TO REVISE ITS WRITTEN DESCRIPTION OF ITS RISK MANAGEMENT CONTROLS WITH RESPECT TO ITS PRICE CONTROL FOR OUTBOUND ORDERS SENT FROM THE SMART ORDER ROUTER, AND WRITTEN PROCEDURES WITH RESPECT TO THE FIRM'S ABILITY TO OVERRIDE CERTAIN CONTROL TRIGGERS ON A CASE-BY-CASE BASIS.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS HSBC CONSENTED TO THE SANCTIONS TO ENTRY OF FINDINGS THAT IT ENTERED ERRONEOUS ORDERS. HSBC WAS CENSURED AND FINED \$9,000.00.

### Disclosure 3 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	HSBC SECURITIES (USA) INC. VIOLATED RULES 15C3-5(B) AND (C)(1)(II), AND EDGA RULES 3.2 AND 5.1 IN THAT THE FIRM'S FINANCIAL RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO PREVENT THE ENTRY OF ERRONEOUS ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME, OR THAT INDICATE DUPLICATIVE ORDERS.
<b>Initiated By:</b>	CBOE EDGA EXCHANGE, INC.
<b>Date Initiated:</b>	04/16/2021
<b>Docket/Case Number:</b>	STAR NO. 20180577360 / FILE NO. USRI-8018-08
<b>Principal Product Type:</b>	Equity Listed (Common & Preferred Stock)
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Consent



**Resolution Date:** 04/20/2021

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$9,000.00

**Other Sanctions Ordered:**

**Sanction Details:** A CENSURE AND A MONETARY FINE IN THE AMOUNT OF \$9,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** HSBC SECURITIES (USA) INC. VIOLATED RULES 15C3-5(B) AND (C)(1)(II), AND EDGA RULES 3.2 AND 5.1 IN THAT THE FIRM'S FINANCIAL RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO PREVENT THE ENTRY OF ERRONEOUS ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME, OR THAT INDICATE DUPLICATIVE ORDERS.

**Initiated By:** CBOE EDGA EXCHANGE, INC.

**Date Initiated:** 04/16/2021

**Docket/Case Number:** STAR NO. 20180577360 / FILE NO. USRI-8018-08

**Principal Product Type:** Equity Listed (Common & Preferred Stock)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 04/20/2021

**Sanctions Ordered:** Censure  
Monetary/Fine \$9,000.00

**Other Sanctions Ordered:**

**Sanction Details:** A CENSURE AND A MONETARY FINE IN THE AMOUNT OF \$9,000.  
PORTION AGAINST APPLICANT \$9,000.00 WAS PAID ON MAY 6, 2021.

**Disclosure 4 of 67**

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** HSBC SECURITIES (USA) INC. VIOLATED RULES 15C3-5(B) AND (C)(1)(II), AND EDGX RULES 3.2 AND 5.1 IN THAT THE FIRM'S FINANCIAL RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO PREVENT THE ENTRY OF ERRONEOUS ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME, OR THAT INDICATE DUPLICATIVE ORDERS.

**Initiated By:** CBOE EDGX EXCHANGE, INC.

**Date Initiated:** 04/16/2021

**Docket/Case Number:** STAR NO. 20180577360 / FILE NO. USRI-8018-07

**Principal Product Type:** Equity Listed (Common & Preferred Stock)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 04/20/2021

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$9,000.00

**Other Sanctions Ordered:**

**Sanction Details:** A CENSURE AND A MONETARY FINE IN THE AMOUNT OF \$9,000.



<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	HSBC SECURITIES (USA) INC. VIOLATED RULES 15C3-5(B) AND (C)(1)(II), AND EDGX RULES 3.2 AND 5.1 IN THAT THE FIRM'S FINANCIAL RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO PREVENT THE ENTRY OF ERRONEOUS ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME, OR THAT INDICATE DUPLICATIVE ORDERS.
<b>Initiated By:</b>	CBOE EDGX EXCHANGE, INC.
<b>Date Initiated:</b>	04/16/2021
<b>Docket/Case Number:</b>	STAR NO. 20180577360 / FILE NO. USRI-8018-07
<b>Principal Product Type:</b>	Equity Listed (Common & Preferred Stock)
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	04/20/2021
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$9,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	A CENSURE AND A MONETARY FINE IN THE AMOUNT OF \$9,000. PORTION AGAINST APPLICANT \$9,000.00 WAS PAID ON MAY 6, 2021.

#### Disclosure 5 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	HSBC SECURITIES (USA) INC. VIOLATED RULES 15C3-5(B) AND (C)(1)(II) AND BYX RULES 3.2 AND 5.1 IN THAT THE FIRM'S FINANCIAL RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO PREVENT THE ENTRY OF ERRONEOUS



ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME, OR THAT INDICATE DUPLICATIVE ORDERS.

**Initiated By:** CBOE BYX EXCHANGE, INC.

**Date Initiated:** 04/16/2021

**Docket/Case Number:** STAR NO. 20180577360 / FILE NO. USRI-8018-06

**Principal Product Type:** Equity Listed (Common & Preferred Stock)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 04/20/2021

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$9,000.00

**Other Sanctions Ordered:**

**Sanction Details:** A CENSURE AND A MONETARY FINE IN THE AMOUNT OF \$9,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** HSBC SECURITIES (USA) INC. VIOLATED RULES 15C3-5(B) AND (C)(1)(II) AND BYX RULES 3.2 AND 5.1 IN THAT THE FIRM'S FINANCIAL RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO PREVENT THE ENTRY OF ERRONEOUS ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME, OR THAT INDICATE DUPLICATIVE ORDERS.

**Initiated By:** CBOE BYX EXCHANGE, INC.



**Date Initiated:** 04/16/2021

**Docket/Case Number:** STAR NO. 20180577360 / FILE NO. USRI-8018-06

**Principal Product Type:** Equity Listed (Common & Preferred Stock)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 04/20/2021

**Sanctions Ordered:** Censure  
Monetary/Fine \$9,000.00

**Other Sanctions Ordered:**

**Sanction Details:** A CENSURE AND A MONETARY FINE IN THE AMOUNT OF \$9,000. PORTION AGAINST APPLICANT \$9,000.00 WAS PAID ON MAY 6, 2021.

#### Disclosure 6 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** HSBC SECURITIES (USA) INC. VIOLATED RULES 15C3-5(B) AND (C)(1)(II), AND BZX RULES 3.2 AND 5.1 IN THAT THE FIRM'S FINANCIAL RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO PREVENT THE ENTRY OF ERRONEOUS ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME, OR THAT INDICATE DUPLICATIVE ORDERS.

**Initiated By:** CBOE BZX EXCHANGE, INC.

**Date Initiated:** 04/16/2021

**Docket/Case Number:** STAR NO. 20180577360 / FILE NO. USRI-8018-05

**Principal Product Type:** Equity Listed (Common & Preferred Stock)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)



**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 04/20/2021

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$9,000.00

**Other Sanctions Ordered:**

**Sanction Details:** A CENSURE AND A MONETARY FINE IN THE AMOUNT OF \$9,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** HSBC SECURITIES (USA) INC. VIOLATED RULES 15C3-5(B) AND (C)(1)(II), AND BZX RULES 3.2 AND 5.1 IN THAT THE FIRM'S FINANCIAL RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO PREVENT THE ENTRY OF ERRONEOUS ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME, OR THAT INDICATE DUPLICATIVE ORDERS.

**Initiated By:** CBOE BZX EXCHANGE, INC.

**Date Initiated:** 04/16/2021

**Docket/Case Number:** STAR NO. 20180577360 / FILE NO. USRI-8018-05

**Principal Product Type:** Equity Listed (Common & Preferred Stock)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent





**Resolution Date:** 04/20/2021

**Sanctions Ordered:** Censure  
Monetary/Fine \$9,000.00

**Other Sanctions Ordered:**

**Sanction Details:** A CENSURE AND A MONETARY FINE IN THE AMOUNT OF \$9,000.  
PORTION AGAINST APPLICANT \$9,000.00 WAS PAID ON MAY 6, 2021.

#### Disclosure 7 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM OR WSPTS REASONABLY DESIGNED TO SCREEN NON-REGISTERED ASSOCIATED PERSONS FOR STATUTORY DISQUALIFICATION. THE FINDINGS STATED THAT THE FIRM'S WRITTEN PROCEDURES ONLY ADDRESSED FINGERPRINTING AND SCREENING FOR STATUTORY DISQUALIFICATION OF REGISTERED INDIVIDUALS OR THOSE REQUIRED TO BE REGISTERED. THE PROCEDURES DID NOT REQUIRE THAT NON-REGISTERED ASSOCIATED PERSONS BE FINGERPRINTED AND SCREENED FOR STATUTORY DISQUALIFICATION. THE FIRM ALSO FAILED TO ASSIGN PERSONNEL TO IDENTIFY AND SCREEN NON-REGISTERED ASSOCIATED PERSONS. AFTER IDENTIFYING THIS ISSUE, THE FIRM WAS ABLE TO FINGERPRINT AND SCREEN SOME OF THE NON-REGISTERED ASSOCIATED PERSONS. THROUGH THIS PROCESS THE FIRM DID NOT IDENTIFY ANY INDIVIDUALS WHO WERE SUBJECT TO STATUTORY DISQUALIFICATION. HOWEVER, THE FIRM WAS UNABLE TO FINGERPRINT AND SCREEN OTHER INDIVIDUALS BECAUSE THEY WERE NO LONGER ASSOCIATED WITH THE FIRM AND THUS COULD NOT DETERMINE WHETHER THOSE INDIVIDUALS WERE SUBJECT TO STATUTORY DISQUALIFICATION.

**Initiated By:** FINRA

**Date Initiated:** 02/02/2021

**Docket/Case Number:** [2018059528401](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**



### Other Sanction(s)/Relief Sought:

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 02/02/2021

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$650,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$650,000, AND IS REQUIRED TO REVIEW ITS SYSTEMS AND PROCEDURES REGARDING THE IDENTIFICATION, FINGERPRINTING, AND SCREENING OF NON-REGISTERED ASSOCIATED PERSONS TO ENSURE THAT CURRENT SYSTEMS AND PROCEDURES ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH GOVERNING SECURITIES LAWS AND REGULATIONS. FINE PAID IN FULL ON FEBRUARY 25, 2021.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM OR WORKS REASONABLY DESIGNED TO SCREEN NON-REGISTERED ASSOCIATED PERSONS FOR STATUTORY DISQUALIFICATION. THE FINDINGS STATED THAT THE FIRM'S WRITTEN PROCEDURES ONLY ADDRESSED FINGERPRINTING AND SCREENING FOR STATUTORY DISQUALIFICATION OF REGISTERED INDIVIDUALS OR THOSE REQUIRED TO BE REGISTERED. THE PROCEDURES DID NOT REQUIRE THAT NON-REGISTERED ASSOCIATED PERSONS BE FINGERPRINTED AND SCREENED FOR STATUTORY DISQUALIFICATION. THE FIRM ALSO FAILED TO ASSIGN PERSONNEL TO IDENTIFY AND SCREEN NON-REGISTERED ASSOCIATED PERSONS. AFTER IDENTIFYING THIS ISSUE, THE FIRM WAS ABLE TO FINGERPRINT AND SCREEN SOME OF THE NON-REGISTERED ASSOCIATED PERSONS. THROUGH THIS PROCESS THE FIRM DID NOT IDENTIFY ANY INDIVIDUALS WHO WERE SUBJECT TO STATUTORY DISQUALIFICATION. HOWEVER, THE FIRM WAS UNABLE TO FINGERPRINT AND SCREEN OTHER



INDIVIDUALS BECAUSE THEY WERE NO LONGER ASSOCIATED WITH THE FIRM AND THUS COULD NOT DETERMINE WHETHER THOSE INDIVIDUALS WERE SUBJECT TO STATUTORY DISQUALIFICATION.

**Initiated By:** FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)

**Date Initiated:** 02/02/2021

**Docket/Case Number:** [2018059528401](#)

**Principal Product Type:** Other

**Other Product Type(s):** NO PRODUCT

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 02/02/2021

**Sanctions Ordered:** Censure  
Monetary/Fine \$650,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$650,000, AND IS REQUIRED TO REVIEW ITS SYSTEMS AND PROCEDURES REGARDING THE IDENTIFICATION, FINGERPRINTING, AND SCREENING OF NON-REGISTERED ASSOCIATED PERSONS TO ENSURE THAT CURRENT SYSTEMS AND PROCEDURES ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH GOVERNING SECURITIES LAWS AND REGULATIONS. THE MONETARY PENALTY WAS PAID ON FEBRUARY 25, 2021.

#### Disclosure 8 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SEC ADMIN RELEASE 34-88387; IA RELEASE 40-5464, MARCH 16, 2020: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTION 15(B) OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AND SECTIONS 203(E) AND 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT") AGAINST HSBC SECURITIES (USA) INC. ("HSBC



SECURITIES" OR "RESPONDENT"). THE COMMISSION FINDS THAT THIS MATTER ARISES OUT OF MISREPRESENTATIONS REGARDING HOW HSBC SECURITIES COMPENSATED DUAL-REGISTERED INVESTMENT ADVISER REPRESENTATIVES ("IARS") IN ITS RETAIL BANKING AND WEALTH MANAGEMENT BUSINESS. BETWEEN NOVEMBER 2015 AND AUGUST 2017, HSBC SECURITIES MADE FALSE AND MISLEADING STATEMENTS TO CURRENT AND PROSPECTIVE ADVISORY CLIENTS AND FAILED TO DISCLOSE CONFLICTS OF INTEREST CONCERNING THE FACTORS HSBC SECURITIES USED TO DETERMINE COMPENSATION FOR ITS IARS. IN ITS FORMS ADV PART 2A AND WRAP FEE PROGRAM BROCHURES, HSBC SECURITIES STATED THAT IARS WERE NOT COMPENSATED BASED ON FEES FOR ITS ADVISORY PROGRAMS AND THAT IARS WERE COMPENSATED BASED ON NON-FINANCIAL FACTORS. CONTRARY TO ITS REPRESENTATIONS, HSBC SECURITIES ALSO CONSIDERED SEVERAL FINANCIAL FACTORS RELATED TO CLIENT ACCOUNTS TO DETERMINE ITS IARS' COMPENSATION, INCLUDING THE AMOUNT OF ADVISORY FEES CLIENTS PAID TO HSBC SECURITIES. ADDITIONALLY, HSBC SECURITIES FAILED TO ADOPT AND IMPLEMENT WRITTEN POLICIES AND PROCEDURES REASONABLY DESIGNED TO PREVENT VIOLATIONS OF THE ADVISERS ACT AND THE RULES THEREUNDER IN CONNECTION WITH ITS REPRESENTATIONS ON IAR COMPENSATION. AS A RESULT OF THE CONDUCT DESCRIBED ABOVE, HSBC SECURITIES WILLFULLY VIOLATED SECTIONS 206(2) AND 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 03/16/2020

**Docket/Case Number:** 3-19730

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 03/16/2020



<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	Yes
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$725,000.00 Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	RESPONDENT IS CENSURED AND ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 206(2) AND 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER. RESPONDENT SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$725,000.
<b>Regulator Statement</b>	RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT, WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. RESPONDENT WILLFULLY VIOLATED SECTIONS 206(2) AND 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER. RESPONDENT IS CENSURED AND ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 206(2) AND 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER. RESPONDENT SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$725,000.
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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	THE SEC ALLEGED THAT BETWEEN NOVEMBER 2015 AND AUGUST 2017, HSBC SECURITIES (USA) INC. ("HSI") MADE FALSE AND MISLEADING STATEMENTS TO CURRENT AND PROSPECTIVE ADVISORY CLIENTS AND FAILED TO DISCLOSE CONFLICTS OF INTEREST CONCERNING THE FACTORS HSI USED TO DETERMINE COMPENSATION FOR ITS INVESTMENT ADVISER REPRESENTATIVES ("IARS"). THE SEC ALLEGED THAT, CONTRARY TO STATEMENTS IN ITS FORM ADV BROCHURES, HSI CONSIDERED SEVERAL FINANCIAL FACTORS RELATED TO CLIENT ACCOUNTS TO DETERMINE ITS IARS' COMPENSATION, INCLUDING THE AMOUNT OF ADVISORY FEES CLIENTS PAID TO HSI. THE SEC ALSO ALLEGED THAT, HSI FAILED TO ADOPT AND IMPLEMENT WRITTEN POLICIES AND PROCEDURES REASONABLY DESIGNED TO PREVENT VIOLATIONS OF THE ADVISERS ACT AND THE RULES THERE UNDER IN CONNECTION WITH ITS REPRESENTATIONS ON IAR COMPENSATION.
<b>Initiated By:</b>	U.S. SECURITIES AND EXCHANGE COMMISSION ("SEC")



<b>Date Initiated:</b>	03/16/2020
<b>Docket/Case Number:</b>	FILE NO. 3-19730
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CEASE AND DESIST AND CENSURE
<b>Resolution:</b>	Settled
<b>Resolution Date:</b>	03/16/2020
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$725,000.00 Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	AS PART OF THE SETTLEMENT, THE SEC ORDERED THAT HSI (I) CEASE AND DESIST FROM VIOLATING SECTIONS 206(2) AND 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7 THERE UNDER (II) BE CENSURED; AND (III) PAY A CIVIL MONETARY PENALTY IN THE AMOUNT OF \$725,000. THE CIVIL MONETARY PENALTY WAS PAID ON MARCH 23, 2020.
<b>Firm Statement</b>	ON MARCH 16, 2020, HSI ENTERED INTO A SETTLEMENT WITH THE SEC CONCERNING HSI'S DISCLOSURES TO ADVISORY CLIENTS AND PROSPECTIVE CLIENTS FROM NOVEMBER 2015 THROUGH AUGUST 2017 REGARDING HOW IT COMPENSATES ITS DUALY REGISTERED INVESTMENT ADVISER AND BROKER REPRESENTATIVES ("IARS"). THE SEC DETERMINED THAT HSI'S DISCLOSURES WERE FALSE AND MISLEADING BECAUSE THEY FAILED TO DISCLOSE CONFLICTS OF INTEREST ABOUT HOW IARS' COMPENSATION WAS DETERMINED. THE SEC'S ORDER RECOGNIZES THAT HSI DISCLOSED TO ALL BROKERAGE CUSTOMERS IN ITS CUSTOMER AGREEMENT THAT CONFLICTS OF INTEREST BETWEEN CUSTOMERS AND IARS MAY ARISE WITH RESPECT TO RECURRING INCOME HSI RECEIVES. BUT IN SEPARATE DISCLOSURES TO ADVISORY CUSTOMERS, HSI STATED THAT IARS WERE COMPENSATED BASED SOLELY ON NON-FINANCIAL FACTORS, AND NOT ON THE FEES PAID TO HSI. THE SEC FOUND THAT HSI DID CONSIDER FINANCIAL FACTORS IN SETTING IAR'S DISCRETIONARY BONUSES, INCLUDING THE AMOUNT OF QUARTERLY ADVISORY FEES SPECTRUM AND MANAGED PORTFOLIO ACCOUNT ("MPA") PROGRAM CLIENTS PAID TO HSI, WHICH GAVE IARS AN INCENTIVE TO GENERATE THOSE FEES. THE SEC FURTHER DETERMINED



THAT HSI LACKED SUFFICIENT POLICIES AND PROCEDURES REASONABLY DESIGNED TO PREVENT VIOLATIONS PERTAINING TO ITS REPRESENTATIONS ABOUT IARS' COMPENSATION. ON MARCH 16, 2020, WITHOUT ADMITTING OR DENYING THE SEC'S FINDINGS, HSI AGREED TO CEASE AND DESIST VIOLATING THE STATUTES AND RULES THE SEC DETERMINED IT VIOLATED, A CENSURE AND TO PAY A FINE OF \$725,000. THE CIVIL MONETARY PENALTY WAS PAID ON MARCH 23, 2020.

#### Disclosure 9 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	<p>THE COMMODITY FUTURES TRADING COMMISSION ("COMMISSION") HAS REASON TO BELIEVE THAT HSBC SECURITIES (USA) INC., ("HSBC" OR "RESPONDENT") HAS VIOLATED SECTION 4C(A)(5)(C) OF THE COMMODITY EXCHANGE ACT (THE "ACT" OR "CEA"), 7 U.S.C. § 6C(A)(5)(C) (2012). THEREFORE, THE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED TO DETERMINE WHETHER RESPONDENT ENGAGED IN THE VIOLATIONS SET FORTH HEREIN AND TO DETERMINE WHETHER ANY ORDER SHOULD BE ISSUED IMPOSING REMEDIAL SANCTIONS.</p> <p>THE COMMISSION FINDS THAT FROM AT LEAST JULY 16, 2011, THROUGH AUGUST 2014, (THE "RELEVANT PERIOD"), HSBC, BY AND THROUGH ONE OF ITS TRADERS ("TRADER A"), ENGAGED IN THE DISRUPTIVE TRADING PRACTICE OF "SPOOFING" (BIDDING OR OFFERING WITH THE INTENT TO CANCEL THE BID OR OFFER BEFORE EXECUTION) WITH RESPECT TO CERTAIN FUTURES PRODUCTS IN GOLD AND OTHER PRECIOUS METALS ("PRECIOUS METALS") TRADED ON THE COMMODITY EXCHANGE, INC. ("COMEX"). THIS SPOOFING CONDUCT VIOLATED SECTION 4C(A)(5)(C) OF THE ACT, 7 U.S.C. § 6C(A)(5)(C) (2012).</p>
<b>Initiated By:</b>	COMMODITY FUTURES TRADING COMMISSION
<b>Date Initiated:</b>	01/29/2018
<b>Docket/Case Number:</b>	18-08
<b>Principal Product Type:</b>	Futures - Commodity
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Other
<b>Other Sanction(s)/Relief Sought:</b>	N/A



**Resolution:** Order

**Resolution Date:** 01/29/2018

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** Yes

**Sanctions Ordered:** Monetary/Fine \$1,600,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT ("OFFER"), WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. RESPONDENT VIOLATED SECTION 4C(A)(5) OF THE ACT, 7 U.S.C. § 6C(A)(5)(C) (2012). IT IS ORDERED THAT RESPONDENT AND ITS SUCCESSORS AND ASSIGNS SHALL CEASE AND DESIST FROM VIOLATING SECTION 4C(A)(5) OF THE ACT, 7 U.S.C. § 6C(A)(5)(C) (2012). RESPONDENT IS ORDERED TO PAY A CIVIL MONETARY PENALTY OF \$1,600,000. RESPONDENT AND ITS SUCCESSORS AND ASSIGNS ARE ALSO ORDERED TO COMPLY WITH CERTAIN CONDITIONS AND UNDERTAKINGS.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** ON JANUARY 29, 2018, THE U.S. COMMODITY FUTURES TRADING COMMISSION (CFTC) ANNOUNCED A SETTLEMENT WITH HSBC SECURITIES (USA) INC. (HSI) TO RESOLVE THE CFTC'S INVESTIGATION INTO HSBC'S PRECIOUS METALS OPERATIONS AND TRADING. THE CFTC'S INVESTIGATION CONCLUDED THAT BETWEEN JULY 2011 THROUGH AUGUST 2014, A TRADER IN HSBC'S NEW YORK OFFICE ENGAGED IN THE DISRUPTIVE TRADING PRACTICE OF SPOOFING (BIDDING OR OFFERING WITH THE INTENT TO CANCEL THE BID OR OFFER BEFORE EXECUTION) WITH RESPECT TO CERTAIN PRODUCTS IN GOLD AND OTHER PRECIOUS METALS TRADED IN COMEX.

**Initiated By:** US COMMODITY FUTURES TRADING COMMISSION (CFTC)

**Date Initiated:** 01/29/2018

**Docket/Case Number:** CFTC 18-08





**Principal Product Type:** Futures - Commodity

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:** CIVIL MONETARY PENALTY

**Resolution:** Settled

**Resolution Date:** 01/29/2018

**Sanctions Ordered:** Monetary/Fine \$1,600,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:****Sanction Details:**

PURSUANT TO THE ORDER, HSI AGREED TO PAY A \$1.6 MILLION CIVIL MONETARY PENALTY AND AGREED TO CEASE AND DESIST FROM SPOOFING. HSI MADE THE PAYMENT ON FEBRUARY 12, 2018.

**Firm Statement**

ON JANUARY 29, 2018, THE U.S. COMMODITY FUTURES TRADING COMMISSION (CFTC) ANNOUNCED A SETTLEMENT WITH HSBC SECURITIES (USA) INC. (HSI) TO RESOLVE THE CFTC'S INVESTIGATION INTO HSBC'S PRECIOUS METALS OPERATIONS AND TRADING. THE CFTC'S INVESTIGATION CONCLUDED THAT BETWEEN JULY 2011 THROUGH AUGUST 2014, A TRADER IN HSBC'S NEW YORK OFFICE ENGAGED IN THE DISRUPTIVE TRADING PRACTICE OF SPOOFING (BIDDING OR OFFERING WITH THE INTENT TO CANCEL THE BID OR OFFER BEFORE EXECUTION) WITH RESPECT TO CERTAIN PRODUCTS IN GOLD AND OTHER PRECIOUS METALS TRADED IN COMEX. PURSUANT TO THE ORDER, HSI AGREED TO PAY A \$1.6 MILLION CIVIL MONETARY PENALTY AND TO CEASE AND DESIST FROM SPOOFING. HSI MADE THE PAYMENT ON FEBRUARY 12, 2018. HSI NEITHER ADMITTED NOR DENIED LIABILITY.

THE CFTC'S ORDER NOTES THAT HSI AND ITS AFFILIATES CONDUCTED AN INTERNAL REVIEW INCLUDING ANALYZING THE TRADING ACTIVITY OF CERTAIN TRADERS FOR POTENTIAL SPOOFING MISCONDUCT AND SUBSTANTIALLY ASSISTED THE DIVISION'S INVESTIGATION, INCLUDING IDENTIFYING THE TRADER'S MISCONDUCT AND PROMPTLY REPORTING IT TO THE DIVISION. IN ADDITION, THE TRADER'S EMPLOYMENT WAS TERMINATED ONCE THE CONDUCT WAS IDENTIFIED. FURTHER, HSI HAS INITIATED AN OVERHAUL OF ITS SYSTEMS AND CONTROLS AND IMPLEMENTED A VARIETY OF ENHANCEMENTS TO DETECT AND DETER SIMILAR CONDUCT.



## Disclosure 10 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO MAINTAIN ELECTRONIC BROKERAGE RECORDS IN NON-ERASABLE AND NON-REWRITABLE FORMAT KNOWN AS THE "WRITE ONCE, READ MANY" (WORM) FORMAT, THAT IS INTENDED TO PREVENT THE ALTERATION OR DESTRUCTION OF BROKER-DEALER RECORDS STORED ELECTRONICALLY. THE FINDINGS STATED THAT THESE REQUIREMENTS ARE AN ESSENTIAL PART OF THE INVESTOR PROTECTION FUNCTION BECAUSE PRESERVATION OF THESE RECORDS IS THE PRIMARY MEANS OF MONITORING COMPLIANCE WITH APPLICABLE SECURITIES LAWS, INCLUDING ANTIFRAUD PROVISIONS AND FINANCIAL RESPONSIBILITY STANDARDS. THE FIRM FAILED TO RETAIN IN WORM FORMAT BROKERAGE ORDER MEMORANDA RECORDS RELATING TO APPROXIMATELY 12.36 MILLION TRANSACTIONS IN PREFERRED EXCHANGE-TRADED FUNDS, EQUITIES, AND FIXED INCOME PRODUCTS. OTHER AFFECTED RECORDS INCLUDED A LIMITED NUMBER OF THE FIRM'S GENERAL LEDGER, CERTAIN INTERNAL AUDIT RECORDS, RISK MANAGEMENT CONTROL RECORDS, UNUSUAL ACTIVITY REPORTS AND CERTAIN POLICY MANUALS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO PROVIDE THE REQUIRED 90-DAY NOTICE TO ITS DESIGNATED EXAMINING AUTHORITY (FINRA), PRIOR TO RETAINING A VENDOR TO PROVIDE ELECTRONIC STORAGE. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO IMPLEMENT AN AUDIT SYSTEM AS REQUIRED FOR THOSE RECORDS IT FAILED TO MAINTAIN IN WORM FORMAT. FINRA FOUND THAT IN CERTAIN INSTANCES, THE FIRM FAILED TO OBTAIN AN ATTESTATION FROM ITS THIRD-PARTY VENDOR THAT IT WILL SUPPLY ELECTRONICALLY STORED RECORDS TO REGULATORY AUTHORITIES IN THE EVENT THE FIRM IS UNABLE TO PROVIDE THE ELECTRONICALLY STORED RECORDS. FINRA ALSO FOUND THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES (WSPS) REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE SEC RULE FOR RECORD RETENTION REQUIREMENTS. THE FIRM'S WSPS FAILED TO SPECIFY HOW THE FIRM WOULD SUPERVISE ITS COMPLIANCE WITH RECORD RETENTION REQUIREMENTS UNDER THE RULE.

**Initiated By:** FINRA

**Date Initiated:** 06/30/2017

**Docket/Case Number:** [2017053137201](#)

**Principal Product Type:** Other



<b>Other Product Type(s):</b>	EXCHANGE TRADED FUNDS, EQUITIES, AND FIXED INCOME PRODUCTS
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	06/30/2017
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$1,500,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKING
<b>Sanction Details:</b>	THE FIRM WAS CENSURED, FINED \$1,500,000 AND REQUIRED TO SUBMIT TO FINRA A WRITTEN PLAN OF HOW IT WILL UNDERTAKE TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE RELEVANT POLICIES AND PROCEDURES (WRITTEN AND OTHERWISE), INCLUDING A DESCRIPTION OF REMEDIAL MEASURES LEADING TO FULL COMPLIANCE, RELATING TO THE CONDUCT ADDRESSED IN THE AWC. THEN IF ACCEPTABLE TO FINRA THE FIRM WILL PROMPTLY IMPLEMENT ITS COMPREHENSIVE REVIEW AND CERTIFY IN WRITING TO FINRA THAT IT HAS ADOPTED AND IMPLEMENTED POLICIES AND PROCEDURES DESIGNED TO ENSURE COMPLIANCE WITH THE FEDERAL SECURITIES LAWS AND FINRA RULES ADDRESSED IN THE AWC. FINES PAID IN FULL ON JULY 17, 2017.
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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Appealed To and Date Appeal Filed:</b>	NOT APPLICABLE
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO MAINTAIN ELECTRONIC BROKERAGE RECORDS IN NON-ERASABLE AND NON-REWRITABLE FORMAT KNOWN AS THE "WRITE ONCE, READ MANY" (WORM) FORMAT, THAT IS INTENDED TO PREVENT

THE ALTERATION OR DESTRUCTION OF BROKER-DEALER RECORDS STORED ELECTRONICALLY. THE FINDINGS STATED THAT THESE REQUIREMENTS ARE AN ESSENTIAL PART OF THE INVESTOR PROTECTION FUNCTION BECAUSE PRESERVATION OF THESE RECORDS IS THE PRIMARY MEANS OF MONITORING COMPLIANCE WITH APPLICABLE SECURITIES LAWS, INCLUDING ANTIFRAUD PROVISIONS AND FINANCIAL RESPONSIBILITY STANDARDS. THE FIRM FAILED TO RETAIN IN WORM FORMAT BROKERAGE ORDER MEMORANDA RECORDS RELATING TO APPROXIMATELY 12.36 MILLION TRANSACTIONS IN PREFERRED EXCHANGE-TRADED FUNDS, EQUITIES, AND FIXED INCOME PRODUCTS. OTHER AFFECTED RECORDS INCLUDED A LIMITED NUMBER OF THE FIRM'S GENERAL LEDGER, CERTAIN INTERNAL AUDIT RECORDS, RISK MANAGEMENT CONTROL RECORDS, UNUSUAL ACTIVITY REPORTS AND CERTAIN POLICY MANUALS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO PROVIDE THE REQUIRED 90-DAY NOTICE TO ITS DESIGNATED EXAMINING AUTHORITY (FINRA), PRIOR TO RETAINING A VENDOR TO PROVIDE ELECTRONIC STORAGE. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO IMPLEMENT AN AUDIT SYSTEM AS REQUIRED FOR THOSE RECORDS IT FAILED TO MAINTAIN IN WORM FORMAT. FINRA FOUND THAT IN CERTAIN INSTANCES, THE FIRM FAILED TO OBTAIN AN ATTESTATION FROM ITS THIRD-PARTY VENDOR THAT IT WILL SUPPLY ELECTRONICALLY STORED RECORDS TO REGULATORY AUTHORITIES IN THE EVENT THE FIRM IS UNABLE TO PROVIDE THE ELECTRONICALLY STORED RECORDS. FINRA ALSO FOUND THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES (WSPS) REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE SEC RULE FOR RECORD RETENTION REQUIREMENTS. THE FIRM'S WSPS FAILED TO SPECIFY HOW THE FIRM WOULD SUPERVISE ITS COMPLIANCE WITH RECORD RETENTION REQUIREMENTS UNDER THE RULE.

**Initiated By:** FINRA

**Date Initiated:** 06/30/2017

**Docket/Case Number:** [2017053137201](#)

**Principal Product Type:** Other

**Other Product Type(s):** EXCHANGE TRADED FUNDS, EQUITIES AND FIXED INCOME PRODUCTS

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** MONETARY / FINE

**Resolution:** Acceptance, Waiver & Consent(AWC)



<b>Resolution Date:</b>	06/30/2017
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$1,500,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKING
<b>Sanction Details:</b>	THE FIRM WAS CENSURED, FINED \$1,500,000 AND REQUIRED TO SUBMIT TO FINRA A WRITTEN PLAN OF HOW IT WILL UNDERTAKE TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE RELEVANT POLICIES AND PROCEDURES (WRITTEN AND OTHERWISE), INCLUDING A DESCRIPTION OF REMEDIAL MEASURES LEADING TO FULL COMPLIANCE, RELATING TO THE CONDUCT ADDRESSED IN THE AWC. THEN IF ACCEPTABLE TO FINRA THE FIRM WILL PROMPTLY IMPLEMENT ITS COMPREHENSIVE REVIEW AND CERTIFY IN WRITING TO FINRA THAT IT HAS ADOPTED AND IMPLEMENTED POLICIES AND PROCEDURES DESIGNED TO ENSURE COMPLIANCE WITH THE FEDERAL SECURITIES LAWS AND FINRA RULES ADDRESSED IN THE AWC.
<b>Firm Statement</b>	HSBC SECURITIES (USA) INC. MADE PAYMENT OF \$1,500,000 ON JULY 14, 2017.

#### Disclosure 11 of 67

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Appealed To and Date Appeal Filed:</b>	NOT APPLICABLE
<b>Allegations:</b>	THE CLEARING HOUSE RISK COMMITTEE ACCEPTED A SETTLEMENT IN THE AMOUNT OF \$50,000.00 AS A SETTLEMENT OFFER IN CONJUNCTION WITH VIOLATION OF CME RULE 930.E.1., 930.F, 970A.4 AND 971A.
<b>Initiated By:</b>	CME CLEARING HOUSE RISK COMMITTEE.
<b>Date Initiated:</b>	03/30/2017
<b>Docket/Case Number:</b>	17-CH-1701
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Reprimand
<b>Other Sanction(s)/Relief Sought:</b>	



<b>Resolution:</b>	Settled
<b>Resolution Date:</b>	03/31/2017
<b>Sanctions Ordered:</b>	Monetary/Fine \$50,000.00
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	N/A
<b>Firm Statement</b>	PURSUANT TO AN OFFER OF SETTLEMENT, HSBC SECURITIES (USA) INC. NEITHER ADMITTED NOR DENIED THE RULE VIOLATIONS UPON WHICH THE PENALTY IS BASED, ON MARCH 30, 2017, THE CLEARING HOUSE RISK COMMITTEE FOUND THAT HSBC SECURITIES (USA) INC. VIOLATED CME RULES 930.E.1., 930.F., 970.A.4. AND 971.A.

#### Disclosure 12 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT UTILIZED AN ORDER MANAGEMENT SYSTEM (OMS) WHICH ALLOWED THE FIRM TO DESIGNATE CERTAIN ACCOUNTS TO AUTOMATICALLY TRANSMIT TRADE VOLUME TO BLOOMBERG FOR ADVERTISEMENT. THE FINDINGS STATED THAT THE FIRM OPENED A NUMBER OF ACCOUNTS WITH A DEFAULT SETTING THAT RESULTED IN CERTAIN TRADE ACTIVITY BEING SENT TO BLOOMBERG TWICE FOR ADVERTISING. THE FIRM'S PROGRAMMING ERROR CAUSED IT TO OVER-ADVERTISE TRADE VOLUME EXECUTED IN AT LEAST 30 SEPARATE AFFECTED TRADING BOOKS. ONE OF THE FIRM'S TRADERS MANUALLY ENTERED TRADE VOLUME IN CERTAIN SECURITIES FOR ADVERTISING ON BLOOMBERG. THOSE SECURITIES, HOWEVER, WERE ALSO BEING SENT TO BLOOMBERG FOR AUTOMATIC ADVERTISING THROUGH THE FIRM'S OMS. BY VIRTUE OF THE TRADER'S ERRONEOUS MANUAL ADVERTISEMENTS, THE FIRM OVER-ADVERTISED ITS EXECUTED TRADE VOLUME. THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND FINRA RULES, CONCERNING THE ADVERTISEMENT OF TRADE VOLUME.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	01/19/2017
<b>Docket/Case Number:</b>	<a href="#">2013035716601</a>



<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	UNSPECIFIED SECURITIES
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	01/19/2017
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$575,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKING: REQUIRED TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES
<b>Sanction Details:</b>	THE FIRM WAS CENSURED, FINED \$575,000, AND UNDERTAKES TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES. THE MITIGATED MONETARY SANCTION IN THIS MATTER REFLECTS THE FIRM'S SELF-REPORTING OF THE OVER-ADVERTISING VIOLATIONS. FINE PAID IN FULL ON FEBRUARY 16, 2017.
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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Appealed To and Date Appeal Filed:</b>	N/A
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT UTILIZED AN ORDER MANAGEMENT SYSTEM (OMS) WHICH ALLOWED THE FIRM TO DESIGNATE CERTAIN ACCOUNTS TO AUTOMATICALLY TRANSMIT TRADE VOLUME TO BLOOMBERG FOR ADVERTISEMENT. THE FINDINGS STATED THAT THE FIRM OPENED A NUMBER OF ACCOUNTS WITH A DEFAULT SETTING THAT RESULTED IN CERTAIN TRADE ACTIVITY BEING SENT TO BLOOMBERG TWICE FOR ADVERTISING. THE FIRM'S PROGRAMMING ERROR CAUSED IT TO OVER-ADVERTISE TRADE VOLUME EXECUTED IN AT LEAST 30 SEPARATE AFFECTED TRADING BOOKS. ONE OF THE FIRM'S



TRADERS MANUALLY ENTERED TRADE VOLUME IN CERTAIN SECURITIES FOR ADVERTISING ON BLOOMBERG. THOSE SECURITIES, HOWEVER, WERE ALSO BEING SENT TO BLOOMBERG FOR AUTOMATIC ADVERTISING THROUGH THE FIRM'S OMS. BY VIRTUE OF THE TRADER'S ERRONEOUS MANUAL ADVERTISEMENTS, THE FIRM OVER-ADVERTISED ITS EXECUTED TRADE VOLUME. THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND FINRA RULES, CONCERNING THE ADVERTISEMENT OF TRADE VOLUME.

**Initiated By:** FINANCIAL INDUSTRY REGULATORY AUTHORITY

**Date Initiated:** 01/19/2017

**Docket/Case Number:** [2013035716601](#)

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** OTHER TO INCLUDE THE FOLLOWING PRINCIPAL SANCTION: FINE, CENSURE AND UNDERTAKING.

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/19/2017

**Sanctions Ordered:** Censure  
Monetary/Fine \$575,000.00

**Other Sanctions Ordered:** UNDERTAKING: REQUIRED TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES

**Sanction Details:** THE FIRM WAS CENSURED AND THE FIRM PAID A FINE ON FEBRUARY 15,2017 FOR \$575,000, AND UNDERTAKES TO REVISE THE FIRM'S SUPERVISORY WRITTEN PROCEDURES. THE MITIGATED MONETARY SANCTION IN THIS MATTER REFLECTS THE FIRM'S SELF-REPORTING OF THE OVER-ADVERTISING VIOLATIONS.

#### Disclosure 13 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO





REPORT P1 TRANSACTIONS IN TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)-ELIGIBLE CORPORATE DEBT SECURITIES TO TRACE WITHIN THE TIME PRESCRIBED BY FINRA RULES AND FAILED TO REPORT S1 TRANSACTIONS IN TRACE-ELIGIBLE AGENCY DEBT SECURITIES TO TRACE WITHIN 15 MINUTES OF THE TIME OF EXECUTION. THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR FINRA/NASD RULES. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) FAILED TO PROVIDE FOR THE MINIMUM REQUIREMENTS FOR ADEQUATE WPS REGARDING: REVIEW FOR TIMELY REPORTING OF TRACE-ELIGIBLE TRANSACTIONS AND REVIEW FOR NON-REPORTING OF TRACE-ELIGIBLE TRANSACTIONS.

**Initiated By:** FINRA

**Date Initiated:** 03/18/2015

**Docket/Case Number:** [2013035963401](#)

**Principal Product Type:** Debt - Corporate

**Other Product Type(s):** AGENCY DEBT SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 03/18/2015

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$80,000.00

**Other Sanctions Ordered:** UNDERTAKING: REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$80,000 AND UNDERTAKES TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES. FINE PAID IN FULL.



**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC SECURITIES (USA)INC. ("HSBC")CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REPORT P1 TRANSACTIONS IN TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)-ELIGIBLE CORPORATE DEBT SECURITIES TO TRACE WITHIN THE TIME PRESCRIBED BY FINRA RULES AND FAILED TO REPORT S1 TRANSACTIONS IN TRACE-ELIGIBLE AGENCY DEBT SECURITIES TO TRACE WITHIN 15 MINUTES OF THE TIME OF EXECUTION. THE FINDINGS STATED THAT HSBC'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR FINRA/NASD RULES.

**Initiated By:** FINRA

**Date Initiated:** 11/11/2014

**Docket/Case Number:** [2013035963401](#)

**Principal Product Type:** Other

**Other Product Type(s):** AGENCY DEBT SECURITIES  
CORPORATE DEBT SECURITIES

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** MONETARY/FINE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 03/18/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$80,000.00

**Other Sanctions Ordered:** UNDERTAKING: HSBC SECURITIES (USA) INC. WILL REVISE ITS WRITTEN SUPERVISORY PROCEDURES.

**Sanction Details:** HSBC SECURITIES (USA) INC. WAS CENSURED, FINED \$80,000 AND WILL BE REVISING ITS WRITTEN SUPERVISORY PROCEDURES.

#### Disclosure 14 of 67

**Reporting Source:** Firm

**Current Status:** Final



<b>Allegations:</b>	HSBC SECURITIES (USA) INC. FAILED TO (I) PROPERLY MONITOR AND RECONCILE DISCREPANCIES WITH ITS CUSTOMER OPTIONS POSITIONS ON FILE AT THE OPTIONS CLEARING CORPORATION ("OCC"), WHICH CAUSED INACCURATE OPEN INTEREST RECORDS FOR 183 BUSINESS DAYS BETWEEN FEBRUARY 24, 2012 AND NOVEMBER 9, 2012, IN ONE INSTANCE, AND FOR 303 BUSINESS DAYS BETWEEN OCTOBER 6, 2011 AND DECEMBER 14, 2012, IN THE SECOND INSTANCE, UNTIL HSBC WAS INSTRUCTED TO EXERCISE THE SUBJECT POSITIONS AND (III) MAINTAIN ADEQUATE WRITTEN SUPERVISORY PROCEDURES RELATED TO OCC ADJUSTMENTS AND RECONCILIATION PROCESSES.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	08/26/2014
<b>Docket/Case Number:</b>	FINRA MATTER ID:20130359431
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	NYSE MKT RULE 320. OFFICES - APPROVAL, SUPERVISION AND CONTROL.
<b>Principal Sanction(s)/Relief Sought:</b>	Other
<b>Other Sanction(s)/Relief Sought:</b>	FINED.
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	09/22/2014
<b>Sanctions Ordered:</b>	Monetary/Fine \$3,500.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING ANY VIOLATION, HSBC WAS FINED \$3,500.00.

#### Disclosure 15 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	HSBC SECURITIES (USA) INC. ("HSBC"), AN EXCHANGE TRADING ORGANIZATION, WAS CENSURED AND FINED \$17,500 FOR THE FOLLOWING CONDUCT. HSBC (I) FAILED TO REGISTER ITS FINANCIAL AND OPERATIONS PRINCIPAL AS A FINANCIAL AND OPERATIONS PRINCIPAL (FN) WITH THE EXCHANGE IN WEBCRD; (II) FAILED TO REGISTER ITS CHIEF COMPLIANCE OFFICER AS A PROPRIETARY TRADER COMPLIANCE OFFICER (CT) WITH THE EXCHANGE IN WEBCRD; (III) FAILED TO REGISTER



ONE ASSOCIATED PERSON AS A PROPRIETARY TRADING PRINCIPAL (TP) WITH THE EXCHANGE IN WEBCRD; (IV) FAILED TO REGISTER FOUR ASSOCIATED PERSONS AS A PROPRIETARY TRADER (PT) WITH THE EXCHANGE IN WEBCRD; AND (V) FAILED TO REGISTER THE MINIMUM NUMBER OF TPS WITH THE EXCHANGE IN WEBCRD. (EXCHANGE RULE 3.6A - QUALIFICATION AND REGISTRATION OF TRADING PERMIT HOLDERS AND ASSOCIATED PERSONS)

**Initiated By:** CHICAGO BOARD OPTIONS EXCHANGE

**Date Initiated:** 07/23/2014

**Docket/Case Number:** 14-0095

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 09/08/2014

**Sanctions Ordered:** Censure  
Monetary/Fine \$17,500.00

**Other Sanctions Ordered:**

**Sanction Details:** A \$17,500 FINE AND A CENSURE.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE CHICAGO BOARD OPTIONS EXCHANGE, INC.("CBOE") ALLEGED THAT HSBC SECURITIES (USA) INC.("HSI") VIOLATED EXCHANGE RULE 3.6A, BY FAILING TO REGISTER ITS CHIEF COMPLIANCE OFFICER AS A PROPRIETARY TRADER COMPLIANCE OFFICER; FAILED TO REGISTER ONE ASSOCIATED PERSON AS A PROPRIETARY TRADING PRINCIPAL AND FAILED TO REGISTER FOUR ASSOCIATED PERSONS AS PROPRIETARY TRADERS.

**Initiated By:** CHICAGO BOARD OPTIONS EXCHANGE, INCORPORATED



**Date Initiated:** 05/27/2014  
**Docket/Case Number:** FILE NO. 14-0095/ICT#101942  
**Principal Product Type:** No Product  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:** Censure  
**Other Sanction(s)/Relief Sought:** MONETARY FINE  
**Resolution:** Stipulation and Consent  
**Resolution Date:** 09/08/2014  
**Sanctions Ordered:** Censure  
 Monetary/Fine \$17,500.00  
**Other Sanctions Ordered:**  
**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS HSBC CONSENTED TO THE DESCRIBED SANCTIONS AND TO ENTRY OF FINDINGS. HSBC WAS CENSURED AND FINED \$17,500.

#### Disclosure 16 of 67

**Reporting Source:** Firm  
**Current Status:** Final  
**Allegations:** DURING THE PERIOD OF NOVEMBER 1, 2013 THROUGH JANUARY 31, 2014, HSBC SECURITIES (USA) INC. ("HSBC") VIOLATED RULE 576 BY FAILING TO MAINTAIN ACCURATE AND CURRENT REGISTRATION IN THE EXCHANGE FEE SYSTEM ("EFS"), SUBMITTING ERRONEOUS TAG 50 IDS WITH ORDER MESSAGES, AND SUBMITTING TEST MESSAGES INTO PRODUCTION CME GLOBEX. HSBC ALSO VIOLATED RULE 512 ("REPORTING INFRACTIONS").  
**Initiated By:** CHICAGO MERCANTILE EXCHANGE AND CHICAGO BOARD OF TRADE  
**Date Initiated:** 05/08/2014  
**Docket/Case Number:** CASE NUMBER 13-7817  
**Principal Product Type:** Other  
**Other Product Type(s):** RECORDKEEPING  
**Principal Sanction(s)/Relief Sought:** Other



**Other Sanction(s)/Relief Sought:** MONTERY FINE

**Resolution:** Settled

**Resolution Date:** 05/23/2014

**Sanctions Ordered:** Monetary/Fine \$5,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC PAID \$5,000 FINE. THE ALLOCATION OF THE FINE ACROSS BOTH CHICAGO MERCANTILE EXCHANGE AND CHICAGO BOARD OF TRADE IS BASED UPON THE SAME ACTIVITY OCCURRING AT EACH DESIGNATED CONTACT MARKET. (COMPRISED OF \$2,500 FOR FAILING TO MAINTAIN ACCURATE AND CURRENT REGISTRATION IN THE EXCHANGE FEE SYSTEM (EFS) AND \$2,500 FOR REPORTING INFRACTIONS.

**Disclosure 17 of 67**

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT HSBC VIOLATED NYSE AMEX RULE 980(C) AND NYSE AMEX RULE 320(E). MARKET REGULATION'S REVIEW REVEALED THAT IN VIOLATION OF NYSE AMEX RULE 980(C) HSBC ACCEPTED AND PROCEDDED AN EED TO EXERCISE 750 AT-THE-MONEY BRCM JANUARY 35 CALLS ON EXPIRATION SATURDAY, JANUARY 21, 2012, AFTER THE 5:30 P.M. ET CUTOFF ON FRIDAY JANUARY 20, 2012. FURTHERMORE, A REVIEW OF HSBC'S WRITTEN SUPERVISORY PROCEDURES ("WSPS") FOUND THAT HSBC DID NOT HAVE ADEQUATE PROCESS OR PROCEDURES IN PLACE FOR COMPLIANCE WITH NYSE AMEX RULE 980.

**Initiated By:** FINRA

**Date Initiated:** 01/20/2012

**Docket/Case Number:** 20120315951

**Principal Product Type:** Other

**Other Product Type(s):** EQUITY DERIVATIVES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:** MONETARY/FINE



<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	08/07/2012
<b>Sanctions Ordered:</b>	Monetary/Fine \$4,500.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	IN VIOLATION OF THE NYSE AMEX RULE 980(C) HSBC ACCEPTED AND PROCESSED CONTRARY EXERCISE INSTRUCTIONS TO EXERCISE 750 AT-THE-MONEY BRCM JANUARY 35 CALLS ON EXPIRATION SATURADAY, JANUARY 21, 2012, RECEIVED AFTER THE 5:30 P.M. ET CUTOFF ON FRIDAY JANUARY 20, 2012. HSBC CONSENT TO PAY A FINE OF \$1,000. IN VIOLATION OF THE NYSE AMEX RULE 320(E) A REVIEW OF HSBC'S WRITTEN SUPERVISORY PROCEDURES ("WSP") FOUND THAT HSBC DID NOT HAVE ADEQUATE PROCESS OR PROCEDURES IN PLACE FOR COMPLIANCE WITH NYSE AMEX RULE 980.
<b>Firm Statement</b>	IN VIEW OF THE FOREGOING MARKET REGULATION, HSBC WAS ISSUED A FINE FOR MINOR VIOLATION OF RULES DATED AUGUST 7, 2012 IN THE TOTAL AMOUNT OF \$4,500 PURSUANT TO NYSE MKT RULE 476A (IMPOSITION OF FINES FOR MINOR VIOLATION OF RULES) \$1,000 FOR HSBC'S VIOLATION OF NYSE AMEX OPTIONS RULE 980(C) AND #3,500 FOR VIOLATING NYSE AMEX RULE 320(E).

#### Disclosure 18 of 67

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	HSBC ASSIGNED INCORRECT CUSTOMER TYPE INDICATOR CODES TO FUTURES ACCOUNTS FOR THE PERIOD 12/1/2013 TO 12/31/2013. THIS WAS A VIOLATION OF CME RULE 536.
<b>Initiated By:</b>	CHICAGO MERCANTILE EXCHANGE
<b>Date Initiated:</b>	03/04/2014
<b>Docket/Case Number:</b>	14-7876
<b>Principal Product Type:</b>	Futures - Commodity
<b>Other Product Type(s):</b>	FUTURES - FINANCIAL
<b>Principal Sanction(s)/Relief Sought:</b>	Other
<b>Other Sanction(s)/Relief Sought:</b>	MONETARY FINE



<b>Resolution:</b>	Settled
<b>Resolution Date:</b>	03/19/2014
<b>Sanctions Ordered:</b>	Monetary/Fine \$5,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	HSBC ASSIGNED INCORRECT CUSTOMER TYPE INDICATOR CODES TO FUTURES ACCOUNTS FOR THE PERIOD 12/1 TO 12/31/2013. THIS IS A VIOLATION OF CME RULE 536. AS A RESULT, THE CME IMPOSED A FINE OF \$5,000 ON HSBC ON 3/4/2014. HSBC MADE ADJUSTMENTS TO ITS INTERNAL SYSTEM TO CORRECT THE DISCREPANCIES. HSBC PAID THE FINE ON 5/19/2014.
<b>Firm Statement</b>	HSBC ASSIGNED INCORRECT CUSTOMER TYPE INDICATOR CODES TO FUTURES ACCOUNTS FOR THE PERIOD 12/1 TO 12/31/2013. THIS IS A VIOLATION OF CME RULE 536. AS A RESULT, THE CME IMPOSED A FINE OF \$5,000 ON HSBC ON 3/4/2014. HSBC MADE ADJUSTMENTS TO ITS INTERNAL SYSTEM TO CORRECT THE DISCREPANCIES. HSBC PAID THE FINE ON 5/19/2014.

#### Disclosure 19 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT ERRONEOUSLY DESIGNATED TWO ACCOUNTS LOCATED IN THE FIRM'S LONDON AFFILIATE TO AUTOMATICALLY TRANSMIT TRADE VOLUME IN U.S.-LISTED SECURITIES TO BLOOMBERG CAUSING THE FIRM TO OVERSTATE ITS EXECUTED TRADE VOLUME. THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY SYSTEM WITH RESPECT TO THE ADVERTISING OF TRADE VOLUME TO PRIVATE SERVICE PROVIDERS DID NOT PROVIDE FOR SUPERVISION DESIGNED TO ACHIEVE COMPLIANCE WITH CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR FINRA/NASD RULES.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	06/10/2014
<b>Docket/Case Number:</b>	<a href="#">2011027541201</a>
<b>Principal Product Type:</b>	Equity Listed (Common & Preferred Stock)
<b>Other Product Type(s):</b>	





**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/10/2014

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$150,000.00

**Other Sanctions Ordered:** FINE PAID IN FULL ON JULY 1, 2014.

**Sanction Details:** SEE ABOVE

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT HSBC VIOLATED FINRA RULES 5210 AND 2010, NASD RULES 2110 AND 3010. FINRA ALLEGED THAT HSBC ERRONEOUSLY DESIGNATED TWO ACCOUNTS LOCATED IN THE FIRM'S LONDON AFFILIATE TO AUTOMATICALLY TRANSMIT TRADE VOLUME IN U.S.-LISTED SECURITIES TO BLOOMBERG CAUSING HSBC TO OVERSTATE ITS EXECUTED TRADE VOLUME. THE FINDINGS STATED THAT THE HSBC'S SUPERVISORY SYSTEM WITH RESPECT TO THE ADVERTISING OF TRADE VOLUME TO PRIVATE SERVICE PROVIDERS DID NOT PROVIDE FOR SUPERVISION DESIGNED TO ACHIEVE COMPLIANCE WITH CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR FINRA/NASD RULES.

**Initiated By:** FINRA

**Date Initiated:** 02/26/2014

**Docket/Case Number:** [2011027541201](#)

**Principal Product Type:** Equity Listed (Common & Preferred Stock)

**Other Product Type(s):**

**Principal Sanction(s)/Relief** Other



<b>Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	MONETARY/FINE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	06/10/2014
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$150,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	FINRA ALLEGED THAT HSBC VIOLATED FINRA RULES 5210 AND 2010, NASD RULES 2110 AND 3010. FINRA ALLEGED THAT HSBC ERRONEOUSLY DESIGNATED TWO ACCOUNTS LOCATED IN THE FIRM'S LONDON AFFILIATE TO AUTOMATICALLY TRANSMIT TRADE VOLUME IN U.S.-LISTED SECURITIES TO BLOOMBERG CAUSING HSBC TO OVERSTATE ITS EXECUTED TRADE VOLUME. THE FINDINGS STATED THAT THE HSBC'S SUPERVISORY SYSTEM WITH RESPECT TO THE ADVERTISING OF TRADE VOLUME TO PRIVATE SERVICE PROVIDERS DID NOT PROVIDE FOR SUPERVISION DESIGNED TO ACHIEVE COMPLIANCE WITH CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR FINRA/NASD RULES.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS HSBC CONSENTED TO THE DESCRIBED SANCTIONS AND TO ENTRY OF FINDINGS. HSBC WAS CENSURED AND FINED \$150,000.

#### Disclosure 20 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) LARGE BLOCK S1 TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF THE TIME OF EXECUTION, FAILED TO REPORT TO TRACE S1 CUSTOMER TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES THAT IT WAS REQUIRED TO REPORT, AND FAILED TO REPORT TO TRACE INTERDEALER TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES THAT IT WAS REQUIRED TO REPORT.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	06/03/2014



**Docket/Case Number:** [2012033847501](#)

**Principal Product Type:** Other

**Other Product Type(s):** TRACE-ELIGIBLE SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/03/2014

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$37,500.00

**Other Sanctions Ordered:**

**Sanction Details:** SEE ABOVE

**Regulator Statement** FINE PAID IN FULL ON JULY 1, 2014.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT HSBC VIOLATED FINRA RULE 6730(B)(2) AND FINRA RULE 2010. WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) LARGE BLOCK S1 TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF THE TIME OF EXECUTION, FAILED TO REPORT TO TRACE S1 CUSTOMER TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES THAT IT WAS REQUIRED TO REPORT, AND FAILED TO REPORT TO TRACE INTERDEALER TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES THAT IT WAS REQUIRED TO REPORT.

**Initiated By:** FINRA

**Date Initiated:** 02/26/2014



<b>Docket/Case Number:</b>	<a href="#">2012033847501</a>
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	TRACE-ELIGIBLE SECURITIES
<b>Principal Sanction(s)/Relief Sought:</b>	Other
<b>Other Sanction(s)/Relief Sought:</b>	TRACE-ELIGIBLE SECURITIES
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	06/03/2014
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$37,500.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	FINRA ALLEGED THAT HSBC VIOLATED FINRA RULE 6730(B)(2) AND FINRA RULE 2010. WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) LARGE BLOCK S1 TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF THE TIME OF EXECUTION, FAILED TO REPORT TO TRACE S1 CUSTOMER TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES THAT IT WAS REQUIRED TO REPORT, AND FAILED TO REPORT TO TRACE INTERDEALER TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES THAT IT WAS REQUIRED TO REPORT.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS,HSBC WAS CENSURED AND FINED \$37,500.

#### Disclosure 21 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT TRANSMITTED REPORTABLE ORDER EVENTS (ROES) THAT WERE REJECTED AND REPAIRABLE. AS A RESULT, THE FIRM FAILED TO REPAIR ROES DURING A REVIEW PERIOD THAT WERE REJECTED BY THE ORDER AUDIT TRAIL SYSTEM (OATS) FOR CONTEXT OR SYNTAX ERRORS AND WERE REPAIRABLE; FAILED TO REPAIR A PORTION OF THE REJECTED ROES WITHIN THE REQUIRED FIVE BUSINESS DAYS; AND FAILED TO

POPULATE THE CORRECT REJECTED ROE ID. THE FINDINGS STATED THAT THE FIRM TRANSMITTED TO OATS ROUTE OR COMBINED ORDER/ROUTE REPORTS THAT THE OATS SYSTEM WAS UNABLE TO LINK TO THE CORRESPONDING NEW ORDER TRANSMITTED BY THE DESTINATION MEMBER FIRM DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FIRM FAILED TO TIMELY REPORT ROES TO OATS; SUBMITTED EXECUTION OR COMBINED ORDER/EXECUTION REPORTS WHICH OATS WAS UNABLE TO LINK TO THE EXECUTION REPORTS TO THE RELATED TRADE REPORTS DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED INFORMATION; SUBMITTED EXECUTION OR COMBINED ORDER/EXECUTION REPORTS THAT IT WAS NOT REQUIRED TO REPORT; SUBMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS WHICH OATS WAS UNABLE TO LINK TO THE RELATED ORDER IN THE NEW YORK STOCK EXCHANGE DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA; SUBMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS WITH INCORRECT DESTINATION CODES; SUBMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS WHICH OATS WAS UNABLE TO MATCH WITH THE IDENTIFIED RECEIVING FIRM'S RELATED NEW ORDER REPORT; FAILED TO PROPERLY APPEND THE SPECIAL HANDLING CODE OF "CNH" (CASH NOT HELD) TO ORDERS; AND FAILED TO SUBMIT FOR ORDERS A REQUIRED COMBINED ORDER/EXECUTION REPORT TO OATS FOR ORDERS INVOLVING ERROR CORRECTIONS. THE FIRM ALSO FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER ITS CORRECT CAPACITY IN THE TRANSACTION.

**Initiated By:** FINRA

**Date Initiated:** 06/03/2014

**Docket/Case Number:** [2012033087701](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/03/2014



**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$22,500.00

**Other Sanctions Ordered:**

**Sanction Details:** SEE ABOVE

**Regulator Statement** FINE PAID IN FULL ON JUNE 23, 2014.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT HSBC VIOLATED FINRA RULE 7450 AND SEC RULE 10B-10. WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT TRANSMITTED REPORTABLE ORDER EVENTS (ROES) THAT WERE REJECTED AND REPAIRABLE. AS A RESULT, HSBC FAILED TO REPAIR ROES DURING A REVIEW PERIOD THAT WERE REJECTED BY THE ORDER AUDIT TRAIL SYSTEM (OATS) FOR CONTEXT OR SYNTAX ERRORS AND WERE REPAIRABLE; FAILED TO REPAIR A PORTION OF THE REJECTED ROES WITHIN THE REQUIRED FIVE BUSINESS DAYS; AND FAILED TO POPULATE THE CORRECT REJECTED ROE ID. THE FINDINGS STATED THAT HSBC TRANSMITTED TO OATS ROUTE OR COMBINED ORDER/ROUTE REPORTS THAT THE OATS SYSTEM WAS UNABLE TO LINK TO THE CORRESPONDING NEW ORDER TRANSMITTED BY THE DESTINATION MEMBER FIRM DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. HSBC FAILED TO TIMELY REPORT ROES TO OATS; SUBMITTED EXECUTION OR COMBINED ORDER/EXECUTION REPORTS WHICH OATS WAS UNABLE TO LINK TO THE EXECUTION REPORTS TO THE RELATED TRADE REPORTS DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED INFORMATION; SUBMITTED EXECUTION OR COMBINED ORDER/EXECUTION REPORTS THAT IT WAS NOT REQUIRED TO REPORT; SUBMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS WHICH OATS WAS UNABLE TO LINK TO THE RELATED ORDER IN THE NEW YORK STOCK EXCHANGE DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA; SUBMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS WITH INCORRECT DESTINATION CODES; SUBMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS WHICH OATS WAS UNABLE TO MATCH WITH THE



IDENTIFIED RECEIVING FIRM'S RELATED NEW ORDER REPORT; FAILED TO PROPERLY APPEND THE SPECIAL HANDLING CODE OF "CNH" (CASH NOT HELD) TO ORDERS; AND FAILED TO SUBMIT FOR ORDERS A REQUIRED COMBINED ORDER/EXECUTION REPORT TO OATS FOR ORDERS INVOLVING ERROR CORRECTIONS. THE HSBC ALSO FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER ITS CORRECT CAPACITY IN THE TRANSACTION.

**Initiated By:** FINRA

**Date Initiated:** 04/22/2014

**Docket/Case Number:** [2012033087701](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** MONETARY/FINE/CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/03/2014

**Sanctions Ordered:** Censure  
Monetary/Fine \$22,500.00

**Other Sanctions Ordered:**

**Sanction Details:** FINRA ALLEGED THAT HSBC VIOLATED FINRA RULE 7450 AND SEC RULE 10B-10. WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT TRANSMITTED REPORTABLE ORDER EVENTS (ROES) THAT WERE REJECTED AND REPAIRABLE. AS A RESULT, HSBC FAILED TO REPAIR ROES DURING A REVIEW PERIOD THAT WERE REJECTED BY THE ORDER AUDIT TRAIL SYSTEM (OATS) FOR CONTEXT OR SYNTAX ERRORS AND WERE REPAIRABLE; FAILED TO REPAIR A PORTION OF THE REJECTED ROES WITHIN THE REQUIRED FIVE BUSINESS DAYS; AND FAILED TO POPULATE THE CORRECT REJECTED ROE ID. THE FINDINGS STATED THAT HSBC TRANSMITTED TO OATS ROUTE OR COMBINED ORDER/ROUTE REPORTS THAT THE OATS SYSTEM WAS UNABLE TO LINK TO THE CORRESPONDING NEW ORDER TRANSMITTED BY THE DESTINATION MEMBER FIRM DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. HSBC FAILED TO TIMELY REPORT ROES TO OATS; SUBMITTED EXECUTION OR COMBINED ORDER/EXECUTION REPORTS WHICH OATS WAS UNABLE TO LINK TO THE EXECUTION REPORTS TO THE RELATED TRADE REPORTS



DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED INFORMATION; SUBMITTED EXECUTION OR COMBINED ORDER/EXECUTION REPORTS THAT IT WAS NOT REQUIRED TO REPORT; SUBMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS WHICH OATS WAS UNABLE TO LINK TO THE RELATED ORDER IN THE NEW YORK STOCK EXCHANGE DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA; SUBMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS WITH INCORRECT DESTINATION CODES; SUBMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS WHICH OATS WAS UNABLE TO MATCH WITH THE IDENTIFIED RECEIVING FIRM'S RELATED NEW ORDER REPORT; FAILED TO PROPERLY APPEND THE SPECIAL HANDLING CODE OF "CNH" (CASH NOT HELD) TO ORDERS; AND FAILED TO SUBMIT FOR ORDERS A REQUIRED COMBINED ORDER/EXECUTION REPORT TO OATS FOR ORDERS INVOLVING ERROR CORRECTIONS. THE HSBC ALSO FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER ITS CORRECT CAPACITY IN THE TRANSACTION.

#### Firm Statement

WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC WAS CENSURE AND FINED \$22,500(COMPRISED OF \$20,000 FOR OATS VIOLATIONS AND \$2,500 FOR THE SEC RULE 10B-10 VIOLATIONS).

#### Disclosure 22 of 67

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	ON MARCH 25, 2014,A PANEL OF THE CHICAGO BOARD OF TRADE BUSINESS CONDUCT COMMITTEE ("PANEL") FOUND THAT ON JUNE 3, 2011, HSBC EXECUTED A BLOCK TRADE IN THE SEPTEMBER 2011 FIVE-YEAR US TREASURY NOTE FUTURES CONTRACTS, AND FAILED TO REPORT THE TRADE TO THE EXCHANGE WITHIN FIVE MINUTES. THE PANEL CONCLUDED THAT HSBC THEREBY VIOLATED CBOT RULE 526.F.
<b>Initiated By:</b>	CHICAGO BOARD OF TRADE BUSINESS CONDUCT COMMITTEE ("PANEL")
<b>Date Initiated:</b>	07/25/2011
<b>Docket/Case Number:</b>	CBOT 11-8572-BC
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	FIVE-YEAR US TREASURY NOTE FUTURES CONTRACTS
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	





**Resolution:** Settled

**Resolution Date:** 03/27/2014

**Sanctions Ordered:** Monetary/Fine \$25,000.00

**Other Sanctions Ordered:**

**Sanction Details:** HSBC SECURITIES (USA) INC. IN ACCORDANCE WITH THE SETTLEMENT PAID A FINE IN THE AMOUNT OF \$25,000.

**Firm Statement** WITHOUT ADMITTING OR DENYING THE RULE VIOLATIONS UPON WHICH THE PENALTY IS BASED, HSBC SECURITIES (USA) INC. IN ACCORDANCE WITH THE SETTLEMENT PAID A FINE IN THE AMOUNT OF \$25,000.

### Disclosure 23 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** FINRA RULES 2010, 6730, 6730(A), 6760 - HSBC SECURITIES (USA) INC. FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) P1 TRANSACTIONS IN TRACE-ELIGIBLE CORPORATE SECURITIES; FAILED TO REPORT TO TRACE THE ACCURATE VOLUME AND PRICE FOR P1 TRANSACTIONS IN TRACE-ELIGIBLE CORPORATE SECURITIES; FAILED TO REPORT TO TRACE THE ACCURATE EXECUTION DATE FOR P1 TRANSACTIONS IN TRACE-ELIGIBLE CORPORATE SECURITIES; FAILED TO REPORT TO TRACE THE CORRECT CONTRA-PARTY'S IDENTIFIER FOR P1 TRANSACTIONS IN TRACE-ELIGIBLE CORPORATE SECURITIES AND FAILED TO REPORT TO TRACE THE ACCURATE MARKET IDENTIFIER FOR ONE P1 TRANSACTION IN A TRACE-ELIGIBLE CORPORATE SECURITY. THE FIRM FAILED TO TIMELY REPORT P1 TRANSACTIONS IN TRACE-ELIGIBLE CORPORATE DEBT SECURITIES WITHIN THE APPROPRIATE T+1 TIME FRAME. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6730(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010. THE FIRM FAILED TO REPORT TO TRACE NEW ISSUE OFFERINGS THAT IT WAS REQUIRED TO REPORT WITHIN THE TIME FRAMES SET FORTH IN FINRA RULE 6760. THE FIRM FAILED TO REPORT TO TRACE S1 TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF THE EXECUTION TIME. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6730(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010.

**Initiated By:** FINRA



**Date Initiated:** 05/28/2013

**Docket/Case Number:** [2011027361201](#)

**Principal Product Type:** Debt - Corporate

**Other Product Type(s):** TRACE-ELIGIBLE CORPORATE SECURITIES, TRACE-ELIGIBLE CORPORATE DEBT SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/28/2013

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$75,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$75,000. FINE PAID ON JUNE 20, 2013.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT HSBC SECURITIES (USA) INC. ("HSBC") VIOLATED FINRA RULES 2010, 6730, 6730(A), 6760 - HSBC FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) P1 TRANSACTIONS IN TRACE-ELIGIBLE CORPORATE SECURITIES; FAILED TO REPORT TO TRACE THE ACCURATE VOLUME AND PRICE FOR P1 TRANSACTIONS IN TRACE-ELIGIBLE CORPORATE SECURITIES; FAILED TO REPORT TO TRACE THE ACCURATE EXECUTION DATE FOR P1 TRANSACTIONS IN TRACE-ELIGIBLE CORPORATE SECURITIES; FAILED TO REPORT TO TRACE THE CORRECT CONTRA-PARTY'S IDENTIFIER FOR P1 TRANSACTIONS IN A TRACE-ELIGIBLE CORPORATE SECURITY AND FAILED



TO REPORT TO TRACE THE ACCURATE MARKET IDENTIFIER FOR ONE P1 TRANSACTION IN A TRACE-ELIGIBLE CORPORATE SECURITY. HSBC FAILED TO TIMELY REPORT P1 TRANSACTIONS IN TRACE-ELIGIBLE CORPORATE DEBT SECURITIES WITHIN THE APPROPRIATE T+1 TIME FRAME. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6730(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010. HSBC TO REPORT TO TRACE NEW ISSUE OFFERINGS THAT IT WAS REQUIRED TO REPORT WITHIN THE TIME FRAMES SET FORTH IN FINRA RULE 6760. HSBC FAILED TO REPORT TO TRACE S1 TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF THE EXECUTION TIME. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6730(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010.

**Initiated By:** FINRA

**Date Initiated:** 05/28/2013

**Docket/Case Number:** [2011027361201](#)

**Principal Product Type:** Debt - Corporate

**Other Product Type(s):** TRACE-ELIGIBLE CORPORATE SECURITIES, TRACE-ELIGIBLE CORPORATE DEBT SECURITIES

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** MONETARY/FINE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/28/2013

**Sanctions Ordered:** Censure  
Monetary/Fine \$75,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE, HSBC WAS CENSURED AND FINED \$75,000.

#### Disclosure 24 of 67

**Reporting Source:** Regulator

**Current Status:** Final



**Allegations:** FINRA RULE 7450 - HSBC SECURITIES (USA)INC. FAILED TO TIMELY REPORT REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM(OATS); SUBMITTED NEW ORDER REPORTS AND RELATED SUBSEQUENT REPORTS (I.E. ROUTE REPORT, CANCEL REPORT, CANCEL/REPLACE REPORT OR EXECUTION REPORT) WITH INCORRECT TIMESTAMPS; SUBMITTED EXECUTION OR COMBINED ORDER/EXECUTION REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA; SUBMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS WHICH OATS WAS UNABLE TO LINK TO THE RELATED ORDER IN THE NASDAQ MARKET CENTER DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA; SUBMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS THAT OATS WAS UNABLE TO MATCH TO THE RECEIVING FIRM'S RELATED NEW ORDER REPORT; AND SUBMITTED NEW ORDER EVENTS IT WAS NOT REQUIRED TO REPORT.

**Initiated By:** FINRA

**Date Initiated:** 05/07/2013

**Docket/Case Number:** [2010025141301](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/07/2013

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$10,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM WAS CENSURED AND FINED \$10,000. FINE PAID ON JUNE 14, 2013.



<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	FINRA ALLEGED THAT HSBC SECURITIES (USA) INC. VIOLATED FINRA RULE 7450 - HSBC SECURITIES (USA) INC. ("HSBC) FAILED TO TIMELY REPORT REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS). HSBC SUBMITTED NEW ORDER REPORTS AND RELATED SUBSEQUENT REPORTS (I.E. ROUTE REPORTS, CANCEL REPORT, CANCEL/REPLACE REPORT OR EXECUTION REPORT) WITH INCORRECT TIMESTAMPS; HSBC SUBMITTED EXECUTION OR COMBINED ORDER/EXECUTION REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA; SUBMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS WHICH OATS WAS UNABLE TO LINK TO THE RELATED ORDER IN THE NASDAQ MARKET CENTER DUE TO INACCURATE INCOMPLETE OR IMPROPERLY FORMATTED DATA; SUBMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS THAT OATS WAS UNABLE TO MATCH TO THE RECEIVING HSBC'S RELATED NEW ORDER REPORT; AND SUBMITTED NEW ORDER EVENTS IT WAS NOT REQUIRED TO REPORT.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	05/07/2013
<b>Docket/Case Number:</b>	<a href="#">2010025141301</a>
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Censure
<b>Other Sanction(s)/Relief Sought:</b>	MONETRAY/FINE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	05/07/2013
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$10,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. HSBC WAS CENSURED AND FINED \$10,000.



### Disclosure 25 of 67

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES ALLEGED THAT HSBC VIOLATED SECTION 2110(A)(2) OF THE INSURANCE LAW IN ITS RENEWAL APPLICATIONS FOR AGENT'S LICENSE UNDER SECTION 2103(A) OF THE INSURANCE LAW FOR FAILING TO DISCLOSE CERTAIN REGULATORY MATTERS AND ARBITRATION AWARDS ENTERED AGAINST HSBC.
<b>Initiated By:</b>	NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
<b>Date Initiated:</b>	12/04/2012
<b>Docket/Case Number:</b>	2012-0233-S
<b>Principal Product Type:</b>	Insurance
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Other
<b>Other Sanction(s)/Relief Sought:</b>	FINED
<b>Resolution:</b>	Stipulation and Consent
<b>Resolution Date:</b>	12/04/2012
<b>Sanctions Ordered:</b>	Monetary/Fine \$27,500.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	HSBC SECURITIES (USA) INC. WAIVED ITS RIGHT TO NOTICE AND A HEARING ON SAID CHARGE AND AGREED, IN LIEU OF ANY OTHER DISCIPLINARY ACTION WHICH MIGHT BE TAKEN BY THE NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES. HSBC AGREED TO FINE OF \$27,500.00 AND TO TAKE ALL NECESSARY STEPS TO PREVENT THE RECURRENCE OF ANY SIMLIAR VIOLATIONS.

### Disclosure 26 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	SEC RULE 204(A)(2), SEC RULES 200(G), 203(B)(3) OF REGULATION SHO,



FINRA RULES 2010, 6624, NASD RULE 3010 - HSBC SECURITIES (USA) INC. HAD A FAIL-TO-DELIVER POSITION AT A REGISTERED CLEARING AGENCY IN A THRESHOLD SECURITY FOR 13 CONSECUTIVE SETTLEMENT DAYS AND FAILED TO IMMEDIATELY THEREAFTER CLOSE OUT THE FAIL-TO-DELIVER POSITION BY PURCHASING SECURITIES OF LIKE KIND AND QUANTITY. THE FIRM CONTINUED TO HAVE A FAIL-TO-DELIVER POSITION IN THE SECURITY AT THE REGISTERED CLEARING AGENCY ON 79 ADDITIONAL SETTLEMENT DAYS, WHICH IT FAILED TO CLOSE OUT WHEN REQUIRED. THE FIRM HAD FAIL-TO-DELIVER POSITIONS AT A REGISTERED CLEARING AGENCY IN THE SECURITY THAT RESULTED FROM A SALE OF A SECURITY THAT THE SELLER WAS DEEMED TO OWN PURSUANT TO §242.200 AND INTENDED TO DELIVER ONCE ALL RESTRICTIONS ON DELIVERY HAD BEEN REMOVED, AND DID NOT CLOSE THE FAIL-TO-DELIVER POSITIONS BY PURCHASING SECURITIES OF LIKE KIND AND QUANTITY WITHIN THE TIME FRAME PRESCRIBED BY SEC RULE 204(A)(2). THE FIRM ACCEPTED ORDERS IN DEEMED TO OWN OVER-THE-COUNTER (OTC) EQUITY SECURITIES AND FAILED TO PROPERLY MARK THE ORDERS AS SHORT AND AS A RESULT, THE FIRM EXECUTED SHORT SALE TRANSACTIONS AND FAILED TO REPORT EACH OF THESE TRANSACTIONS TO THE OTC REPORTING FACILITY WITH A SHORT SALE INDICATOR. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND FINRA RULES CONCERNING FINRA RULES 6182 AND 6624 (TRADE REPORTING OF SHORT SALES) AND SEC RULES 200(G)(ORDER MARKING), 203(A) (LONG SALES), 203(B)(1) (LOCATE REQUIREMENT), 203(B)(3) (THRESHOLD CLOSE OUT REQUIREMENT), AND 204 (CLOSE OUT REQUIREMENT).

**Initiated By:** FINRA

**Date Initiated:** 01/15/2013

**Docket/Case Number:** [2010021555401](#)

**Principal Product Type:** Equity - OTC

**Other Product Type(s):** THRESHOLD SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/15/2013



**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$65,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$65,000 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING FINRA RULES 6182 AND 6624 (TRADE REPORTING OF SHORT SALES) AND SEC RULES 200(G)(ORDER MARKING), 203(A) (LONG SALES), 203(B)(1) (LOCATE REQUIREMENT), 203(B)(3) (THRESHOLD CLOSE OUT REQUIREMENT), AND 204 (CLOSE OUT REQUIREMENT) WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC. FINE PAID IN FULL ON 2/27/13.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT HSBC SECURITIES (USA) INC. ("HSBC") VIOLATED SEC RULE 204(A)(2), SEC RULES 200(G), 203(B)(3) OF REGULATION SHO, FINRA RULES 2010, 6624, NASD RULE 3010 - HSBC HAD A FAIL-TO-DELIVER POSITION AT A REGISTERED CLEARING AGENCY IN A THRESHOLD SECURITY FOR 13 CONSECUTIVE SETTLEMENT DAYS AND FAILED TO IMMEDIATELY THEREAFTER CLOSE OUT THE FAIL-TO-DELIVER POSITION BY PURCHASING SECURITIES OF LIKE KIND AND QUANTITY. HSBC CONTINUED TO HAVE A FAIL-TO-DELIVER POSITION IN THE SECURITY AT THE REGISTERED CLEARING AGENCY ON 79 ADDITIONAL SETTLEMENT DAYS, WHICH FAILED TO CLOSE OUT WHEN REQUIRED. HSBC HAD FAIL-TO-DELIVER POSITIONS AT A REGISTERED CLEARING AGENCY IN THE SECURITY THAT RESULTED FROM A SALE OF A SECURITY THAT THE SELLER WAS DEEMED TO OWN PURSUANT TO §242.200 AND INTENDED TO DELIVER ONCE ALL RESTRICTIONS ON DELIVERY HAD BEEN REMOVED, AND DID NOT CLOSE THE FAIL-TO-DELIVER POSITIONS BY PURCHASING SECURITIES OF LIKE KIND AND QUANTITY WITHIN THE TIME FRAME PRESCRIBED BY SEC RULE 204(A)(2). HSBC ACCEPTED ORDERS IN DEEMED TO OWN OVER-THE-COUNTER (OTC) EQUITY SECURITIES AND FAILED TO PROPERLY MARK THE ORDERS AS SHORT AND AS A RESULT, HSBC EXECUTED SHORT SALE TRANSACTIONS AND FAILED TO REPORT EACH OF THESE TRANSACTIONS TO THE OTC REPORTING FACILITY WITH





A SHORT SALE INDICATOR. HSBC'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND FINRA RULES CONCERNING FINRA RULES 6182 AND 6624 (TRADE REPORTING OF SHORT SALES) AND SEC RULES 200(G)(ORDER MARKING), 203(A) (LONG SALES), 203(B)(1) (LOCATE REQUIREMENT), 203(B)(3) (THRESHOLD CLOSE OUT REQUIREMENT), AND 204 (CLOSE OUT REQUIREMENT).

**Initiated By:** FINRA

**Date Initiated:** 01/15/2013

**Docket/Case Number:** [2010021555401](#)

**Principal Product Type:** Equity - OTC

**Other Product Type(s):** THRESHOLD SECURITIES

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** MONETARY/FINE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/15/2013

**Sanctions Ordered:** Censure  
Monetary/Fine \$65,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. HSBC WAS CENSURED, FINED \$65,000 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING FINRA RULES 6182 AND 6624 (TRADE REPORTING OF SHORT SALES) AND SEC RULES 200(G)(ORDER MARKING), 203(A) (LONG SALES), 203(B)(1) (LOCATE REQUIREMENT), 203(B)(3) (THRESHOLD CLOSE OUT REQUIREMENT), AND 204 (CLOSE OUT REQUIREMENT) WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC.

#### Disclosure 27 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SECURITIES EXCHANGE ACT OF 1934 RULE 17A-4(B)(4), FINRA RULES 2010,



8211, 8213, NASD RULES 2110, 2711(H)(2), 3110, 8211, 8213: THE FIRM'S MIDDLE OFFICE SYSTEM ERRONEOUSLY LEFT OFF SHORT SALE INDICATORS WHEN COMMUNICATING WITH ITS BACK OFFICE SYSTEM, WHICH REPORTED THE FIRM'S BLUE SHEETS. AS A RESULT, THE FIRM MISREPORTED SHORT SALE TRANSACTIONS AS LONG SALES ON BLUE SHEETS DURING A FOUR-YEAR PERIOD. THE FIRM FAILED TO DELIVER PROSPECTUSES OR OFFERING MEMORANDA THAT WERE REQUIRED TO BE DELIVERED IN CONNECTION WITH FIXED INCOME TRANSACTIONS. THE FIRM EXPERIENCED A BREAKDOWN IN ITS AUTOMATED FEEDS, RESULTING IN THE FIRM'S FAILURE TO APPEND CERTAIN INVESTMENT BANKING DISCLOSURES TO ITS RESEARCH REPORTS. IN ADDITION, THE FIRM LEARNED THAT IT HAD ALSO FAILED TO INCLUDE CERTAIN DEBT OFFERINGS IN THE DEFINITION OF INVESTMENT BANKING THAT WAS USED TO DETERMINE THE APPROPRIATE DISCLOSURES FOR ITS RESEARCH REPORTS UP UNTIL THAT TIME. AS A RESULT OF THESE DEFICIENCIES, THE FIRM ISSUED EQUITY RESEARCH REPORTS WITHOUT REQUIRED DISCLOSURES. MOREOVER, DUE TO INCORRECT MAPPING OF COMPANY IDENTIFIERS, SOME OF THE FIRM'S RESEARCH REPORTS INITIALLY FAILED TO CONTAIN PROPER DISCLOSURES. DESPITE THE FIRM'S POLICY OF DISABLING TEXT MESSAGING ON EMPLOYEE BLACKBERRIES, CERTAIN NON-TECHNOLOGY EMPLOYEES HAD BLACKBERRIES WITH INBOUND TEXTING FUNCTIONALITY. THE FIRM LATER TOOK STEPS TO ELIMINATE THIS FUNCTIONALITY. HOWEVER, SOME REGISTERED EMPLOYEES STILL HAD BLACKBERRIES WITH TEXTING CAPABILITY. THE FIRM FAILED TO RETAIN BLACKBERRY TEXT MESSAGES RECEIVED BY CERTAIN EMPLOYEES.

**Initiated By:** FINRA

**Date Initiated:** 01/07/2013

**Docket/Case Number:** [2011027202401](#)

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/07/2013



**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?**

No

**Sanctions Ordered:**

Censure  
Monetary/Fine \$250,000.00

**Other Sanctions Ordered:**

**Sanction Details:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED AND FINED \$250,000. THE FIRM SATISFIED THE CRITERIA NECESSARY TO RECEIVE CREDIT FOR EXTRAORDINARY COOPERATION. IN LIGHT OF ITS EXTRAORDINARY COOPERATION, THE FIRM HAS RECEIVED A REDUCED FINE. FINE PAID IN FULL ON 1/18/2013.

**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

FINRA ALLEGED THAT HSBC SECURITIES (USA) INC. ("HSBC") VIOLATED THE SECURITIES EXCHANGE ACT OF 1934 RULE 17A-4(B)(4), FINRA RULES 2010, 8211, 8213, NASD RULES 2110, 2711(H)(2), 3110, 8211, 8213: THE HSBC'S MIDDLE OFFICE SYSTEM ERRONEOUSLY LEFT OFF SHORT SALE INDICATORS WHEN COMMUNICATING WITH ITS BACK OFFICE SYSTEM, WHICH REPORTED HSBC'S BLUE SHEETS. AS A RESULT, HSBC MISREPORTED SHORT SALE TRANSACTIONS AS LONG SALES ON ITS BLUE SHEETS DURING A FOUR-YEAR PERIOD. HSBC FAILED TO DELIVER PROSPECTUSES OR OFFERING MEMORANDA THAT WERE REQUIRED TO BE DELIVERED IN CONNECTION WITH FIXED INCOME TRANSACTIONS. HSBC EXPERIENCED A BREAKDOWN IN ITS AUTOMATED FEEDS, RESULTING IN FAILURE TO APPEND CERTAIN INVESTMENT BANKING DISCLOSURES TO ITS RESEARCH REPORTS. IN ADDITION, HSBC LEARNED THAT IT HAD ALSO FAILED TO INCLUDE CERTAIN DEBT OFFERINGS IN THE DEFINITION OF INVESTMENT BANKING THAT WAS USED TO DETERMINE THE APPROPRIATE DISCLOSURES FOR ITS RESEARCH REPORTS UP UNTIL THAT TIME. AS A RESULT OF THESE DEFICIENCIES, HSBC ISSUED EQUITY RESEARCH REPORTS WITHOUT REQUIRED DISCLOSURES. MOREOVER, DUE TO INCORRECT MAPPING OF COMPANY IDENTIFIERS, SOME OF THE RESEARCH REPORTS INITIALLY FAILED TO CONTAIN PROPER DISCLOSURES. DESPITE ITS POLICY OF DISABLING TEXT MESSAGING ON EMPLOYEE BLACKBERRIES, CERTAIN NON-TECHNOLOGY EMPLOYEES HAD BLACKBERRIES WITH INBOUND TEXTING FUNCTIONALITY. HSBC LATER TOOK STEPS TO ELIMINATE THIS FUNCTIONALITY. HOWEVER,



SOME REGISTERED EMPLOYEES STILL HAD BLACKBERRIES WITH TEXTING CAPABILITY. HSBC FAILED TO RETAIN BLACKBERRY TEXT MESSAGES RECEIVED BY CERTAIN EMPLOYEES.

**Initiated By:** FINRA

**Date Initiated:** 01/07/2013

**Docket/Case Number:** [2011027202401](#)

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** MONETARY/FINE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/07/2013

**Sanctions Ordered:** Censure  
Monetary/Fine \$250,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. HSBC WAS CENSURED AND FINED \$250,000. HSBC SATISFIED THE CRITERIA NECESSARY TO RECEIVE CREDIT FOR EXTRAORDINARY COOPERATION. IN LIGHT OF ITS EXTRAORDINARY COOPERATION, HSBC RECEIVED A REDUCED FINE.

#### Disclosure 28 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** FINRA RULES 2010, 6730(A), 6760(B), NASD RULE 3010 - HSBC SECURITIES (USA) INC. SERVED AS THE MANAGING UNDERWRITER OF A DISTRIBUTION OR OFFERING, OTHER THAN A SECONDARY OFFERING, AND FAILED TO REPORT SUCH DISTRIBUTION OR OFFERING TO FINRA MARKET OPERATIONS WITHIN THE PRESCRIBED TIME FRAME. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND FINRA RULES CONCERNING FINRA RULE 6760(B). THE FIRM FAILED TO REPORT TO THE TRADE REPORTING



AND COMPLIANCE ENGINE (TRACE) S1 TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF THE EXECUTION TIME. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6730(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATIONS OF FINRA RULE 2010.

**Initiated By:** FINRA

**Date Initiated:** 09/20/2012

**Docket/Case Number:** [2010024139801](#)

**Principal Product Type:** Other

**Other Product Type(s):** TRACE-ELIGIBLE SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 09/20/2012

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$70,000.00

**Other Sanctions Ordered:** UNDERWRITING

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$70,000 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING FINRA RULE 6760(B) WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC. FINE PAID IN FULL ON 10/09/2012.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT HSBC SECURITIES (USA) INC. ("HSBC") VIOLATED



FINRA RULES 2010, 6730(A), 6760(B), NASD RULE 3010 - HSBC SECURITIES (USA) INC. SERVED AS THE MANAGING UNDERWRITER OF A DISTRIBUTION OR OFFERING, OTHER THAN A SECONDARY OFFERING, AND FAILED TO REPORT SUCH DISTRIBUTION OR OFFERING TO FINRA MARKET OPERATIONS WITHIN THE PRESCRIBED TIME FRAME. HSBC'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND FINRA RULES CONCERNING FINRA RULE 6760(B). FINRA ALLEGED THAT HSBC FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) S1 TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF THE EXECUTION TIME. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6730(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATIONS OF FINRA RULE 2010.

**Initiated By:** FINRA

**Date Initiated:** 09/20/2012

**Docket/Case Number:** [2010024139801](#)

**Principal Product Type:** Other

**Other Product Type(s):** TRACE-ELIGIBLE SECURITIES

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** MONETARY/FINE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 09/20/2012

**Sanctions Ordered:** Censure  
Monetary/Fine \$70,000.00

**Other Sanctions Ordered:** UNDERWRITING

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. HSBC WAS CENSURED AND FINED \$70,000 AND WILL REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING FINRA RULE 6760(B) WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC.

#### Disclosure 29 of 67

**Reporting Source:** Regulator



**Current Status:** Final

**Allegations:** FINRA RULES 6380A, 6622(B), 7450(A), NASD RULE 6955(A) - HSBC SECURITIES (USA) INC. FAILED TO TIMELY REPORT REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS); REPORTED EXECUTION OR COMBINED ORDER/EXECUTION REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA; TRANSMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS TO OATS THAT OATS WAS UNABLE TO LINK TO THE RELATED ORDER ROUTED TO NASDAQ OR THE CORRESPONDING NEW ORDER TRANSMITTED BY THE DESTINATION MEMBER FIRM DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FIRM FAILED TO TRANSMIT ROES TO OATS. THE FIRM TRANSMITTED REPORTS TO OATS THAT CONTAINED INACCURATE DESTINATION CODES. THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT LAST SALE REPORTS OF TRANSACTIONS IN DESIGNATED SECURITIES TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) AND FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT LAST SALE REPORTS OF TRANSACTIONS IN OTC EQUITY SECURITIES TO THE OTC REPORTING FACILITY.

**Initiated By:** FINRA

**Date Initiated:** 06/01/2012

**Docket/Case Number:** [2008015436301](#)

**Principal Product Type:** Equity - OTC

**Other Product Type(s):** DESIGNATED SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/01/2012

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$45,000.00

**Other Sanctions Ordered:****Sanction Details:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$45,000. FINE PAID IN FULL ON JUNE 15, 2012.

**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

FINRA ALLEGED THAT HSBC SECURITIES (USA) INC. ("HSBC") VIOLATED FINRA RULES 6380(A), 6622(B), 7450(A), NASD RULE 6955(A) - HSBC SECURITIES (USA) INC. FAILED TO TIMELY REPORT REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS); REPORTED EXECUTION OR COMBINED ORDER/EXECUTION REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA; TRANSMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS TO OATS THAT OATS WAS UNABLE TO LINK TO THE RELATED ORDER ROUTED TO NASDAQ OR THE CORRESPONDING NEW ORDER TRANSMITTED BY THE DESTINATION MEMBER FIRM DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. FINRA ALLEGED THAT HSBC FAILED TO TRANSMIT ROES TO OATS; TRANSMITTED REPORTS TO OATS THAT CONTAINED INACCURATE DESTINATION CODES. HSBC FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT LAST SALE REPORTS OF TRANSACTIONS IN DESIGNATED SECURITIES TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) AND FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT LAST SALE REPORTS OF TRANSACTIONS IN OTC EQUITY SECURITIES TO THE OTC REPORTING FACILITY.

**Initiated By:**

FINRA

**Date Initiated:**

06/01/2012

**Docket/Case Number:**[2008015436301](#)**Principal Product Type:**

Equity - OTC

**Other Product Type(s):**

DESIGNATED SECURITIES

**Principal Sanction(s)/Relief Sought:**

Censure

**Other Sanction(s)/Relief Sought:**

MONETARY/FINE

**Resolution:**

Acceptance, Waiver &amp; Consent(AWC)





**Resolution Date:** 06/01/2012

**Sanctions Ordered:** Censure  
Monetary/Fine \$45,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. HSBC WAS CENSURED AND FINED \$45,000.

#### Disclosure 30 of 67

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE STATE OF WASHINGTON OFFICE OF INSURANCE COMMISSION ("OIC") ALLEGED THAT HSBC SECURITIES (USA) INC. ("HSBC") VIOLATED RCW48.17.597(1) BY FAILING TO REPORT ADMINISTRATIVE ACTIONS TAKEN AGAINST IT BY ITS PRIMARY REGULATOR WITH THIRTY DAYS. THE OIC ALSO ALLEGED THAT HSBC VIOLATED RCW 48.17.530 BY REPRESENTING IN ITS INITIAL APPLICATION THAT IT HAD NOT BEEN NAMED IN ANY FINRA VIOLATIONS AND REPORTABLE ACTIONS. THE OIC ALLEGED THAT HSBC PROVIDED AN INCORRECT CRD NUMBER ON IT APPLICATION.

**Initiated By:** STATE OF WASHINGTON OFFICE OF INSURANCE COMMISSIONER

**Date Initiated:** 07/27/2011

**Docket/Case Number:** 11-0152

**Principal Product Type:** Insurance

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 08/01/2011

**Sanctions Ordered:** Monetary/Fine \$7,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING ANY VIOLATION, HSBC WAS FINED \$7,000.00.



## Disclosure 31 of 67

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	THE NEW YORK MERCANTILE EXCHANGE, INC. ALLEGED THAT ON JANUARY 31, 2011, A DATE SUBJECT TO A SPOT MONTH SPECULATIVE POSITION LIMIT FOR THE FEBRUARY 2011 GOLD FUTURES CONTRACT, HSBC INADVERTENTLY MAINTAINED A LONG GOLD FUTURES POSITION THAT EXCEEDED THE APPROVED EXPIRATION MONTH HEDGE EXEMPTION OF 5,000 CONTRACTS GRANTED BY THE EXCHANGE ON AUGUST 11, 2010, BY 153 CONTRACTS (3%). UPON BEING INFORMED OF THE EXCESSIVE POSITION, THE NEW YORK MERCANTILE EXCHANGE, INC. ALLEGED THAT HSBC IMMEDIATELY LIQUIDATED ITS OVERAGE POSITION RESULTING IN PROFITS OF \$7,250. THE PANEL FOUND THAT IN SO DOING, HSBC VIOLATED COMEX RULE 562.
<b>Initiated By:</b>	THE BUSINESS CONDUCT COMMITTEE OF THE NEW YORK MERCANTILE EXCHANGE, INC.
<b>Date Initiated:</b>	08/24/2011
<b>Docket/Case Number:</b>	11-08131-BC
<b>Principal Product Type:</b>	Futures - Commodity
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	DISGOEGEMENT
<b>Resolution:</b>	Decision & Order of Offer of Settlement
<b>Resolution Date:</b>	08/26/2011
<b>Sanctions Ordered:</b>	Monetary/Fine \$17,250.00 Disgorgement/Restitution
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	IN ACCORDANCE WITH THE SETTLEMENT OFFER AND IT FINDINGS, THE BCC PANEL ORDERED HSBC TO PAY THE EXCHANGE IN THE AMOUNT OF \$10,000 AND DISGORGE \$7,250 IN PROFITS.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING ANY VIOLATION, HSBC ACCEPTED AN OFFER OF SETTLEMENT FOR \$17,250.00.



## Disclosure 32 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	FINRA RULE 7230A(D) - HSBC SECURITIES (USA) INC. FAILED TO REPORT TO THE FINRA/NASDAQ TRADE REPORTING FACILITY THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTION WAS A BUY, SELL, SELL SHORT OR CROSS FOR TRANSACTIONS IN REPORTABLE SECURITIES.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	09/06/2011
<b>Docket/Case Number:</b>	<a href="#">2009020565101</a>
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	REPORTABLE SECURITIES
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	09/06/2011
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$10,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$10,000.

**Reporting Source:** Firm

**Current Status:** Final



<b>Allegations:</b>	FINRA ALLEGED THAT HSBC SECURITIES (USA) INC. FAILED TO REPORT TO THE FINRA/NASDAQ TRADE REPORTING FACILITY THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTION WAS A BUY, SELL, SELL SHORT OR CROSS FOR TRANSACTIONS IN REPORTABLE SECURITIES. FINRA RULE 7230A(D).
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	09/06/2011
<b>Docket/Case Number:</b>	<a href="#">2009020565101</a>
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	REPORTABLE SECURITIES
<b>Principal Sanction(s)/Relief Sought:</b>	Other
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE AND FINE.
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	09/06/2011
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$10,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING ANY VIOLATION, HSBC SECURITIES (USA) INC. WAS FINED \$10,000.00.

#### Disclosure 33 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	FINRA RULES 2010, 6730(A), NASD RULES 6230(B), 6230(C)(6) - HSBC SECURITIES (USA) INC. FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) THE CORRECT CONTRA-PARTY'S IDENTIFIER FOR TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES; THE FIRM REPORTED INTER-DEALER TRANSACTIONS AS CUSTOMER TRANSACTIONS. THE FIRM FAILED TO REPORT TO TRACE TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES THAT IT WAS REQUIRED TO REPORT. THE FIRM FAILED TO REPORT NUMEROUS TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES TO TRACE WITHIN 15 MINUTES OF THE EXECUTION TIME. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6730(A) AND A PATTERN OR PRACTICE OF LATE REPORTING



WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010.

**Initiated By:** FINRA

**Date Initiated:** 12/20/2010

**Docket/Case Number:** [2009019187301](#)

**Principal Product Type:** Other

**Other Product Type(s):** TRACE-ELIGIBLE SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/20/2010

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$30,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$30,000.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT HSBC SECURITIES (USA) INC. VIOLATED FINRA RULES 2010, 6730(A), NASD RULES 6230(B), 6230(C)(6): - HSBC SECURITIES (USA) INC. FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) THE CORRECT CONTRA-PARTY'S IDENTIFIER FOR TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES; THE FIRM REPORTED INTER-DEALER TRANSACTIONS AS CUSTOMER TRANSACTIONS. THE FIRM FAILED TO REPORT TO TRACE TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES THAT IT WAS REQUIRED TO REPORT. THE



FIRM FAILED TO REPORT NUMEROUS TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES TO TRACE WITHIN 15 MINUTES OF THE EXECUTION TIME. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6730(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010.

**Initiated By:** FINRA

**Date Initiated:** 12/20/2010

**Docket/Case Number:** [2009019187301](#)

**Principal Product Type:** Other

**Other Product Type(s):** TRACE-ELIGIBLE SECURITIES

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** MONETARY/FINE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/20/2010

**Sanctions Ordered:** Censure  
Monetary/Fine \$30,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. HSBC WAS CENSURED AND FINED \$30,000.00.

#### Disclosure 34 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULES 2110, 4632, 4632(A), 6130(D): THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FINRA/NASDAQ TRF) LAST SALE REPORTS OF TRANSACTIONS IN DESIGNATED SECURITIES. THE FIRM REPORTED TO THE FINRA/NASDAQ TRF LAST SALE REPORTS OF TRANSACTIONS IN DESIGNATED SECURITIES IT WAS NOT REQUIRED TO REPORT. THE FIRM FAILED TO REPORT TO THE FINRA/NASDAQ TRF THE CORRECT TIME OF EXECUTION FOR TRANSACTIONS IN REPORTABLE SECURITIES.

**Initiated By:** FINRA



**Date Initiated:** 08/19/2010  
**Docket/Case Number:** [2008015260101](#)  
**Principal Product Type:** Other  
**Other Product Type(s):** UNSPECIFIED SECURITIES  
**Principal Sanction(s)/Relief Sought:** Other  
**Other Sanction(s)/Relief Sought:** N/A  
**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 08/19/2010  
**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No  
**Sanctions Ordered:** Censure  
 Monetary/Fine \$22,500.00  
**Other Sanctions Ordered:**  
**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED AND FINED \$22,500.

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**Reporting Source:** Firm  
**Current Status:** Final  
**Allegations:** FINRA ALLEGED THAT HSBC SECURITIES (USA) INC. ("HSBC") VIOLATED NASD RULES 2110, 4632, 4632(A) 6130(D): THE FIRM FAILED WITHIN 90 SECONDS AFTER EXECUTION TO TRANSMIT TO THE FIRM/NASDAQ TRADE REPORTING FACILITY (FINRA/NASDAQ TRF)105 LAST SALE REPORTS OF TRANSACTIONS IN DESIGNATED SECURITIES. THE FIRM REPORTED TO THE FINRA/NASDAQ TRF 23 LAST SALE REPORTS OF TRANSACTIONS IN DESIGNATED SECURITIES IT WAS NOT REQUIRED TO REPORT. THE FIRM FAILED TO REPORT TO THE FINRA/NASDAQ TRF THE CORRECT TIME OF EXECUTION FOR 79 TRANSACTIONS IN REPORTABLE SECURITIES.  
**Initiated By:** FINRA



**Date Initiated:** 08/19/2010  
**Docket/Case Number:** [2008015260101](#)  
**Principal Product Type:** Equity Listed (Common & Preferred Stock)  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:** Other  
**Other Sanction(s)/Relief Sought:** CENSURED AND FINED.  
**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 08/19/2010  
**Sanctions Ordered:** Censure  
 Monetary/Fine \$22,500.00  
**Other Sanctions Ordered:**  
**Sanction Details:** WITHOUT ADMITTING OR DENYING ANY VIOLATION, HSBC WAS FINED \$22,500.00.

#### Disclosure 35 of 67

**Reporting Source:** Regulator  
**Current Status:** Final  
**Allegations:** NASD RULES 2110, 2210(D)(1), 2310, 3010(A) AND (B), AND INTERPRETATIVE MATERIAL-2210-8: THE FIRM OFFERED COLLATERALIZED MORTGAGE OBLIGATION SECURITIES ("CMO"), WHICH ITS REGISTERED REPRESENTATIVES SOLD TO RETAIL CUSTOMERS; AND INCLUDED AMONG THESE CMO SALES WERE THE SALES OF INVERSE FLOATING RATE CMOS ("INVERSE FLOATERS"), A RISKIER TYPE OF CMO, WHICH FINRA HAS ADVISED ARE SUITABLE ONLY FOR SOPHISTICATED INVESTORS WITH A HIGH RISK PROFILE. THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM AND WRITTEN PROCEDURES REGARDING THE SALE OF CMOS TO CUSTOMERS THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS AND WITH FINRA RULES. THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SYSTEM AND WRITTEN PROCEDURES REASONABLY DESIGNED TO SUPERVISE WHETHER THE SALES OF CMOS WERE SUITABLE FOR ITS CUSTOMERS AND THAT THE ATTENDANT RISKS OF THE PRODUCTS WERE FULLY EXPLAINED. THE FIRM DID NOT PROVIDE ITS REGISTERED REPRESENTATIVES WHO SOLD CMOS WITH SUFFICIENT TRAINING ON CMOS NOR DID IT OFFER SUFFICIENT WRITTEN GUIDANCE





RELATING TO THE SALE OR SUITABILITY OF CMOS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES WARNED REPRESENTATIVES THAT CLIENTS WHO INVESTED IN MORTGAGE-BASED SECURITIES SHOULD BE ADVISED THAT THE STATED YIELD OF THE SECURITIES IS NOT GUARANTEED AND MAY NOT APPLY FOR THE ENTIRE TERM OF THE INVESTMENT, BUT IT FAILED TO PROVIDE ITS REGISTERED REPRESENTATIVES WITH THE INFORMATION THAT INVERSE FLOATERS WERE "ONLY SUITABLE ONLY FOR SOPHISTICATED INVESTORS WITH A HIGH RISK PROFILE." THE FIRM DID NOT COMPLY WITH THE REQUIREMENTS OF NASD IM-2210-8, WHICH REQUIRES FIRMS TO OFFER CERTAIN EDUCATIONAL MATERIALS, BEFORE THE SALE OF A CMO, TO ANY PERSON OTHER THAN AN INSTITUTIONAL INVESTOR; AND THE EDUCATIONAL MATERIALS MUST INCLUDE THE CHARACTERISTICS AND RISKS OF CMOS, IN GENERAL, AND THE SPECIFIC CHARACTERISTICS AND RISKS ASSOCIATED WITH THE DIFFERENT TRANCHES OF A CMO. THE FIRM DID NOT ISSUE ANY PROCEDURES OR COMPLIANCE MEMOS TO ADVISE ITS REGISTERED REPRESENTATIVES THAT THEY WERE REQUIRED TO OFFER WRITTEN EDUCATIONAL MATERIALS TO THEIR CUSTOMERS BEFORE SELLING THEM CMOS AND THE ONLY MATERIALS RELATED TO CMOS THAT THE FIRM'S REGISTERED REPRESENTATIVES COULD GIVE TO THEIR CUSTOMERS WAS A SEVEN-PAGE BROCHURE THAT PROVIDED INFORMATION ABOUT, AMONG OTHER THINGS, THE EVOLUTION AND STRUCTURE OF CMOS, WHO ISSUES THE PRODUCTS, THE CREDIT RATINGS OF A CMO, QUESTIONS A CUSTOMER SHOULD ASK WHEN BUYING A CMO, AND HOW THE STRUCTURE WORKS. THE BROCHURE INFORMED THE READERS THAT CMOS "OFFER A UNIQUE OPPORTUNITY FOR MONTHLY INCOME, RELATIVE SAFETY, AND ATTRACTIVE YIELD ADVANTAGES COMPARED TO OTHER SIMILAR QUALITY INVESTMENTS." THE BROCHURE DID NOT COMPLY WITH THE CONTENT STANDARDS OF NASD RULE 2210(D)(1), AND FAILED TO DISCUSS INVERSE FLOATERS AND FAILED TO INCLUDE A SECTION ON RISKS ASSOCIATED WITH PURCHASING CMOS. THE REGISTERED REPRESENTATIVES DID NOT OFFER THE BROCHURE TO EVERY CMO INVESTOR, NOR DID THEY KNOW THAT THEY WERE REQUIRED TO GIVE THE MATERIALS TO ALL POTENTIAL CMO INVESTORS BEFORE SELLING THEM A CMO. THE FIRM DID NOT IMPLEMENT AN ADEQUATE SUPERVISORY SYSTEM AND PROCEDURES RELATING TO THE SALE OF INVERSE FLOATERS, AS A RESULT, ITS REGISTERED REPRESENTATIVES MADE UNSUITABLE SALES OF INVERSE FLOATERS TO RETAIL CUSTOMERS AND THE REGISTERED REPRESENTATIVES' SUPERVISORS PRE-APPROVED SOME OF THOSE TRANSACTIONS.

**Initiated By:** FINRA  
**Date Initiated:** 06/10/2010  
**Docket/Case Number:** [2007010582702](#)



**Principal Product Type:** Other

**Other Product Type(s):** COLLATERALIZED MORTGAGE OBLIGATION SECURITIES

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/10/2010

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$375,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED AND FINED \$375,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** ON MAY 20, 2010, THE FIRM SUBMITTED A LETTER OF ACCEPTANCE, WAIVER AND CONSENT IN WHICH HSI, WITHOUT ADMITTING OR DENYING GUILT, CONSENTED TO FINDINGS THAT IT: (1) VIOLATED NASD CONDUCT RULES 3010(A) AND (B) AND 2110 BY (A) FAILING TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM AND WRITTEN PROCEDURES REGARDING THE SALE OF CMOs TO CUSTOMERS THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS AND WITH FINRA RULES; AND (B) FAILING TO ESTABLISH AND MAINTAIN A SYSTEM OF WRITTEN PROCEDURES REASONABLY DESIGNED TO SUPERVISE WHETHER THE SALES OF CMOs WERE SUITABLE FOR ITS CUSTOMERS AND THE ATTENDED RISKS OF THE PRODUCTS WERE FULLY EXPLAINED WHENEVER A REGISTERED REPRESENTATIVE RECOMMENDED A CMO INVESTMENT; (2) DID NOT COMPLY WITH NASD IM-2210-8 WHICH REQUIRES FIRMS TO OFFER CERTAIN EDUCATIONAL



MATERIALS BEFORE THE SALE OF A CMO TO ANY PERSON OTHER THAN AN INSTITUTIONAL INVESTOR AND WHILE THE FIRM DID OFFER A BROCHURE, THE BROCHURE DID NOT COMPLY WITH THE CONTENTS STANDARDS OF NASD CONDUCT RULE 2210(D)(1) AND IM-2210-8; AND (3) VIOLATED NASD CONDUCT RULE 2310 AND 2110 BY RECOMMENDING AND SELLING INVERSE FLOATER CMOs TO CUSTOMERS FOR WHOM SUCH PRODUCTS WERE UNSUITABLE. HSI CONSENTED TO THE IMPOSITION BY FINRA OF A SANCTION OF A CENSURE AND A \$375,000 FINE. FINRA ACKNOWLEDGED THAT, INDEPENDENT OF THE IMPOSED SANCTION, IMPACTED CUSTOMERS HAVE RECEIVED FULL RESTITUTION FROM THE FIRM.

**Initiated By:** FINRA

**Date Initiated:** 06/10/2010

**Docket/Case Number:** [2007010582702](#)

**Principal Product Type:** Other

**Other Product Type(s):** COLLATERALIZED MORTGAGE OBLIGATION ("CMOS")

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/10/2010

**Sanctions Ordered:** Censure  
Monetary/Fine \$375,000.00

**Other Sanctions Ordered:**

**Sanction Details:** ON MAY 20, 2010, THE FIRM SUBMITTED A LETTER OF ACCEPTANCE, WAIVER AND CONSENT IN WHICH HSI, WITHOUT ADMITTING OR DENYING GUILT, CONSENTED TO FINDINGS THAT IT: (1) VIOLATED NASD CONDUCT RULES 3010(A) AND (B) AND 2110 BY (A) FAILING TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM AND WRITTEN PROCEDURES REGARDING THE SALE OF CMOS TO CUSTOMERS THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS AND WITH FINRA RULES; AND (B) FAILING TO ESTABLISH AND MAINTAIN A SYSTEM OF WRITTEN PROCEDURES REASONABLY DESIGNED TO SUPERVISE WHETHER THE SALES OF CMOS WERE SUITABLE FOR ITS CUSTOMERS AND THE ATTENDED RISKS OF THE PRODUCTS WERE FULLY EXPLAINED WHENEVER A REGISTERED REPRESENTATIVE



RECOMMENDED A CMO INVESTMENT; (2) DID NOT COMPLY WITH NASD IM-2210-8 WHICH REQUIRES FIRMS TO OFFER CERTAIN EDUCATIONAL MATERIALS BEFORE THE SALE OF A CMO TO ANY PERSON OTHER THAN AN INSTITUTIONAL INVESTOR AND WHILE THE FIRM DID OFFER A BROCHURE, THE BROCHURE DID NOT COMPLY WITH THE CONTENTS STANDARDS OF NASD CONDUCT RULE 2210(D)(1) AND IM-2210-8; AND (3) VIOLATED NASD CONDUCT RULE 2310 AND 2110 BY RECOMMENDING AND SELLING INVERSE FLOATER CMOs TO CUSTOMERS FOR WHOM SUCH PRODUCTS WERE UNSUITABLE. HSI CONSENTED TO THE IMPOSITION BY FINRA OF A SANCTION OF A CENSURE AND A \$375,000 FINE. FINRA ACKNOWLEDGED THAT, INDEPENDENT OF THE IMPOSED SANCTION, IMPACTED CUSTOMERS HAVE RECEIVED FULL RESTITUTION FROM THE FIRM.

## Disclosure 36 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SECTION 5 AND SECTION 17(A)(2) OF THE SECURITIES ACT OF 1933, SECURITIES EXCHANGE ACT RULE 17A-4, FINRA RULE 2010, NASD RULES 2110, 2210, 2310, 3010, 3110, MSRB RULES G-17, G-21, G-27- HSBC BROKERS RECOMMENDED AND SOLD AUCTION RATE SECURITIES (ARS) TO CUSTOMERS, REPRESENTING THAT THE SECURITIES WERE LIQUID AND SAFE INVESTMENTS. HSBC RETAIL BROKERS CONTINUED TO REPRESENT THE LIQUID AND SAFE NATURE OF THE INVESTMENTS EVEN AFTER IT HAD BECOME APPARENT TO THE FIRM THAT THERE WAS INCREASED INVESTMENT RISK IN ARS. CERTAIN MEASURES THE FIRM TOOK TO HAVE ITS BROKERS KEEP THEIR CLIENTS INFORMED OF CHANGING MARKETS CONDITIONS RELATING TO ARS DID NOT ADEQUATELY INFORM BROKERS AND CUSTOMERS TO WHOM THEY RECOMMENDED ARS OF THE INCREASED RISK OF ARS AUCTION FAILURES. RATHER, THE FIRM'S RETAIL BROKERS CONTINUED TO RECOMMEND ARS AS SAFE AND LIQUID INVESTMENT AND FAILED TO NOTIFY CUSTOMERS OF THESE INCREASED RISKS. HSBC PROVIDED MATERIALS TO CUSTOMERS AND PROSPECTIVE CUSTOMERS THAT WERE NOT FAIR AND BALANCED AND DID NOT PROVIDE A SOUND BASIS FOR EVALUATING THE FACTS IN REGARD TO PURCHASES OF ARS. THE MATERIALS USED FAILED TO DISCLOSE ADEQUATELY THE RISKS OF INVESTING IN ARS. THE MATERIALS DID NOT ADEQUATELY DISCLOSE THE CONSEQUENCES OF A FAILED AUCTION-THAT INVESTMENTS IN ARS COULD BECOME ILLIQUID AND THAT CUSTOMERS MIGHT BE UNABLE TO ACCESS FUNDS INVESTED IN ARS FOR SUBSTANTIAL PERIODS OF TIME. THE MATERIALS USED BY HSBC ALSO MADE INAPPROPRIATE COMPARISONS BETWEEN ARS AND OTHER MATERIALLY DIFFERENT



INVESTMENTS. THE FIRM SOLD UNREGISTERED RULE 144A ARS TO CERTAIN CUSTOMERS THAT WERE NOT QUALIFIED INSTITUTIONAL BUYERS. THE FIRM FAILED TO RETAIN CERTAIN EMAILS SENT FROM COMPANY-ISSUED BLACKBERRY DEVICES TO EMAIL ADDRESSES THAT WERE NOT PART OF HSBC'S EMAIL SYSTEM. THE FIRM ALSO FAILED TO RETAIN INTERNAL INSTANT MESSAGES SENT BY CERTAIN HSBC ASSOCIATED PERSONS ON AN HSBC-MAINTAINED SYSTEM. HSBC FAILED TO ESTABLISH AND MAINTAIN PROCEDURES FOR THE MARKETING AND SALE OF ARS THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE FEDERAL SECURITIES LAWS AND APPLICABLE NASD AND MSRB RULES. FOR INSTANCE, HSBC FAILED TO MAINTAIN PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NASD RULES THAT REQUIRE ITS REGISTERED REPRESENTATIVES TO ACCURATELY DESCRIBE ARS TO CUSTOMERS DURING SALES PRESENTATIONS AND THAT REPRESENTATIVES PROVIDE CUSTOMERS WITH ADEQUATE DISCLOSURE OF THE RISKS OF ARS, INCLUDING THE RISK THAT ARS AUCTIONS COULD FAIL AND THAT INVESTMENTS IN ARS COULD THEREFORE BECOME ILLIQUID. HSBC ALSO FAILED TO PROVIDE ADEQUATE TRAINING TO ITS REGISTERED REPRESENTATIVES REGARDING THE FEATURES AND CHARACTERISTICS OF ARS AND THE DIFFERENCES BETWEEN ARS AND OTHER INVESTMENTS. HSBC ALSO FAILED TO ESTABLISH AND MAINTAIN PROCEDURES THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NASD RULES THAT REQUIRE WRITTEN MATERIALS IT USED IN CONNECTION WITH MARKETING AND THE SALE OF ARS TO COMPLY WITH THE APPROPRIATE DISCLOSURE STANDARDS IN NASD RULE 2210 AND MSRB G-21. HSBC FAILED TO HAVE ADEQUATE SYSTEMS IN PLACE TO RETAIN ALL INSTANT MESSAGES AND ALSO FAILED TO TEST ADEQUATELY ITS SYSTEM FOR RETAINING ALL ELECTRONIC COMMUNICATIONS SENT FROM BLACKBERRY DEVICES TO PARTIES OUTSIDE OF HSBC. HSBC THEREFORE FAILED TO ESTABLISH AND MAINTAIN PROCEDURES THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NASD RULES THAT REQUIRE ITS RECORD RETENTION SYSTEMS BE REASONABLY DESIGNED TO RETAIN ALL REQUIRED COMMUNICATIONS.

**Initiated By:** FINRA  
**Date Initiated:** 04/22/2010  
**Docket/Case Number:** [2008013863801](#)  
**Principal Product Type:** Other  
**Other Product Type(s):** AUCTION RATE SECURITIES  
**Principal Sanction(s)/Relief Sought:**



**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 04/22/2010

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,500,000.00

**Other Sanctions Ordered:** BUYBACK OFFER

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC, SECURITIES (USA), INC. CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE IT IS CENSURED, FINED \$1,500,000 AND OFFERS TO PURCHASE AT PAR ARS THAT ARE SUBJECT TO AUCTIONS THAT HAVE NOT BEEN SUCCESSFUL AS OF APRIL 22, 2010 AND ARE NOT SUBJECT TO CURRENT CALLS OR REDEMPTIONS ("ELIGIBLE ARS") FROM ALL INVESTORS IN THE RELEVANT CLASS THAT HAVE NOT PREVIOUSLY HAD THEIR ARS REPURCHASED BY HSBC AS A RESULT OF ITS VOLUNTARY BUYBACKS OR OTHER REMEDIAL EFFORTS. THE RELEVANT CLASS SHALL BE COMPROMISED OF ALL INDIVIDUAL INVESTORS WHO PURCHASED ELIGIBLE ARS FROM HSBC AT ANY TIME BETWEEN MAY 31, 2006 AND FEBRUARY 28, 2008 INTO ACCOUNTS MAINTAINED AT HSBC. NO LATER THAN 30 DAYS FOLLOWING APRIL 22, 2010, HSBC WILL PROVIDE NOTICE TO THOSE CURRENT CUSTOMERS IN THE RELEVANT CLASS WHO HAVE RIGHTS UNDER THIS AWC AND MAKE ITS BEST EFFORT TO PROVIDE NOTICE TO FORMER CUSTOMERS IN THE RELEVANT CLASS OF THE SETTLEMENT TERMS SET FORTH; ESTABLISH A DEDICATED TELEPHONE ASSISTANCE LINE, WITH APPROPRIATE STAFF, TO RESPOND TO QUESTIONS FROM INVESTORS CONCERNING THE TERMS OF THE SETTLEMENT; AND COMMENCE THE BUYBACK OF ALL ELIGIBLE ARS BY WRITTEN OFFER TO THE RELEVANT CLASS. INVESTORS WILL BE GIVEN AT LEAST 30 DAYS FROM THE DATE OF THE WRITTEN OFFER TO RESPOND. THE BUYBACK WILL BE COMPLETED NO LATER THAN 60 DAYS AFTER THE DATE OF THE WRITTEN OFFER LETTER. COMMENCING NO LATER THAN SIX MONTHS FROM APRIL 22, 2010, HSBC SHALL MAKE ITS BEST EFFORTS TO PROVIDE LIQUIDITY TO ALL OTHER INVESTORS NOT IN THE RELEVANT CLASS BUT WHO PURCHASED ELIGIBLE ARS FROM HSBC BETWEEN MAY 31, 2006 AND FEBRUARY 28, 2008. NO LATER THAN THE COMPLETION OF THE BUYBACK, ANY INVESTOR IN THE RELEVANT CLASS THAT HSBC CAN



REASONABLY IDENTIFY WHO SOLD ELIGIBLE ARS BELOW PAR BETWEEN FEBRUARY 28, 2008 AND APRIL 22, 2010 WILL BE PAID THE DIFFERENCE BETWEEN PAR AND THE PRICE AT WHICH THE INVESTOR SOLD THE ARS. [CONTINUED IN COMMENTS]

### Regulator Statement

[CONTINUED FROM SANCTION DETAIL] HSBC AGREES TO ARBITRATE CLAIMS FOR CONSEQUENTIAL DAMAGES FILED BY INVESTORS IN THE RELEVANT CLASS RELATING TO ELIGIBLE ARS THROUGH A SPECIAL ARBITRATION PROGRAM (SAP) IN ACCORDANCE WITH THE RULES SET FORTH BY FINRA DISPUTE RESOLUTION UNDER THE AUTHORITY OF THIS AWC. NO LATER THAN THE DATE OF THE WRITTEN OFFER LETTER, HSBC SHALL NOTIFY THOSE INVESTORS IN THE RELEVANT CLASS WHO ARE ELIGIBLE TO SEEK CONSEQUENTIAL DAMAGES RELATED TO ELIGIBLE ARS UNDER THE SAP. HSBC SHALL PROVIDE FINRA WITH A REPORT NO LATER THAN 30 DAYS FOLLOWING THE COMPLETION OF THE BUYBACK SETTING FORTH THE NAMES AND ACCOUNT NUMBERS OF EACH ARS CUSTOMER TO WHOM THE BUYBACK OFFER WAS MADE, AN ACCOUNTING OF EACH INSTANCE IN WHICH SUCH ARS CUSTOMERS ACCEPTED THE BUYBACK OFFER AND SOLD ARS HOLDINGS TO HSBC, AND THE NAMES, ACCOUNT NUMBERS, AND AN ACCOUNTING OF THOSE CUSTOMER WHO WERE PAID THE DIFFERENCE BETWEEN PAR AND THE PRICE AT WHICH THE INVESTOR SOLD THE ARS. HSBC SHALL NOTIFY FINRA WITHIN 30 DAYS OF THE COMPLETION OF THE BEST EFFORTS UNDERTAKING TO PROVIDE LIQUIDITY TO INVESTORS NOT IN THE RELEVANT CLASS AND THE RESULTS OF SUCH EFFORTS. THE ACCURACY OF SUCH REPORTS SHALL BE CERTIFIED BY THE CHIEF COMPLIANCE OFFICER OF HSBC.

### Reporting Source:

Firm

### Current Status:

Final

### Allegations:

FINRA ALLEGED THAT DURING THE PERIOD FROM MAY 31, 2006 THROUGH FEBRUARY 28, 2008 ("RELEVANT PERIOD"), EXCEPT AS OTHERWISE NOTED, HSBC SECURITIES VIOLATED CERTAIN NASD, FINRA, AND MSRB RULES BY (1) MAKING NEGLIGENT MISREPRESENTATIONS AND OMISSIONS OF MATERIAL FACTS TO CUSTOMERS CONCERNING THE SAFETY AND LIQUIDITY OF AUCTION RATE SECURITIES ("ARS"); (2) USING ADVERTISING AND MARKETING MATERIALS THAT WERE NOT FAIR AND BALANCED AND DID NOT PROVIDE A SOUND BASIS FOR EVALUATING THE FACTS ABOUT PURCHASING ARS; (3) SELLING RESTRICTED, AND THEREFORE UNSUITABLE, ARS TO CERTAIN NON-QUALIFIED CUSTOMERS; (4) FAILING TO RETAIN CERTAIN EMAILS FROM MAY 2004 TO APRIL 2009, AND FAILING TO RETAIN CERTAIN INTERNAL INSTANT MESSAGES FROM FEBRUARY 2007 TO SEPTEMBER 2008; AND (5) FAILING TO MAINTAIN ADEQUATE SUPERVISORY PROCEDURES CONCERNING ITS SALES AND



MARKETING ACTIVITIES REGARDING ARS AND ITS RETENTION OF CERTAIN EMAILS AND INSTANT MESSAGES.

**Initiated By:** FINRA

**Date Initiated:** 04/22/2010

**Docket/Case Number:** [2008013863801](#)

**Principal Product Type:** Other

**Other Product Type(s):** AUCTION RATE SECURITIES

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 04/22/2010

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,500,000.00

**Other Sanctions Ordered:** REPURCHASE OFFER

**Sanction Details:** WITHOUT ADMITTING OR DENYING FINRA'S FINDINGS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, HSBC SECURITIES CONSENTED, SOLELY FOR THE PURPOSE OF THIS PROCEEDING, TO THE ENTRY OF FINRA'S FINDINGS AND THE FOLLOWING SANCTIONS: A CENSURE AND FINE IN THE AMOUNT OF \$1.5 MILLION; OFFERING TO REPURCHASE ELIGIBLE ARS FROM INVESTORS IN THE RELEVANT CLASS; MAKING BEST EFFORTS TO PROVIDE LIQUIDITY TO INVESTORS WHO PURCHASED ARS DURING THE RELEVANT PERIOD BUT WHO WERE NOT IN THE RELEVANT CLASS; FOR ANY INVESTOR IN THE RELEVANT CLASS WHO SOLD ELIGIBLE ARS BELOW PAR BETWEEN CERTAIN DATES, PAYING THE DIFFERENCE BETWEEN PAR AND THE SALE PRICE; ARBITRATING CLAIMS FOR CONSEQUENTIAL DAMAGES FILED BY ELIGIBLE INVESTORS IN THE RELEVANT CLASS UNDER FINRA'S SPECIAL ARBITRATION PROCEDURES; AND PROVIDING FINRA WITH CERTAIN REPORTS. THE SPECIFIC TERMS OF THE REPURCHASE OFFER ARE DEFINED IN THE AWC.

**Firm Statement** IN DETERMINING THE SANCTIONS IN THIS MATTER, FINRA TOOK INTO ACCOUNT HSBC SECURITIES' VOLUNTARY REMEDIATION TO CUSTOMERS PRIOR TO THE ENTRY OF THE AWC, WHICH INCLUDED HSBC SECURITIES' VOLUNTARY REPURCHASE OF ARS FROM ITS CUSTOMERS IN 2008. AS OF JULY 2008, HSBC SECURITIES REPURCHASED MORE THAN 90 PERCENT OF ITS THEN CURRENT CUSTOMERS' ARS HOLDINGS AND IN OCTOBER 2008 OFFERED TO REPURCHASE ALL OF THE REMAINING ARS HELD IN





THOSE CUSTOMERS' HSBC SECURITIES ACCOUNTS.

**Disclosure 37 of 67**

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	NASD RULE 6955(A): THE FIRM FAILED TO TIMELY REPORT TO THE ORDER AUDIT TRAIL SYSTEM (OATS) REPORTABLE ORDER EVENTS. THE FIRM TRANSMITTED TO OATS ROUTE OR COMBINED ORDER/ROUTE REPORTS THAT THE OATS SYSTEM WAS UNABLE TO LINK TO THE RELATED ORDER ROUTED TO NASDAQ AND TRANSMITTED TO OATS ROUTE OR COMBINED ORDER/ROUTE REPORTS THAT THE OATS SYSTEM WAS UNABLE TO LINK TO THE CORRESPONDING NEW ORDER TRANSMITTED BY THE DESTINATION MEMBER FIRM DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FIRM TRANSMITTED TO OATS EXECUTION OR COMBINED ORDER/EXECUTION REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA; THEREFORE THE OATS SYSTEM WAS UNABLE TO LINK THE EXECUTION REPORTS TO THE RELATED TRADE REPORTS IN A NASD TRADE REPORTING SYSTEM. THE FIRM TRANSMITTED TO OATS NEW ORDER REPORTS AND RELATED SUBSEQUENT REPORTS WHERE THE TIMESTAMP FOR THE RELATED SUBSEQUENT REPORT OCCURRED PRIOR TO THE RECEIPT OF THE ORDER; THEREFORE THE OATS SYSTEM WAS UNABLE TO CREATE AN ACCURATE, TIME-SEQUENCE RECORD FROM THE RECEIPT OF THE ORDER THROUGH ITS RESOLUTION.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	01/20/2010
<b>Docket/Case Number:</b>	<a href="#">2008012771901</a>
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Other
<b>Other Sanction(s)/Relief Sought:</b>	N/A
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	01/20/2010



**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$12,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED AND FINED \$12,500.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT HSBC SECURITIES (USA)INC. ("HSBC") VIOLATED RULE 6955(A): HSBC FAILED TO TIMELY REPORT TO THE ORDER AUDIT TRAIL SYSTEM (OATS) REPORTABLE ORDER EVENTS.

**Initiated By:** FINRA

**Date Initiated:** 01/20/2010

**Docket/Case Number:** 20080127719-01

**Principal Product Type:** Other

**Other Product Type(s):** NO PRODUCT

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/20/2010

**Sanctions Ordered:** Censure  
Monetary/Fine \$12,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING ANY VIOLATION, HSBC WAS FINED \$12,500.00.



## Disclosure 38 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	NASD RULES 2110, 6230(A) - HSBC SECURITIES (USA) INC. FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF THE TIME OF EXECUTION. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF NASD RULE 6230(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF NASD RULE 2110.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	04/30/2009
<b>Docket/Case Number:</b>	<a href="#">2007011232101</a>
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	TRACE-ELIGIBLE SECURITIES
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	04/30/2009
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$20,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$20,000.



<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	NASD RULES 2110, 6230(A) - FINRA ALLEGES THAT HSBC SECURITIES (USA) INC. FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF THE TIME OF EXECUTION. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF NASD RULE 6230(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF NASD RULE 2110.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	04/30/2009
<b>Docket/Case Number:</b>	<a href="#">2007011232101</a>
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	TRACE-ELIGIBLE SECURITIES
<b>Principal Sanction(s)/Relief Sought:</b>	Censure
<b>Other Sanction(s)/Relief Sought:</b>	MONETARY/FINE.
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	04/30/2009
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$20,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS,HSBC SECURITIES (USA) INC.CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. HSBC SECURITIES (USA)INC. WAS SENSURED AND FINED \$20,000.

#### Disclosure 39 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	ARTICLE VI, SECTION 2 AND SCHEDULE A, SECTION 1 OF THE NASD BYLAWS AND NASD RULE 2110: RESPONDENT DID NOT INCLUDE TRANSACTIONS FOR CERTAIN COVERED SECURITIES, SUCH AS TRACE-ELIGIBLE SECURITIES, MUNICIPAL SECURITIES SUBJECT TO MSRB



REPORTING REQUIREMENTS AND COVERED OPTIONS CONTRACTS, ON ITS TRADING ACTIVITY FEE SELF-REPORTING FORMS FOR CERTAIN ACCOUNTS BETWEEN SEPTEMBER 2003 AND DECEMBER 2006. AS A RESULT, THE REQUIRED TRADING ACTIVITY FEES WERE NOT PAID FOR THESE TRANSACTIONS. SPECIFICALLY, DURING THIS PERIOD THE FIRM UNDERREPORTED AND UNDERPAID APPROXIMATELY \$28,000 IN TRADING ACTIVITY FEES. ONCE THE ERROR WAS DISCOVERED BY THE FIRM, THE FIRM SUBSEQUENTLY SUBMITTED CORRECT TRADING ACTIVITY FEE SELF-REPORTING FORMS AND LATER SUBMITTED AMENDED FORMS AND THE ADDITIONAL FEES TO CORRECT THE PREVIOUS ERRORS.

**Initiated By:** FINRA

**Date Initiated:** 02/02/2009

**Docket/Case Number:** 2007007234501

**Principal Product Type:** Other

**Other Product Type(s):** TRACE-ELIGIBLE SECURITIES, MUNICIPAL SECURITIES SUBJECT TO MSRB REPORTING REQUIREMENTS, COVERED OPTIONS CONTRACTS

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 02/02/2009

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$5,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, RESPONDENT CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS; THEREFORE, RESPONDENT IS FINED \$5,000.

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**Reporting Source:** Firm

**Current Status:** Final



<b>Allegations:</b>	FINRA ALLEGES THAT HSBC SECURITIES (USA) INC. ("HSBC") VIOLATED ARTICLE VI, SECTION 2 AND SCHEDULE A, SECTION 1 OF THE NASD BY LAWS AND NASD RULE 2110: FAILURE TO INCLUDE TRANSACTIONS FOR CERTAIN COVERED SECURITIES, SUCH AS TRACE-ELIGIBLE SECURITIES, MUNICIPAL SECURITIES SUBJECT TO MSRB REPORTING REQUIREMENTS AND COVERED OPTIONS CONTRACTS, ON ITS TRADING ACTIVITY FEE SELF-REPORTING FORMS FOR CERTAIN ACCOUNTS BETWEEN SEPTEMBER 2003 AND DECEMBER 2006. AS A RESULT, THE REQUIRED TRADING ACTIVITY FEES WERE NOT PAID FOR THESE TRANSACTIONS, SPECIFICALLY, DURING THIS PERIOD HSBC UNDERPAID APPROXIMATELY \$28,000.00 IN TRADING ACTIVITY FEES. ONCE THE ERROR WAS DISCOVERED BY HSBC, HSBC SUBSEQUENTLY SUBMITTED CORRECT TRADING ACTIVITY FEE SELF-REPORTING FORMS AND LATER SUBMITTED AMENDED FORMS AND THE ADDITIONAL FEES TO CORRECT THE PREVIOUS ERRORS.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	02/02/2009
<b>Docket/Case Number:</b>	2007007234501
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	TRACE-ELIGIBLE SECURITIES, MUNICIPAL SECURITIES SUBJECT TO MSRB REPORTING REQUIREMENTS, COVERED OPTIONS CONTRACTS.
<b>Principal Sanction(s)/Relief Sought:</b>	Other
<b>Other Sanction(s)/Relief Sought:</b>	MONETARY/FINE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	02/02/2009
<b>Sanctions Ordered:</b>	Monetary/Fine \$5,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC SECURITIES (USA) INC. WAS FINED \$5,000.

#### Disclosure 40 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	NASD RULES 2110 AND 3010: DURING THE PERIOD FROM APPROXIMATELY



JANUARY 2004 THROUGH JUNE 2006 (THE "RELEVANT PERIOD"), CERTAIN CUSTOMERS WHO MAINTAINED ESCROW ACCOUNTS WITH THE FIRM'S BANK AFFILIATE WERE CHARGED COMMISSIONS FOR FIXED INCOME SECURITIES TRADES EXECUTED BY THE FIRM ON THEIR BEHALF, WHICH WERE HIGHER THAN THE COMMISSIONS THEY WERE CHARGED IN THE PAST, AND, IN CERTAIN INSTANCES, HIGHER THAN THE INDUSTRY STANDARD. THE FIRM, HOWEVER, FAILED TO TAKE ADEQUATE STEPS TO ASSESS THE FAIRNESS OF THESE COMMISSIONS. THE HIGHER COMMISSION CHARGES WERE PREMISED ON THE PROVISION OF ADDITIONAL SERVICES TO THE CUSTOMERS BY A FORMER REGISTERED REPRESENTATIVE WHEN, IN FACT, HE DID NOT PROVIDE SUCH SERVICES. THE FIRM LACKED ADEQUATE WRITTEN GUIDELINES FOR MARK-UPS AND COMMISSIONS ON TRADES FOR FIXED INCOME PRODUCTS, AND ALSO FAILED TO ESTABLISH AND MAINTAIN ADEQUATE PROCEDURES TO MONITOR THE APPROPRIATENESS OF COMMISSIONS CHARGED TO THESE CUSTOMERS IN THAT THE FIRM: A) FAILED TO ESTABLISH ADEQUATE WRITTEN GUIDELINES FOR MARK-UPS AND COMMISSIONS ON FIXED INCOME PRODUCTS; B) FAILED TO GIVE ADEQUATE GUIDANCE AS TO WHAT FACTORS SHOULD BE CONSIDERED IN DETERMINING WHAT IS A FAIR MARK-UP OR COMMISSION ON FIXED INCOME PRODUCTS; C) FAILED TO INCLUDE TRADES EXECUTED FOR THE CUSTOMERS IN BRANCH EXAMINATION REVIEWS; AND D) FAILED TO ESTABLISH REASONABLE PROCEDURES FOR MONITORING FIXED INCOME SECURITY MARK-UPS AND COMMISSIONS.

**Initiated By:** FINRA

**Date Initiated:** 05/14/2008

**Docket/Case Number:** [2007009471401](#)

**Principal Product Type:** Other

**Other Product Type(s):** FIXED INCOME SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/14/2008



**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?**

No

**Sanctions Ordered:**

Censure  
Monetary/Fine \$200,000.00

**Other Sanctions Ordered:**

**Sanction Details:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE THE FIRM IS CENSURED AND FINED \$200,000.

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**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

FINRA ALLEGES THAT HSBC SECURITIES (USA) INC. VIOLATED NASD RULES 2110 AND 3010. DURING THE PERIOD JANUARY 2004 THROUGH JUNE 2006, CUSTOMERS WHO MAINTAINED ESCROW ACCOUNTS WITH THE FIRM'S BANK AFFILIATE WERE CHARGED COMMISSIONS FOR FIXED INCOME SECURITIES TRADES EXECUTED BY THE FIRM ON THEIR BEHALF, WHICH WERE HIGHER THAN THE COMMISSIONS THEY WERE CHARGED IN THE PAST AND IN CERTAIN INSTANCES, HIGHER THAN INDUSTRY STANDARDS. THE FIRM FAILED TO TAKE ADEQUATE STEPS TO ASSESS THE FAIRNESS OF THE COMMISSIONS. THE FIRM LACKED ADEQUATE WRITTEN GUIDELINES FOR MARK-UPS AND COMMISSIONS ON TRADES FOR FIXED INCOME PRODUCTS, AND ALSO FAILED TO ESTABLISH AND MAINTAIN ADEQUATE PROCEDURES TO MONITOR THE APPROPRIATENESS OF COMMISSIONS CHARGED THESE CUSTOMERS IN THAT THE FIRM (A) FAILED TO ESTABLISH ADEQUATE WRITTEN GUIDELINES FOR MARK-UPS AND COMMISSIONS ON FIXED INCOME PRODUCTS (B) FAILED TO GIVE ADEQUATE GUIDANCE IN REFERENCE TO DETERMINING WHAT IS A FAIR MARK-UP OR COMMISSION ON FIXED INCOME PRODUCTS (C) FAILED TO INCLUDE TRADES EXECUTED FOR CUSTOMERS IN BRANCH EXAMINATION REVIEWS (D) FAILED TO ESTABLISHED REASONABLE PROCEDURES FOR MONITORING FIXED INCOME SECURITY MARK-UPS AND COMMISSIONS.

**Initiated By:**

FINRA

**Date Initiated:**

05/14/2008

**Docket/Case Number:**

[2007009471401](#)

**Principal Product Type:**

Other





**Other Product Type(s):** FIXED INCOME SECURITIES

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** MONETARY/FINE.

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/14/2008

**Sanctions Ordered:** Censure  
Monetary/Fine \$200,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC SECURITIES (USA) INC. WAS CENSURED AND FINED \$200,000.

#### Disclosure 41 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SEC RULE 17A-3, NASD RULES 2110, 6230(A), 6230(C)(8) - HSBC SECURITIES (USA)INC. FAILED TO REPORT TO TRACE TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES EXECUTED ON A BUSINESS DAY DURING TRACE SYSTEM HOURS WITHIN 15 MINUTES OF THE TIME OF EXECUTION; FAILED TO REPORT THE CORRECT TIME OF TRADE EXECUTION FOR TRACE-ELIGIBLE SECURITIES; FAILED TO SHOW THE CORRECT TIME OF EXECUTION ON THE MEMORANDUM OF TRACE-ELIGIBLE SECURITIES ORDERS.

**Initiated By:** FINRA

**Date Initiated:** 03/19/2008

**Docket/Case Number:** [2006005973201](#)

**Principal Product Type:** Other

**Other Product Type(s):** TRACE-ELIGIBLE SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)



**Resolution Date:** 03/19/2008

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$12,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$12,500.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGES THAT HSBC SECURITIES VIOLATED SEC RULE 17A-3, NASD RULES 2110, 6230(A), 6230(C)(8) - FAILURE TO REPORT TRACE TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES EXECUTED ON A BUSINESS DAY DURING TRACE SYSTEM HOURS WITHIN 15 MINUTES OF THE TIME OF EXECUTION; FAILED TO REPORT THE CORRECT TIME OF TRADER EXECUTION FOR TRACE-ELIGIBLE SECURITIES; FAILED TO SHOW THE CORRECT TIME OF EXECUTION ON THE MEMORANDUM OF TRACE-ELIGIBLE SECURITIES ORDERS.

**Initiated By:** FINRA

**Date Initiated:** 03/19/2008

**Docket/Case Number:** 20060059732-01

**Principal Product Type:** Other

**Other Product Type(s):** TRACE-ELIGIBLE SECURITIES

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** MONETARY/FINE.

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 03/19/2008



**Sanctions Ordered:** Censure  
Monetary/Fine \$12,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC SECURITIES (USA) INC. ("HSBC") WAS CENSURED AND FINED \$12, 500.00.

**Disclosure 42 of 67**

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** CHICAGO BOARD OF TRADE ALLEGES THAT HSBC SECURITIES (USA) INC. (A) ENGAGED IN THE EXECUTION OF AN EFP TRANSACTION WITHOUT A BONA FIDE CASH COMPONENT AND (B) THE FIRM EXECUTED TWO CONTINGENT EFP TRANSACTIONS, IN WHICH THE CASH EXCHANGED CORRELATED TO THE NET OF TWO FUTURES TRANSACTIONS.

**Initiated By:** CHICAGO BOARD OF TRADE

**Date Initiated:** 06/19/2007

**Docket/Case Number:** 07-MSR-05

**Principal Product Type:** Futures - Financial

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Settled

**Resolution Date:** 09/22/2007

**Sanctions Ordered:** Monetary/Fine \$30,000.00

**Other Sanctions Ordered:**

**Sanction Details:** HSBC SECURITIES (USA) INC. WAS FINED IN THE AMOUNT OF \$30,000. THE FIRM WAS REQUIRED TO PAY ITS FINE WITHIN 30 DAYS OF THE DATE ON WHICH THE DECISION BECAME FINAL.

**Firm Statement** IN ORDER TO ENSURE THAT THE TRADING STAFF ("THE STAFF") ARE KNOWLEDGEABLE ABOUT CBOT EFP RULES, THE FIRM HAS IMPLEMENTED AN EFP TRAINING.



## Disclosure 43 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** \*\*7/27/07\*\*STIPULATION AND CONSENT TO PENALTY FILED BY NYSE REGULATION, INC.'S DIVISION OF ENFORCEMENT AND PENDING HEARING BOARD APPROVAL.HSBC SECURITIES (USA) INC. F/K/A HSBC BROKERAGE (USA) INC. (THE "FIRM") CONSENTED TO FINDINGS THAT IT: (1)VIOLATED NYSE RULE 476(A)(6) FOR ENGAGING IN CONDUCT INCONSISTENT WITH JUST AND EQUITABLE PRINCIPLES OF TRADE BY: (A) RECOMMENDING AND SELLING LIBOR CDS TO CUSTOMERS FOR WHOM SUCH PRODUCTS WERE UNSUITABLE; (B) FAILING TO ACCURATELY ADVISE CUSTOMERS ABOUT THE RISKS ASSOCIATED WITH THE LIBOR CDS; AND/OR (C) MAKING MISREPRESENTATIONS REGARDING CERTAIN MATERIAL FEATURES OF THE LIBOR CDS AND/OR THE MANNER IN WHICH THE PRODUCTS WERE LIKELY TO PERFORM.(2)VIOLATED NYSE RULE 401(A) BY FAILING TO ADHERE TO PRINCIPLES OF GOOD BUSINESS PRACTICE BY RECOMMENDING AND SELLING THE LIBOR CD PRODUCTS TO CLIENTS FOR WHOM THEY WERE NOT SUITABLE.(3)VIOLATED NYSE RULE 342(A) AND (B) BY: (A) FAILING TO ESTABLISH AND MAINTAIN APPROPRIATE PROCEDURES TO REASONABLY SUPERVISE WHETHER THE SALE OF CALLABLE LIBOR CDS WAS SUITABLE FOR ITS CUSTOMERS, AND (B) FAILING TO ADEQUATELY SUPERVISE ITS PERSONNEL IN ORDER TO REASONABLY DETECT AND PREVENT MISREPRESENTATIONS REGARDING MATERIAL FEATURES OF THE LIBOR CDS, AND/OR THE MANNER IN WHICH THEY WERE LIKELY TO PERFORM.STIPULATED SANCTIONS: THE IMPOSITION BY THE NYSE OF A CENSURE A FINE IN THE AMOUNT OF \$500,000; AND AN UNDERTAKING REQUIRING THE FIRM TO REVIEW THE PURCHASES OF THE OUTSTANDING LIBOR CDS (THAT EXISTED AS OF JUNE 1, 2007) AND OFFER A REMEDIATION PLAN ("THE PLAN"), REVIEWED AND APPROVED BY ENFORCEMENT, IN ACCORDANCE WITH THE FOLLOWING CONDITIONS: (A) WITHIN 30 DAYS OF THE NYSE HEARING BOARD DECISION BECOMING FINAL IN THIS MATTER, THE FIRM SHALL SUBMIT THE PLAN WHICH WILL INCLUDE AN OFFER TO REPURCHASE CUSTOMERS' LIBOR CDS AT FULL PRINCIPAL VALUE FOR THOSE PURCHASES IDENTIFIED UNDER THE PLAN, ALONG WITH THE RIGHT TO RETAIN ANY EARNED INTEREST, \*\*CONT. 13C\*\*

**Initiated By:** NEW YORK STOCK EXCHANGE DIVISION OF ENFORCEMENT

**Date Initiated:** 07/27/2007

**Docket/Case Number:** HPD 07-150

**Principal Product Type:** Other

**Other Product Type(s):**



**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision

**Resolution Date:** 10/09/2007

**Sanctions Ordered:** Censure  
Monetary/Fine \$500,000.00

**Other Sanctions Ordered:** CONSENT TO CENSURE, \$500,000 FINE AND UNDERTAKING.

**Sanction Details:** \*\*9/13/07\*\*HEARING BOARD DECISION ISSUED -- HBD 07-150  
HSBC SECURITIES (USA) INC. F/K/A HSBC BROKERAGE (USA) INC. (THE "FIRM" OR "HSBC") WAS FOUND GUILTY OF:(1) VIOLATING NYSE RULE 476(A)(6) FOR ENGAGING IN CONDUCT INCONSISTENT WITH JUST AND EQUITABLE PRINCIPLES OF TRADE BY: (A) RECOMMENDING AND SELLING LIBOR CDS TO CUSTOMERS FOR WHOM SUCH PRODUCTS WERE UNSUITABLE; (B) FAILING TO ACCURATELY ADVISE CUSTOMERS ABOUT THE RISKS ASSOCIATED WITH THE LIBOR CDS; AND/OR (C) MAKING MISREPRESENTATIONS REGARDING CERTAIN MATERIAL FEATURES OF THE LIBOR CDS AND/OR THE MANNER IN WHICH THE PRODUCTS WERE LIKELY TO PERFORM.(2) VIOLATING NYSE RULE 401(A) BY FAILING TO ADHERE TO PRINCIPLES OF GOOD BUSINESS PRACTICE BY RECOMMENDING AND SELLING THE LIBOR CD PRODUCTS TO CLIENTS FOR WHOM THEY WERE NOT SUITABLE.(3) VIOLATING NYSE RULE 342(A) AND (B) BY: (A) FAILING TO ESTABLISH AND MAINTAIN APPROPRIATE PROCEDURES TO REASONABLY SUPERVISE WHETHER THE SALE OF CALLABLE LIBOR CDS WAS SUITABLE FOR ITS CUSTOMERS, AND (B) FAILING TO ADEQUATELY SUPERVISE ITS PERSONNEL IN ORDER TO REASONABLY DETECT AND PREVENT MISREPRESENTATIONS REGARDING MATERIAL FEATURES OF THE LIBOR CDS, AND/OR THE MANNER IN WHICH THEY WERE LIKELY TO PERFORM.AN OFFICER OF THE HEARING BOARD IMPOSED THE PENALTY CONSENTED TO BY HSBC OF A CENSURE, A FINE IN THE AMOUNT OF \$500,000, AND AN UNDERTAKING REQUIRING THE FIRM TO REVIEW THE PURCHASES OF THE OUTSTANDING LIBOR CDS (THAT EXISTED AS OF JUNE 1, 2007) AND OFFER A REMEDIATION PLAN ("THE PLAN"), REVIEWED AND APPROVED BY ENFORCEMENT, IN ACCORDANCE WITH THE FOLLOWING CONDITIONS: (A) WITHIN 30 DAYS OF THE NYSE HEARING BOARD DECISION BECOMING FINAL IN THIS MATTER, THE FIRM SHALL SUBMIT THE PLAN WHICH WILL INCLUDE AN OFFER TO REPURCHASE CUSTOMERS' LIBOR CDS AT FULL PRINCIPAL VALUE FOR THOSE PURCHASES IDENTIFIED UNDER THE PLAN, ALONG WITH THE RIGHT TO RETAIN ANY EARNED INTEREST, IN A MANNER NOT UNACCEPTABLE TO ENFORCEMENT, WHICH INCLUDES WRITTEN



NOTIFICATION ADVISING \*\*CONT.IN 14\*\*

**Regulator Statement**

\*\*10/9/07\*\* THE DECISION BECAME FINAL AS OF THE CLOSE OF BUSINESS ON OCTOBER 8, 2007 AND THE FINE BECAME PAYABLE ON THAT SAME DATE. CONTACT: PEGGY GERMINO 212-656-8450.

**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

(1) VIOLATION OF NYSE RULE 476(A)(6) FOR ENGAGING IN CONDUCT INCONSISTENT WITH JUST AND EQUITABLE PRINCIPLES OF TRADE BY: (A) RECOMMENDING AND SELLING LIBOR CDS TO CUSTOMERS FOR WHOM SUCH PRODUCTS WERE UNSUITABLE; (B) FAILING TO ACCURATELY ADVISE CUSTOMERS ABOUT THE RISKS ASSOCIATED WITH THE LIBOR CDS; AND/OR (C) MAKING MATERIAL MISREPRESENTATIONS REGARDING CERTAIN MATERIAL FEATURES OF THE LIBOR CDS AND/OR THE MANNER IN WHICH THE PRODUCTS WERE LIKELY TO PERFORM. (2) VIOLATION OF NYSE RULE 401(A) BY FAILING TO ADHERE TO PRINCIPLES OF GOOD BUSINESS PRACTICE BY RECOMMENDING AND SELLING THE LIBOR CD PRODUCTS TO CLIENTS FOR WHOM THEY WERE NOT SUITABLE. (3) VIOLATION OF NYSE RULE 342(A) AND (B) BY: (A) FAILING TO ESTABLISH AND MAINTAIN APPROPRIATE PROCEDURES TO REASONABLY SUPERVISE WHETHER THE SALE OF CALLABLE LIBOR CDS WERE SUITABLE FOR ITS CUSTOMERS, AND (B) FAILING TO ADEQUATELY SUPERVISE ITS PERSONNEL IN ORDER TO REASONABLY DETECT AND PREVENT MISREPRESENTATIONS REGARDING MATERIAL FEATURES OF LIBOR CDS, AND/OR THE MANNER IN WHICH THEY WERE LIKELY TO PERFORM.

**Initiated By:**

NEW YORK STOCK EXCHANGE REGULATION - DIVISION OF ENFORCEMENT

**Date Initiated:**

07/27/2007

**Docket/Case Number:**

NYSE HEARING BOARD DECISION 07-150

**Principal Product Type:**

Other

**Other Product Type(s):**

CALLABLE RANGE ACCRUAL CERTIFICATES OF DEPOSIT.

**Principal Sanction(s)/Relief Sought:**

Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

CENSURE AND UNDERTAKING

**Resolution:**

Stipulation and Consent

**Resolution Date:**

10/08/2007

**Sanctions Ordered:**

Censure



Monetary/Fine \$500,000.00

**Other Sanctions Ordered:** THE FIRM MUST ENGAGE IN AN UNDERTAKING REQUIRING THE FIRM TO REVIEW THE PURCHASES OF THE OUTSTANDING LIBOR CDS (THAT EXISTED AS OF JUNE 1, 2007) AND OFFER A REMEDIATION PLAN REVIEWED AND APPROVED BY NYSE ENFORCEMENT, IN ACCORDANCE WITH THE TERMS OF THE STIPULATION AND CONSENT TO PENALTY.

**Sanction Details:** CENSURE AND FINE IN THE AMOUNT OF \$500,000 AND AN UNDERTAKING REQUIRING THE FIRM TO REVIEW THE PURCHASES OF THE OUTSTANDING LIBOR CDS (THAT EXISTED AS OF JUNE 1, 2007) AND OFFER A REMEDIATION PLAN, REVIEWED AND APPROVED BY NYSE ENFORCEMENT, IN ACCORDANCE WITH THE TERMS OF THE STIPULATION AND COSENT TO PENALTY.

**Firm Statement** THE NYSE HEARING BOARD RENDERED A DECISION ON SEPTEMBER 13, 2007 WITH REGARD TO THE STIPULATION OF FACTS AND CONSENT TO PENALTY ENTERED INTO BETWEEN THE FIRM AND THE DIVISION OF ENFORCEMENT OF NYSE REGULATION. THE DECISION BECAME FINAL AT THE CLOSE OF BUSINESS ON OCTOBER 8, 2007. THE FIRM MUST OFFER ITS REMEDIATION PLAN TO NYSE ENFORCEMENT WITHIN 30 DAYS OF THE THE DATE ON WHICH THE DECISION BECAME FINAL. THE FIRM IS REQUIRED TO PAY ITS FINE WITHIN 45 DAYS OF THE DATE ON WHICH THE DECISION BECAME FINAL.

#### Disclosure 44 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULE 2110 - RESPONDENT MEMBER FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT TO THE NASDAQ MARKET CENTER (NMC) LAST SALE REPORTS OF TRANSACTIONS IN CQS SECURITIES.

**Initiated By:** NASD

**Date Initiated:** 07/27/2007

**Docket/Case Number:** 20050026982-01

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**



**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 07/27/2007

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$5,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC SECURITIES (USA) INC., CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS FINED \$5,000.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE NASD REGULATION INC. ("NASD") ALLEGED THAT HSBC SECURITIES (USA) INC. VIOLATED NASD RULE 2110 - RESPONDENT MEMBER FAILED WITHIN 90 SECONDS AFTER EXECUTION TO TRANSMIT TO THE NASDAQ MARKET CENTER (NMC) LAST SALE REPORTS OF TRANSACTION IN CQS SECURITIES.

**Initiated By:** NASD REGULATION INC. ("NASD")

**Date Initiated:** 07/27/2007

**Docket/Case Number:** 20050026982-01

**Principal Product Type:** Other

**Other Product Type(s):** NO PRODUCT TYPE

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 07/27/2007

**Sanctions Ordered:** Monetary/Fine \$5,000.00

**Other Sanctions Ordered:**





<b>Sanction Details:</b>	THE NASD REGULATION INC. ("NASD") ALLEGED THAT HSBC SECURITIES (USA) INC. VIOLATED NASD RULE 2110 - RESPONDENT MEMBER FAILED WITHIN 90 SECONDS AFTER EXECUTION TO TRANSMIT TO THE NASDAQ MARKET CENTER (NMC) LAST SALE REPORTS OF TRANSACTION IN CQS SECURITIES.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING ANY VIOLATION, HSBC SECURITIES (USA) INC. WAS FINED \$5,000.00.

## Disclosure 45 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	SEC RULES 10B-10, 17A-3, 17A-4, 200(G) OF REGULATION SHO, 203(B)(1) OF REGULATION SHO, NASD RULES 3010, 3110, 6130, 6955(A) - RESPONDENT MEMBER ACCEPTED SHORT SALE ORDERS IN A EQUITY SECURITY FROM ANOTHER PERSON, OR EFFECTED A SHORT SALE IN AN EQUITY SECURITY FOR ITS OWN ACCOUNT, WITHOUT DOCUMENTING THAT IT BORROWED THE SECURITY, OR ENTERED INTO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITY, OR THAT IT HAD REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY COULD BE BORROWED SO THAT IT COULD BE DELIVERED ON THE DATE DELIVERY IS DUE. THE FINDINGS STATED THAT THE FIRM FAILED TO CORRECTLY REPORT SALE TRANSACTIONS TO ACT AS LONG, SHORT OR SHORT EXEMPT, FAILED TO REPORT THE CORRECT EXECUTION TIME AND, IN ONE INSTANCE, THE FIRM REPORTED ITS CAPACITY AS PRINCIPAL WHEN IT WAS ACTING AS AGENT. THE FINDINGS ALSO STATED THAT THE FIRM REPORTED TO OATS EXECUTION REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA AND EXECUTED SHORT SALE ORDERS AND FAILED TO PROPERLY MARK THE ORDER TICKETS AS SHORT FOR THESE ORDERS. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO PRESERVE FOR A PERIOD OF NOT LESS THAN THREE YEARS, THE FIRST TWO IN AN ACCESSIBLE PLACE, THE MEMORANDUM OF BROKERAGE ORDERS, A CUSTOMER CONFIRMATION AND FAILED TO SHOW THE TIME OF RECEIPT ON THE MEMORANDUM OF A BROKERAGE ORDER. NASD FOUND THAT THE FIRM FAILED TO DISCLOSE THE CORRECT CAPACITY AND TO DISCLOSE AVERAGE PRICE ON CUSTOMER CONFIRMATIONS. NASD ALSO FOUND THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES RELATING TO COMPLIANCE WITH ORDER HANDLING, BEST EXECUTION, ANTI-INTIMIDATION AND COORDINATION, SALES TRANSACTIONS, BOOKS AND RECORDS AND FOR MONITORING USE OF THE FIRM'S BANK.
<b>Initiated By:</b>	NASD



**Date Initiated:** 06/12/2007

**Docket/Case Number:** [2006005567701](#)

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/12/2007

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$27,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC SECURITIES (USA) INC., CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM WAS CENSURED AND FINED \$27,500.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE NASD ALLEGED THE FOLLOWING: SEC RULES 10B-10, 17A-3, A7A-4, 200(G) OF REGULATION SHO, 203(B)(1) OF REGULATION SHO, NASD RULES 3010, 3110, 6130, 6955(A) - HSBC SECURITIES (USA) INC. ("HSBC") ACCEPTED SHORT SALE ORDERS IN AN EQUITY SECURITY FROM ANOTHER PERSON, OR AFFECTED A SHORT SALE IN AN EQUITY SECURITY FOR ITS OWN ACCOUNT, WITHOUT DOCUMENTING THAT IT BORROWED THE SECURITY, OR ENTERED INTO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITY, OR THAT IT HAD REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY COULD BE BORROWED SO THAT IT COULD BE DELIVERED ON THE DATE DELIVERY IS DUE. THE FINDINGS STATED THAT THE FIRM FAILED TO CORRECTLY



REPORT SALE TRANSACTIONS TO ACT AS LONG, SHORT OR SHORT EXEMPT, FAILED TO REPORT THE CORRECT EXECUTION TIME AND IN ONE INSTANCE, THE FIRM REPORTED ITS CAPACITY AS PRINCIPAL WHEN IT WAS ACTING AS AGENT. THE FINDINGS ALSO STATED THAT THE FIRM REPORTED TO OATS EXECUTION REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA AND EXECUTED SHORT SALE ORDERS AND FAILED TO PROPERLY MARK THE ORDER TICKETS AS SHORT FOR THESE ORDERS. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO PRESERVE FOR A PERIOD OF NOT LESS THAN THREE YEARS, THE FIRST TWO IN AN ACCESSIBLE PLACE, THE MEMORANDUM OF BROKERAGE ORDERS, A CUSTOMER CONFIRMATION AND FAILED TO SHOW THE TIME OF RECEIPT ON THE MEMORANDUM OF A BROKERAGE ORDER. THE NASD FOUND THAT THE FIRM FAILED TO DISCLOSE THE CORRECT CAPACITY AND TO DISCLOSE AVERAGE PRICE ON CUSTOMER CONFIRMATIONS. THE NASD ALSO FOUND THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES RELATING TO COMPLIANCE WITH ORDER HANDLING, BEST EXECUTION, ANTI-INTIMIDATION AND COORDINATION, SALES TRANSACTIONS, BOOKS AND RECORDS AND FOR MONITORING USE OF FIRM'S BANK.

**Initiated By:** NASD REGULATION, INC.

**Date Initiated:** 06/12/2007

**Docket/Case Number:** 20060055677-01

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** MONETARY/FINE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/12/2007

**Sanctions Ordered:** Censure  
Monetary/Fine \$27,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC SECURITIES (USA) INC. ("HSBC"), CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. HSBC WAS CENSURED AND FINED \$27,500.00.



## Firm Statement

THE NASD ALLEGED THE FOLLOWING: SEC RULES 10B-10, 17A-3, A7A-4, 200(G) OF REGULATION SHO, 203(B)(1) OF REGULATION SHO, NASD RULES 3010, 3110, 6130, 6955(A) - HSBC SECURITIES (USA) INC. ("HSBC") ACCEPTED SHORT SALE ORDERS IN AN EQUITY SECURITY FROM ANOTHER PERSON, OR AFFECTED A SHORT SALE IN AN EQUITY SECURITY FOR ITS OWN ACCOUNT, WITHOUT DOCUMENTING THAT IT BORROWED THE SECURITY, OR ENTERED INTO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITY, OR THAT IT HAD REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY COULD BE BORROWED SO THAT IT COULD BE DELIVERED ON THE DATE DELIVERY IS DUE. THE FINDINGS STATED THAT THE FIRM FAILED TO CORRECTLY REPORT SALE TRANSACTIONS TO ACT AS LONG, SHORT OR SHORT EXEMPT, FAILED TO REPORT THE CORRECT EXECUTION TIME AND IN ONE INSTANCE, THE FIRM REPORTED ITS CAPACITY AS PRINCIPAL WHEN IT WAS ACTING AS AGENT. THE FINDINGS ALSO STATED THAT THE FIRM REPORTED TO OATS EXECUTION REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA AND EXECUTED SHORT SALE ORDERS AND FAILED TO PROPERLY MARK THE ORDER TICKETS AS SHORT FOR THESE ORDERS. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO PRESERVE FOR A PERIOD OF NOT LESS THAN THREE YEARS, THE FIRST TWO IN AN ACCESSIBLE PLACE, THE MEMORANDUM OF BROKERAGE ORDERS, A CUSTOMER CONFIRMATION AND FAILED TO SHOW THE TIME OF RECEIPT ON THE MEMORANDUM OF A BROKERAGE ORDER. THE NASD FOUND THAT THE FIRM FAILED TO DISCLOSE THE CORRECT CAPACITY AND TO DISCLOSE AVERAGE PRICE ON CUSTOMER CONFIRMATIONS. THE NASD ALSO FOUND THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES RELATING TO COMPLIANCE WITH ORDER HANDLING, BEST EXECUTION, ANTI-INTIMIDATION AND COORDINATION, SALES TRANSACTIONS, BOOKS AND RECORDS AND FOR MONITORING USE OF FIRM'S BANK.

## Disclosure 46 of 67

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	THE CHICAGO BOARD OF TRADE ("CBOT") ALLEGED THAT HSBC SECURITIES (USA) INC. ("HSBC") VIOLATED REGULATION 332.08. TRADE DATES FOR THE PERIOD OF NOVEMBER 1, 2005 THROUGH DECEMBER 31, 2005 AND FOR THE PERIOD OF FEBRUARY 27, 2006 THROUGH MARCH 24, 2006 CONTAINED AT LEAST ONE DATA ENTRY ERROR.
<b>Initiated By:</b>	CHICAGO BOARD OF TRADE ("CBOT")



**Date Initiated:** 11/01/2005  
**Docket/Case Number:** 05-RFT-058  
**Principal Product Type:** Futures - Commodity  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Other  
**Resolution Date:** 08/03/2006  
**Sanctions Ordered:** Monetary/Fine \$1,800.00  
**Other Sanctions Ordered:**  
**Sanction Details:** THE CHICAGO BOARD OF TRADE ("CBOT") ALLEGED THAT HSBC SECURITIES (USA) INC. ("HSBC") VIOLATED REGULATION 332.08. TRADE DATES FOR THE PERIOD OF NOVEMBER 1, 2005 THROUGH DECEMBER 31, 2005 AND FOR THE PERIOD OF FEBRUARY 27, 2006 THROUGH MARCH 24, 2006 CONTAINED AT LEAST ONE DATA ENTRY ERROR. HSBC WAS FINED \$1800,00

#### Disclosure 47 of 67

**Reporting Source:** Firm  
**Current Status:** Final  
**Allegations:** THE CHICAGO BOARD OF TRADE ("CBOT") ALLEGED THAT HSBC SECURITIES (USA) INC. ("HSBC") VIOLATED REGULATION 332.08. TRADE DATE FOR THE TRADE DATES OF OCTOBER 1, 2006 THROUGH DECEMBER 27, 2006 REFLECTED AN UNACCEPTABLE CTR ERROR RATE. HSBC WAS FINED \$1,000.00.  
**Initiated By:** CHICAGO BOARD OF TRADE ("CBOT")  
**Date Initiated:** 03/07/2007  
**Docket/Case Number:** 06-RFT-052  
**Principal Product Type:** Futures - Commodity  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)


**Other Sanction(s)/Relief Sought:**

**Resolution:** Other  
**Resolution Date:** 03/08/2007  
**Sanctions Ordered:** Monetary/Fine \$1,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE CHICAGO BOARD OF TRADE ("CBOT") ALLEGED THAT HSBC SECURITIES (USA) INC. ("HSBC") VIOLATED REGULATION 332.08. TRADE DATE FOR THE TRADE DATES OF OCTOBER 1, 2006 THROUGH DECEMBER 27, 2006 REFLECTED AN UNACCEPTABLE CTR ERROR RATE. HSBC WAS FINED \$1,000.00.

**Disclosure 48 of 67**

**Reporting Source:** Firm  
**Current Status:** Final  
**Allegations:** THE CHICAGO BOARD OF TRADE ("CBOT") ALLEGED THAT HSBC SECURITIES (USA) INC. ("HSBC") VIOLATED REGULATION 3242.01 IN THAT THE FIRM FAILED TO MAKE DELIVERY OF CONTRACT GRADE TWO-YEAR U.S. TREASURY NOTES BY 1:00 P.M., CHICAGO TIME, ON DELIVERY DAY.  
**Initiated By:** CHICAGO BOARD OF TRADE ("CBOT")  
**Date Initiated:** 03/14/2007  
**Docket/Case Number:** 06-MSI-34B  
**Principal Product Type:** Futures - Commodity  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Decision & Order of Offer of Settlement  
**Resolution Date:** 03/14/2007  
**Sanctions Ordered:** Monetary/Fine \$60,000.00  
**Other Sanctions Ordered:**



**Sanction Details:** THE CHICAGO BOARD OF TRADE ("CBOT") ALLEGED THAT HSBC SECURITIES (USA) INC. ("HSBC") VIOLATED REGULATION 3242.01 IN THAT THE FIRM FAILED TO MAKE DELIVERY OF CONTRACT GRADE TWO-YEAR U.S. TREASURY NOTES BY 1:00 P.M., CHICAGO TIME, ON DELIVERY DAY. HSBC WAS FINED \$60,000.00.

#### Disclosure 49 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULE 3360 - RESPONDENT MEMBER FAILED TO TIMELY REPORT ITS SHORT INTEREST POSITIONS TO NASD.

**Initiated By:** NASD

**Date Initiated:** 03/13/2007

**Docket/Case Number:** 20041000233-01

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 03/13/2007

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$5,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC SECURITIES (USA) INC., CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS FINED \$5,000.



**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE NASD REGULATION INC. ("NASD") ALLEGED THAT HSBC SECURITIES (USA) INC. VIOLATED: NASD RULE 3360 FOR FAILURE TO TIMELY REPORT ITS SHORT INTEREST POSITIONS TO THE NASD.

**Initiated By:** NASD REGULATION INC. ("NASD")

**Date Initiated:** 03/13/2007

**Docket/Case Number:** 20041000233-01

**Principal Product Type:** Other

**Other Product Type(s):** NO PRODUCT.

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** FINED.

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 03/13/2007

**Sanctions Ordered:** Monetary/Fine \$5,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING ANY VIOLATION, HSBC SECURITIES (USA) INC. WAS FINED \$5,000.00.

#### Disclosure 50 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SEC RULE 17A-3, NASD RULES 6230(A), 6230(C)(8) - HSBC SECURITIES (USA) INC. FAILED TO REPORT THE CORRECT TIME OF TRADE EXECUTION FOR TRACE-ELIGIBLE SECURITIES; FAILED TO SHOW THE CORRECT TIME OF EXECUTION ON ORDER MEMORANDA IN TRACE-ELIGIBLE SECURITIES; AND FAILED TO REPORT IN A TIMELY MANNER TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES EXECUTED ON A BUSINESS DAY DURING TRACE SYSTEM HOURS WITHIN 30 MINUTES OF EXECUTION.

**Initiated By:** NASD

**Date Initiated:** 02/20/2007





**Docket/Case Number:** [2005002370601](#)

**Principal Product Type:** Other

**Other Product Type(s):** TRACE-ELIGIBLE SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 02/20/2007

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$10,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$10,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE NASD REGULATION INC. ("NASD") ALLEGED THAT HSBC SECURITIES (USA) INC. VIOLATED: NASD MARKETPLACE RULES 6230(A) AND 6230(C)(8); SEC RULE 17A-3. NASD ALLEGED HSBC SECURITIES (USA) INC. FAILED TO REPORT THE CORRECT TIME OF TRADE EXECUTION FOR TRACE-ELIGIBLE SECURITIES; FAILED TO SHOW THE CORRECT TIME OF EXECUTION ON ORDER MEMORANDA IN TRACE-ELIGIBLE SECURITIES; AND FAILED TO REPORT IN A TIMELY MANNER TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES EXECUTION ON A BUSINESS DAY DURING TRACE SYSTEM HOURS WITHIN 30 MINUTES OF EXECUTION.

**Initiated By:** NASD REGULATION INC. ("NASD")

**Date Initiated:** 02/20/2007

**Docket/Case Number:** 20050023706-01



**Principal Product Type:** Other  
**Other Product Type(s):** TRACE-ELIGIBLE SECURITIES.  
**Principal Sanction(s)/Relief Sought:** Censure  
**Other Sanction(s)/Relief Sought:** FINED.  
**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 02/20/2007  
**Sanctions Ordered:** Censure  
 Monetary/Fine \$10,000.00  
**Other Sanctions Ordered:**  
**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC SECURITIES (USA) INC. WAS CENSURED AND FINED \$10,000.00.

#### Disclosure 51 of 67

**Reporting Source:** Regulator  
**Current Status:** Final  
**Allegations:** MSRB RULES G-27, G-30 - HSBC SECURITIES (USA)INC. F/K/A HSBC BROKERAGE (USA) INC. - SOLD MUNICIPAL SECURITIES FOR ITS OWN ACCOUNT TO A CUSTOMER AND FAILED TO SELL SUCH SECURITY AT A PRICE THAT WAS FAIR AND REASONABLE, TAKING INTO CONSIDERATION ALL RELEVANT FACTORS INCLUDING MARKET CONDITIONS WITH RESPECT TO SUCH SECURITY AT THE TIME OF TRANSACTION, THE EXPENSE INVOLVED IN EFFECTING THE TRANSACTION, THAT THE FIRM WAS ENTITLED TO A PROFIT, AND THE TOTAL DOLLAR AMOUNT OF THE TRANSACTION - THE FIRMS MARKUP OR MARKDOWN WAS HIGHER THAN ANY OTHER COMPARABLE TRANSACTION IN THE SECURITY. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES FOR ITS MUNICIPAL BOND DEPARTMENT WERE NOT REASONABLY DESIGNED TO ENSURE COMPLIANCE BY THE FIRM AND ITS ASSOCIATED PERSONS WITH MSRB RULES AND FEDERAL SECURITIES LAWS AND REGULATIONS CONCERNING FAIR PRICING AND NASD RULES CONCERNING MARKUPS.  
**Initiated By:** NASD  
**Date Initiated:** 01/17/2007  
**Docket/Case Number:** [2005000190002](#)



**Principal Product Type:** Debt - Municipal

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/17/2007

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$17,500.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$17,500, REQUIRED TO PAY \$1,329.53, PLUS INTEREST, IN RESTITUTION TO PUBLIC CUSTOMERS AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING FAIR PRICING AND MARKUPS WITHIN 30 DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC. A REGISTERED PRINCIPAL OF THE FIRM SHALL SUBMIT SATISFACTORY PROOF OF PAYMENT OF THE RESTITUTION OR OF REASONABLE AND DOCUMENTED EFFORTS UNDERTAKEN TO EFFECT RESTITUTION TO NASD NO LATER THAN 60 DAYS AFTER ACCEPTANCE OF THIS AWC. ANY UNDISTRIBUTED RESTITUTION AND INTEREST SHALL BE FORWARDED TO THE APPROPRIATE ESCHEAT, UNCLAIMED PROPERTY OR ABANDONED PROPERTY FUND FOR THE STATE IN WHICH THE CUSTOMER LAST RESIDED.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE NASD REGULATION, INC. ("NASD") ALLEGED THAT HSBC SECURITIES (USA) INC. F/K/A HSBC BROKERAGE (USA) INC. VIOLATED RULE G-30 AND



SUPERVISION VIOLATION OF RULE G-27.

**Initiated By:** NASD REGULATION INC. ("NASD")

**Date Initiated:** 01/17/2007

**Docket/Case Number:** 20050001900

**Principal Product Type:** Debt - Government

**Other Product Type(s):** DEBT - MUNICIPAL;DEBT - CORPORATE; EQUITY - OTC; EQUITY LISTED (COMMON & PREFERRED STOCK); FUTURES - FINANCIAL; INSURANCE

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** FINED; DISGORGEMENT/RESTITUTION; UNDERTAKING.

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/17/2007

**Sanctions Ordered:** Censure  
Monetary/Fine \$17,500.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC SECURITIES (USA) INC. WAS CENSURED AND FINED \$17,500.00, REQUIRED TO PAY \$1329.53, PLUS INTEREST, IN RESTITUTION TO PUBLIC CUSTOMERS AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING FAIR PRICING AND MARKUPS WITHIN THIRTY (30) DAYS OF ACCEPTANCE OF THIS AWC BY NAC. A REGISTERED PRINCIPAL OF THE FIRM WILL SUBMIT SATISFACTORY PROFF OF PAYMENT OF THE RESTITUTION OT OF REASONABLE AND DOCUMENTED EFFORTS UNDERTAKEN TO EFFECT RESTITUTION TO NASD NO LATER THAN 60 DAYS AFTER ACCEPTANCE OF THIS AWC. ANY UNDISTRIBUTED RESTITUTION AND INTEREST WILL BE FORWARDED TO THE APPROPRIATE ECCEHEAT, UNCLAIMED PROPERTY OR ABANDONED PROPERTY FUND FOR THE STATE IN WHICH THE CUSTOMER LAST RESIDED.

**Disclosure 52 of 67**

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULES 2860(B)(5), 3010, 6130(D)(4) - HSBC SECURITIES (USA) INC. FAILED TO SUBMIT THE TIME OF EXECUTION FOR TRADE REPORTS



SUBMITTED TO THE NASDAQ MARKET CENTER; THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES RELATING TO COMPLIANCE WITH TRADE REPORTING REQUIREMENTS CONTAINED IN NASD MARKETPLACE RULE 6130(D)(4); AND THE FIRM FAILED TO ELECTRONICALLY FILE WITH NASD LARGE OPTION POSITION REPORTS IN CONVENTIONAL OPTIONS BUT INSTEAD FILED THE REPORTS MANUALLY.

**Initiated By:** NASD

**Date Initiated:** 01/09/2007

**Docket/Case Number:** [2006004337101](#)

**Principal Product Type:** Other

**Other Product Type(s):** UNKNOWN TYPE OF SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/09/2007

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$22,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$22,500.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NASD RULES 2860(B)(5), 3010, 6130(D)(4) - THE NASD REGULATION INC. ("NASD") ALLEGED THAT HSBC SECURITIES (USA) INC. FAILED TO SUBMIT



THE TIME OF EXECUTION FOR TRADE REPORTS SUBMITTED TO THE NASDAQ MARKET CENTER; THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO APPLICABLE LAWS, REGULATIONS AND NASD RULES RELATING TO COMPLIANCE WITH TRADE REPORTING REQUIREMENTS CONTAINED IN NASD MARKETPLACE RULE 6130(D)(4); THE FIRM FAILED TO ELECTRONICALLY FILE WITH THE NASD LARGE OPTION POSITION REPORTS IN CONVENTIONAL OPTIONS BUT INSTAED FILED THE REPORTS MANUALLY.

**Initiated By:** NASD REGULATION INC. ("NASD")

**Date Initiated:** 01/09/2007

**Docket/Case Number:** 20060043371 - 01

**Principal Product Type:** Debt - Government

**Other Product Type(s):** DEBT - CORPORATE; EQUITY - OTC; EQUITY LISTED (COMMON & PREFERRED STOCK); FUTURES - FINANCIAL; INSURANCE.

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** FINED.

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/09/2007

**Sanctions Ordered:** Censure  
Monetary/Fine \$22,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, HSBC WAS CENSURED AND FINED \$22,500.00.

#### Disclosure 53 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD MARKETPLACE RULE 6955(A), NASD CONDUCT RULES 2110 AND 3010 - HSBC SECURITIES (USA) INC. SUBMITTED TO OATS REPORTS WITH RESPECT TO EQUITY SECURITIES TRADED ON THE NASDAQ STOCK MARKET (THE "SUBJECT REPORTS") THAT WERE NOT INCLUDED IN THE ELECTRONIC FORM PRESCRIBED BY NASD AND WERE REPAIRABLE. . THE SUBJECT REPORT WERE REJECTED BY OATS SYSTEM AND NOTICE OF



SUCH REJECTION WAS MADE AVAILABLE TO THE FIRM ON THE OATS WEBSITE. IN FACT, THE FIRM DID NOT REPLACE 94% OF THE SUBJECT REPORTS. MOREOVER, THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND RULES OF NASD, CONCERNING OATS.

**Initiated By:** NASD

**Date Initiated:** 10/13/2005

**Docket/Case Number:** 20050000176-01

**Principal Product Type:** Other

**Other Product Type(s):** EQUITY SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/13/2005

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$8,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, HSBC SECURITIES (USA) INC. CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE THE FIRM IS CENSURED, FINED \$8,000 AND REQUIRED TO REVISE ITS SUPERVISORY PROCEDURES WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND RULES OF NASD, CONCERNING OATS.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NASD MARKETPLACE RULE 6955(A), NASD CONDUCT RULES 2110 AND



3010-HSBC SECURITIES (USA) INC. ("HSBC") SUBMITTED TO OATS REPORTS WITH RESPECT TO EQUITY SECURITIES TRADED ON THE NASDAQ STOCK MARKET (THE "SUBJECT REPORTS") THAT WERE NOT INCLUDED IN THE ELECTRONIC FORM PRESCRIBED BY THE NASD AND WERE REPAIRABLE. THE SUBJECT REPORTS WERE REJECTED BY OATS SYSTEM AND NOTICE OF SUCH REJECTION WAS MADE AVAILABLE TO THE FIRM ON THE OATS WEBSITE. IN FACT, THE FIRM DID NOT REPLACE 94% OF THE SUBJECT REPORTS. MOREOVER, THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND RULES OF THE NASD, CONCERNING OATS.

**Initiated By:** NASD REGULATIONS, INC.

**Date Initiated:** 10/13/2005

**Docket/Case Number:** 20050000176-01

**Principal Product Type:** Other

**Other Product Type(s):** EQUITY SECURITIES

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** MONETARY/FINE OF \$8,000.00/

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/13/2005

**Sanctions Ordered:** Censure  
Monetary/Fine \$8,000.00

**Other Sanctions Ordered:** UNDERTAKING.

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, HSBC SECURITIES (USA) INC. ("HSBC") CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS; THEREFORE HSBC IS CENSURED, FINED \$8,000.00 AND REQUIRED TO REVISE ITS SUPERVISORY PROCEDURES WITH RESPECT TO THE APPLICABLE SECURITIES LAW AND REGULATIONS, AND RULES OF THE NASD, CONCERNING OATS.

#### Disclosure 54 of 67

**Reporting Source:** Firm

**Current Status:** Final





<b>Allegations:</b>	AIDING AND ABETTING AND CAUSING AN INVESTMENT ADVISORS'S SOFT DOLLAR VIOLATION.
<b>Initiated By:</b>	U.S. SECURITIES & EXAHANGE COMMISSION.
<b>Date Initiated:</b>	12/20/1996
<b>Docket/Case Number:</b>	3-9823
<b>Principal Product Type:</b>	Equity Listed (Common & Preferred Stock)
<b>Other Product Type(s):</b>	EQUITY OTC, FUTURES-COMMODITY, MUTUAL FUNDS, OPTIONS, DEBT-GOVERNMENT, DEBT-MUNICIPAL.
<b>Principal Sanction(s)/Relief Sought:</b>	Censure
<b>Other Sanction(s)/Relief Sought:</b>	CEASE AND DESIST AND FINED \$50,000.00.
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	02/10/1999
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$50,000.00 Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	NONE.
<b>Sanction Details:</b>	\$50,000.00 FINE PAID TO THE SEC 3/1999.
<b>Firm Statement</b>	THIS DRP WAS ORIGINALLY FILED ON OUR FORMER CONTROL AFFILIATE (HSBC BROKERAGE (USA) INC.) BROKER-DEALER APPLICATION. EFFECTIVE JANUARY 01, 2005 HSBC BROKERAGE (USA) INC. MERGED WITH HSBC SECURITIES (USA) INC.

#### Disclosure 55 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	**11/08/2004** STIPULATION OF FACTS AND CONSENT TO PENALTY FILED BY NYSE DIVISION OF ENFORCEMENT AND PENDING. CONSENTED TO FINDINGS: (1) VIOLATED RULE 440 AND SEC RULE 17A-4(B)(4) BY FAILING TO PRESERVE FOR A PERIOD OF THREE YEARS ELECTRONIC COMMUNICATIONS RELATING TO THE BUSINESS OF THE FIRM; (2) VIOLATED EXCHANGE RULE 342(A) AND (B) IN THAT THE FIRM FAILED TO REASONABLY SUPERVISE AND CONTROL ITS OPERATIONAL AND TECHNOLOGICAL ACTIVITIES, AND FAILED TO ESTABLISH A SEPARATE



SYSTEM OF FOLLOW-UP AND REVIEW TO ASSURE COMPLIANCE WITH EXCHANGE RULES AND FEDERAL SECURITIES LAWS GOVERNING RETENTION OF ELECTRONIC COMMUNICATIONS; AND (3) VIOLATED EXCHANGE RULE 351 IN THAT THE FIRM DID NOT PROMPTLY REPORT TO THE EXCHANGE THAT IT HAD VIOLATED PROVISIONS OF THE SECURITIES LAWS AND EXCHANGE RULES BY FAILING TO RETAIN ELECTRONIC COMMUNICATIONS AS REQUIRED. THE FIRM CONSENTED TO THE IMPOSITION BY THE EXCHANGE OF THE SANCTION OF A CENSURE AND A \$500,000 FINE.

**Initiated By:** NEW YORK STOCK EXCHANGE DIVISION OF ENFORCEMENT

**Date Initiated:** 11/08/2004

**Docket/Case Number:** HPD#: 04-190

**Principal Product Type:** Other

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision

**Resolution Date:** 01/14/2005

**Sanctions Ordered:** Censure  
Monetary/Fine \$500,000.00

**Other Sanctions Ordered:**

**Sanction Details:** \*\*12/15/2004\*\*DECISION 04-190 ISSUED BY NYSE HEARING PANEL. DECISION:(1) VIOLATED EXCHANGE RULE 440 AND SEC RULE 240.17A-4(B)(4) BY FAILING TO PRESERVE FOR A PERIOD OF THREE YEARS ELECTRONIC COMMUNICATIONS RELATING TO THE BUSINESS OF THE FIRM.(2) VIOLATED EXCHANGE RULE 342(A) AND (B) IN THAT THE FIRM FAILED TO REASONABLY SUPERVISE AND CONTROL ITS OPERATIONAL AND TECHNOLOGICAL ACTIVITIES, AND FAILED TO ESTABLISH A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW TO ASSURE COMPLIANCE WITH EXCHAGNE RULES AND FEDERAL SECURITIES LAWS GOVERNING RETENTION OF ELECTRONIC COMMUNICATIONS.(3) VIOLATED EXCHANGE RULE 351 IN THAT THE FIRM DID NOT PROMPTLY REPORT OF THE EXCHANGE THAT IT HAD VIOLATED PROVISIONS OF THE FEDERAL SECURITIES LAWS AND EXCHANGE RULES BY FAILING TO RETAIN ELECTRONIC COMMUNICATIONS AS REQUIRED.

**Regulator Statement** \*\*1/14/2005\*\*THE DECISION IS NOW FINAL AND EFFECTIVE



IMMEDIATELY CONTACT: MICHELE VAN TASSEL (212) 656-5340.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FAILURE TO PRESERVE ELECTRONIC COMMUNICATION FOR A PERIOD OF THREE YEARS.  
FAILURE TO REASONABLY SUPERVISE OPERATIONAL AND TECHNOLOGICAL ACTIVITIES RELATING TO RETENTION OF ELECTRONIC COMMUNICATIONS.  
NOT PROMPTLY REPORTING FAILURE TO RETAIN ELECTRONIC COMMUNICATIONS.

**Initiated By:** NEW YORK STOCK EXCHANGE, INC.

**Date Initiated:** 10/29/2003

**Docket/Case Number:** 04-190

**Principal Product Type:** Other

**Other Product Type(s):** E:MAIL RETENTION

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** FINE

**Resolution:** Stipulation and Consent

**Resolution Date:** 12/15/2004

**Sanctions Ordered:** Censure  
Monetary/Fine \$500,000.00

**Other Sanctions Ordered:**

**Sanction Details:** FINED \$500,000.00. RESOLUTION DATE: 12/15/2004.

#### Disclosure 56 of 67

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE COMPLAINT ALLEGED VIOLATIONS OF MSRB RULES G-8, G-9, G-27 AND SEC RULE 15C-3-1.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS ("NASD")



<b>Date Initiated:</b>	10/29/1982
<b>Docket/Case Number:</b>	
<b>Principal Product Type:</b>	Debt - Municipal
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Reprimand
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Settled
<b>Resolution Date:</b>	06/21/1983
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$4,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	AN OFFER OF SETTLEMENT WAS MADE ON MAY 19, 1983 AND ACCEPTED ON JUNE 21, 1983, PROVIDING CENSURE OF THE FIRM AND A PRINCIPAL (ROGER F. MCMAHON), NO LONGER ASSOCIATED WITH THE FIRM, AND FINES TOTALING \$4,000.00.
<b>Firm Statement</b>	THIS DRP WAS ORIGINALLY FILED ON BEHALF OF ONE OF OUR FORMER CONTROL AFFILIATE HSBC BROKERAGE (USA) INC. BD# 6956. EFFECTIVE JANUARY 01, 2005 HSBC BROKERAGE (USA) INC. MERGED WITH HSBC SECURITIES (USA) INC.

#### Disclosure 57 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	NASD RULES 2110, 3010(A), 6230 - RESPONDENT MEMBER INACCURATELY REPORTED TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) THAT IT HAD ACTED AS AN AGENT WHEN IT HAD ACTUALLY ACTED IN A PRINCIPAL CAPACITY; AND FAILED TO ESTABLISH AND MAINTAIN AN ADEQUATE SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH TRACE REPORTING REQUIREMENTS.
<b>Initiated By:</b>	NASD
<b>Date Initiated:</b>	12/18/2003
<b>Docket/Case Number:</b>	C10030122



<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	12/18/2003
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$7,500.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, HSBC SECURITIES CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500.
<hr/>	
<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	THE ALLEGATIONS RELATED TO THIS REGULATORY ACTION IS AS FOLLOWS:  1) DURING THE TIME PERIOD NOVEMBER 6, 2002 TO JANUARY 22, 2003, HSBC SECURITIES INACCURATELY REPORTED TO THE TRADE REPORTING A COMPLIANCE ENGINE ("TRACE") THAT IT HAD ACTED AS AN AGENT, WHEN IT HAD ACTUALLY ACTED IN A PRINCIPAL CAPACITY, IN 60 RANDOM TRANSACTIONS REVIEWED BY NASD STAFF. BY REASON OF THE FOREGOING, HSBC SECURITIES VIOLATED NASD MARKETPLACE RULE 6230 AND NASD CONDUCT RULE 2110.  2) DURING THE TIME PERIOD JULY 2002 TO JANUARY 2003, HSBC SECURITIES FAILED TO ESTABLISH AND MAINTAIN AN ADEQUATE SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH TRACE REPORTING REQUIREMENTS. BY REASON OF



FOREGOING, HSBC SECURITIES VIOLATED NASD CONDUCT RULE 3010(A) AND NASD CONDUCT RULE 2110.

**Initiated By:** NASD REGULATION, INC.

**Date Initiated:** 07/01/2003

**Docket/Case Number:** CONSENT NO. C10030122

**Principal Product Type:** Debt - Government

**Other Product Type(s):** DEBIT - CORPORATE  
DEBIT - ASSET BACKED  
EQUITY - OTC  
FUTURES - COMMODITY

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** A FINE OF \$7,500.

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/18/2003

**Sanctions Ordered:** Censure  
Monetary/Fine \$7,500.00

**Other Sanctions Ordered:** N/A

**Sanction Details:** WITH RESPECT TO THE FINDING LISTED IN THE AWC, PLEASE NOTE THAT THIS WAS CAUSED BY A PROGRAMMING ERROR RESULTING FROM HSBC SECURITIES (USA) INC. STAFF DEFAULTING TO THE WRONG CAPACITY DESIGNATION WHEN THE FOIRM'S TRACE REPORTING SOFTWARE WAS FIRST IMPLEMENTED. THIS ISSUE WAS IMMEDIATELY RESOLVED WHEN IT WAS BROUGHT TO OUR ATTENTION.

WITH RESPECT TO FINDING LISTED IN THE AWC, THIS WAS ALSO RESOLVED DURING THE 2003 EXAMINATION OF OUR FIRM. REVISED PROCEDURES WERE PREPARED AND GIVEN TO THE NASD EXAMINER WHO CONDUCTED THE REVIEW. THESE PROCEDURES INCLUDE, AMOUNG OTHER THINGS, REVIEWING TRANSACTIONS BY UTILIZING THE "TRADE REPORTING SYSTEM" FUNCTION OF THE TRACE WEB SITE. HSBC SECURITIES WAS FINED \$7,500.00. PAYMENT WAS MADE BY BANK CHECK TO THE NASD FOR THE FULL AMOUNT EFFECTIVE JANUARY 15, 2004.

**Firm Statement** PER THE NASD FINDINGS, DURING THE PERIOD OF NOVEMBER 6, 2002 AND JANUARY 22, 2003, HSBC SECURITIES INACCURATELY REPORTED TO THE TRADE REPORTING AND COMPLIANCE ENGINE ("TRACE") THAT IT HAD ACTED AS A AGENT, WHEN IT HAD ACTUALLY ACTED IN A PRINCIPAL



CAPACITY. DURING THE TIME PERIOD JULY 2002 TO JANUARY 2003, HSBC SECURITIES FAILED TO ESTABLISH AND MAINTAIN AN ADEQUATE SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH TRACE REPORTING REQUIREMENT.

HSBC SECURITIES ACCEPTS AND CONSENTS, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS OR FINDINGS WAS CENSURED AND FINED \$7,500.00.

WITH RESPECT TO THE INACCURACY REPORTED TO THE TRADE REPORTING AND COMPLIANCE ENGINE ("TRACE"), THIS WAS CAUSED BY A PROGRAMMING ERROR RESULTING FROM HSBC SECURITIES (USA) INC. STAFF DEFAULTING TO THE WRONG CAPACITY DESIGNED WHEN THE FIRM'S TRACE REPORTING SOFTWARE WAS FIRST IMPLEMENTED. THIS ISSUE WAS IMMEDIATELY RESOLVED WHEN IT WAS BROUGHT TO OUR ATTENTION.

WITH RESPECT TO FAILURE TO ESTABLISH AND MAINTAIN AND ADEQUATE SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH TRACE REPORTING REQUIREMENT, THIS ISSUE WAS ALSO RESLOVED DURING THE 2003 EXAMINATION OF OUR FIRM. REVISED PROCEDURES WERE PREPARED AND GIVEN TO THE NASD EXAMINER WHO CONDUCTED THE REVIEW. THESE PROCEDURES INCLUDE, AMOUNG OTHER THINGS, REVIEWING TRANSACTIONS BY UTILIZING THE "TRADE REPORTING SYSTEM" FUNCTION OF THE TRACE WEB SITE.

#### Disclosure 58 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULES 2110, 3010, 3320 AND 4613(B), AND SEC RULE 11CA1-1 - WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE RESPONDENT FIRM CONSENTED TO THE ENTRY OF FINDINGS THAT AS A REGISTERED MARKET MAKER IN THE SECURITIES, AN ORDER WAS PRESENTED TO THE FIRM AT THE FIRM'S PUBLISHED BID OR PUBLISHED OFFER IN AN AMOUNT UP TO ITS PUBLISHED QUOTATION SIZE. THE FIRM FAILED TO EXECUTE THE ORDERS UPON PRESENTMENT AND THEREBY FAILED TO HONOR ITS PUBLISHED QUOTATION. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING THE FIRM QUOTATIONS. SPECIFICALLY, THE FIRM'S SUPERVISORY SYSTEM DID NOT INCLUDE WRITTEN SUPERVISORY PROCEDURES PROVIDING FOR THE IDENTIFICATION OF THE PERSON RESPONSIBLE AT THE FIRM TO ENSURE COMPLIANCE WITH THE



APPLICABLE RULES; A STATEMENT OF THE STEPS THAT SUCH PERSON SHOULD TAKE TO ENSURE COMPLIANCE; A STATEMENT AS TO HOW OFTEN SUCH PERSON SHOULD TAKE SUCH STEPS; AND A STATEMENT AS TO HOW ENFORCEMENT OF SUCH WRITTEN SUPERVISORY PROCEDURES SHOULD BE DOCUMENTED AT THE FIRM.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**Date Initiated:** 08/05/2002

**Docket/Case Number:** CMS020140

**Principal Product Type:** Other

**Other Product Type(s):** UNKNOWN TYPE OF SECURITIES.

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/05/2002

**Sanctions Ordered:** Censure  
Monetary/Fine \$10,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** A CENSURE, A FINE OF \$10,000 (COMPOSED OF A \$5,000 FINE FOR THE FIRM QUOTATION VIOLATIONS AND A \$5,000 FINE FOR THE SUPERVISION VIOLATION) AND AN UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NASD.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** 34 BACKING AWAY INCIDENTS DURING THE FOURTH QUARTER OF 2000.

**Initiated By:** NASD REGULATION, INC.

**Date Initiated:** 03/02/2001

**Docket/Case Number:** COMPLAINT NUMBER CMS 020140

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**





**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** MONETARY SANCTION

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/06/2002

**Sanctions Ordered:** Monetary/Fine \$10,000.00

**Other Sanctions Ordered:**

**Sanction Details:** FINED \$10,000.00.

#### Disclosure 59 of 67

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** VIOLATION OF REGULATION 9B.16, BY VITUE OF REGULATION 9B.07 IN THAT PROJECT A TERMINAL OPERATORS EMPLOYED BY HSBC KNOWINGLY CAUSED TRANSACTIONS TO BE ENTERED INTO THE PROJECT A SYSTEM IN WHICH A PROPRIETARY ACCOUNT ASSUME THE OPPOSITE SIDE OF CUSTOMER ORDERS AND THE PROPRIETARY ORDERS WERE ENTERED PRIOR TO THE ORDERS; AND RULE 504.00, IN THAT, BY VIRTUE OF THE ABOVE-REFERENCE VIOLATION.

**Initiated By:** CHICAGO BOARD OF TRADE ("CBOT")

**Date Initiated:** 04/06/1998

**Docket/Case Number:** 98-INV-4A

**Principal Product Type:** Debt - Government

**Other Product Type(s):** DEBT CORPORATE, EQUITY OTC, FUTURES FINANCIAL, EQUITY LISTED (COMMON & PREFERRED STOCK)

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Settled

**Resolution Date:** 02/26/1999

**Sanctions Ordered:** Monetary/Fine \$20,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING ANY VIOLATION OF REGULATION 9B.16 AND RULE 504.00, AS CITED IN THE PRELIMINARY CHANGES, HSBC AGREED TO PAY A FINE OF \$20,000 IN SETTLEMENT OF THIS MATTER.

**Disclosure 60 of 67**

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE CBOT ALLEGATED THAT HSBC VIOLATED REGULATION 332.08 IN THAT THE FIRM FAILED TO MAKE ALL TRADE DATA SUBMISSIONS IN A CORRECT MANNER.

**Initiated By:** CHICAGO BOARD OF TRADE ("CBOT")

**Date Initiated:** 12/01/1998

**Docket/Case Number:** 98-RFT-187

**Principal Product Type:** Futures - Financial

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Settled

**Resolution Date:** 03/01/1999

**Sanctions Ordered:** Monetary/Fine \$500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING ANY VIOLATION, HSBC WAS ORDERED TO PAY A FINE IN THE AMOUNT OF \$500.00.

**Disclosure 61 of 67**

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE NASD ALLEGED THAT ON JULY 22,23, 24, 19, AND 31, HSBC ENTERED QUOTATIONS IN THE NASDAQ STOCK MARKET SECURITIE, EXCEEDING THE PARMETERS FOR MAXINUM ALLOWABLE SPREADS PURSUANT TO



MARKETPLACE RULE 4613(D).

**Initiated By:** NASD REGULATION, INC. ("NASD")

**Date Initiated:** 12/03/1996

**Docket/Case Number:** CMS960167

**Principal Product Type:** Debt - Government

**Other Product Type(s):** DEBT CORPORATE, EQUITY OTC, FUTURES FINANCIAL, EQUITY LISTED (COMMON & PREFERRED)

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Settled

**Resolution Date:** 07/11/1997

**Sanctions Ordered:** Monetary/Fine \$1,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, TO THE ENTRY OF FINDINGS BY NASD REGULATION, INC., HSBC SECURITIES, INC. AGREED TO PAY A FINE OF \$1,000.00.

#### Disclosure 62 of 67

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** HSBC VIOLATED SECURITIES EXCHANGE ACT RULE 11AC1-1 ("SEC FIRM QUOTE RULE"), NASD CONDUCT RULE 3320 AND NASD MARKETPLACE RULE 4613 (B) ("NASD FIRM QUOTE RULES"). VIOLATION OF NASD CONDUCT RULES 2110 AND 3010. FAILURE TO ESTABLISH AND MAINTAIN WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERN THE SEC AND NASD FIRM QUOTE RULES. A CENSURE, A FINE OF \$8,000 (\$5,000 FOR THE FIRM QUOTE RULE VIOLATION AND \$3,000 FOR THE SUPERVISION VIOLATION).

**Initiated By:** NASD REGULATION. INC.

**Date Initiated:** 03/13/1998

**Docket/Case Number:** MRD 199801874



**Principal Product Type:** Debt - Government

**Other Product Type(s):** DEBT CORPORATE, EQUITY-OTC, FUTURES-FINANCIAL, EQUITY LISTED (COMMON & PREFERRED STOCK)

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Settled

**Resolution Date:** 10/19/1998

**Sanctions Ordered:** Monetary/Fine \$8,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING ANY VIOLATION OF SEC RULE 11AC1-1, RULE 3320, RULE 4613(B) RULES 2110 AND 3010, AS CITED BY THE NASD REGULATION, INC. HSBC AGREED TO PAY A FINE OF \$8,000 IN SETTLEMENT OF THIS MATTER.

#### Disclosure 63 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** 5/14/99GS: ON MAY 3, 1999, DISTRICT NO. 8 NOTIFIED RESPONDENT HSBC SECURITIES, INC. THAT THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT NO. C8A990038 WAS ACCEPTED; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500 - (NASD RULES 2110, 3010(B), 3360(A), 3370, 4632(A), 4642(A), 6130(D), AND 6420(A) IN THAT RESPONDENT MEMBER REPORTED TRANSACTIONS TO THE AUTOMATED TRANSACTION SERVICE IN VIOLATION OF APPLICABLE SECURITIES LAWS AND REGULATIONS REGARDING TRADE REPORTING AND ACT COMPLIANCE, SHORT SALE RULES, AND PROVISIONS OF EXCHANGE ACT RULE 17A-3(A)(6) RELATING TO PREPARING AND MAINTAINING BROKERAGE ORDERS AND PURCHASE AND SALE OF SECURITIES; AND, FAILED TO ESTABLISH AND MAINTAIN ADEQUATE WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO THE AFOREMENTIONED RULES).

**Initiated By:** THE NASD

**Date Initiated:** 05/03/1999

**Docket/Case Number:** C8A990038

**Principal Product Type:** No Product

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:** Other**Other Sanction(s)/Relief Sought:** CENSURED AND FINED \$7,500**Resolution:** Acceptance, Waiver & Consent(AWC)**Resolution Date:** 05/03/1999**Sanctions Ordered:** Censure  
Monetary/Fine \$7,500.00**Other Sanctions Ordered:****Sanction Details:** CENSURED AND FINED \$7,500**Regulator Statement** 09/10/1999BR: \$7,500.00 PAID ON 05/25/99, INV. NO. 99-8A-424.**Reporting Source:** Firm**Current Status:** Final**Allegations:** THE NASD REGULATION, INC. ALLEGED THAT HSBC SECURITIES (USA) INC. VIOLATED: MARKETPLACE RULES 4632(A), 4620(A)AND 4642(A): MARKETPLACE RULES 4632(A), 6420(A) AND 4642(A); MARKETPLACE RULES 6130(D); CONDUCT RULE 3370; CONDUCT RULE 3360; CONDUCT RULE 2110; CONDUCT RULES 2110 AND 301(B).**Initiated By:** NASD REGULATION, INC. ("NASD")**Date Initiated:** 03/17/1999**Docket/Case Number:** C8A990038-AWC**Principal Product Type:** Debt - Government**Other Product Type(s):** DEBT CORPORATE, EQUITY-OTC, FUTURES-FINANCIAL, EQUITY LISTED(COMMON & PREFERRED STOCK)**Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Acceptance, Waiver & Consent(AWC)**Resolution Date:** 05/03/1999



**Sanctions Ordered:** Monetary/Fine \$7,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING ANY VIOLATION, HSBC WAS FINED \$7,500.00.

#### Disclosure 64 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** Not Provided

**Initiated By:** NYSE DIVISION OF ENFORCEMENT

**Date Initiated:** 01/26/1999

**Docket/Case Number:** 99-24

**Principal Product Type:**

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 04/29/1999

**Sanctions Ordered:** Censure  
Monetary/Fine \$50,000.00

**Other Sanctions Ordered:**

**Sanction Details:** Not Provided

**Regulator Statement** \*\*04/29/1999\*\* THE DECISION IS NOW FINAL AND IS EFFECTIVE IMMEDIATELY. CONTACT: PEGGY GERMINO (212) 656-8450

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE NYSE ALLEGED THAT HSBC SECURITIES (USA) INC. ("HSBC") VIOLATED SEC RULE 17A-3 (AND 17A-4) AND EXCHANGE RULE 440 - FILURE TO KEEPBOOKS AND RECORDS CURRENT. VIOLATION OF SEC RULE 17A-



11; SEC RULE 15C3-3; RULE 15C3-3(D)(1); SECTION 220(B)(2) OF REGULATION T; EXCHANGE RULE 410(B); EXCHANGE RULE 132; EXCHANGE RULE 345 AND 345.10; EXCHANGE RULE 342 AND 346. CENSURED AND FINED \$50,000.00.

**Initiated By:** NEW YORK STOCK EXCHANGE, INC. ("NYSE")

**Date Initiated:** 01/21/1998

**Docket/Case Number:** 99-24

**Principal Product Type:** Debt - Government

**Other Product Type(s):** DEBT CORPORATE, EQUITY-OTC, FUTURES-FINANCIAL, EQUITY LISTED (COMMON & PREFERRED STOCK)

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 03/17/1999

**Sanctions Ordered:** Monetary/Fine \$50,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING ANY VIOLATION, HSBC HAS TAKEN CORRECTIVE ACTION IN THIS MATTER AND AGREED TO PAY A FINE OF \$50,000.00.

#### Disclosure 65 of 67

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** UNLICENSED BROKER-DEALER ACTIVITY

**Initiated By:** WISCONSIN DEPARTMENT OF FINANCIAL INSTITUTIONS, DIV\*See FAQ #1\*

**Date Initiated:** 07/24/1996

**Docket/Case Number:** S-96053(LX)

**URL for Regulatory Action:**

**Principal Product Type:**

**Other Product Type(s):**



**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 07/24/1996

**Sanctions Ordered:** Monetary/Fine \$4,000.00

**Other Sanctions Ordered:**

**Sanction Details:** CONSENT ORDER OF PROHIBITION AND ASSESSMENT (\$4,000)

**Regulator Statement** SEE ALLEGATIONS CONTACT: SUE KITTEL MOORE, (608) 266-9886

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** VIOLATION OF SECTION 551.63. OF THE WISCONSIN STATUES.

**Initiated By:** STATE OF WISCONSIN (COMMISSIONER OF SECURITIES)

**Date Initiated:** 06/25/1996

**Docket/Case Number:** S-96053(L)

**Principal Product Type:** Debt - Government

**Other Product Type(s):** DEBT CORPORATE, EQUITY-OTC, FUTURES-FINANCIAL, EQUITY LISTED(COMMON & PREFERRED STOCK)

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Settled

**Resolution Date:** 07/24/1996

**Sanctions Ordered:** Monetary/Fine \$4,000.00

**Other Sanctions Ordered:**

**Sanction Details:** HSBC SECURITIES (USA) INC. WAS ORDERED TO PAY \$4,000.00 AS AN ADMINISTRATIVE ASSESSMENT PURSUANT TO SECTION 551.605 OF THE





## WISCONSIN STATUES.

## Disclosure 66 of 67

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	THE ADMINISTRATIVE PROCEEDINGS RESULT FROM THE RESPONDENTS' ALLEGED VIOLATIONS OF CERTAIN BROKER-DEALER AND GOVERNMENT SECURITIES BROKER-DEALER RECORD-KEEPING PROVISIONS OF THE SECURITIES EXCHANGE ACT OF 1934 IN CONNECTION WITH THE RESPONDENTS' PARTICIPATION IN CERTAIN PRIMARY DISTRIBUTIONS OF UNSECURED DEBT SECURITIES ISSUED BY ONE OR MORE OF THE FOLLOWING GOVERNMENT-SPONSORED ENTERPRISES: THE FEDERAL HOME LOAN BANKS, THE FEDERAL FARM CREDIT BANKS FUNDING CORPORATION, THE FEDERAL NATIONAL MORTGAGE ASSOCIATION, THE FEDERAL HOME LOAN MORTGAGE CORPORATION AND THE STUDENT LOAN MARKETING ASSOCIATION. (RELS. 34-30192 - 34-30251)
<b>Initiated By:</b>	SECURITIES AND EXCHANGE COMMISSION
<b>Date Initiated:</b>	01/16/1992
<b>Docket/Case Number:</b>	
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Cease and Desist
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	01/28/1992
<b>Sanctions Ordered:</b>	Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	SEC JOINTLY WITH , THE OFFICE OF THE COMPTROLLER OF THE CURRENCY (OCC) AND THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (FRB) INSTITUTED PROCEEDINGS AGAINST HSBC SECURITIES (USA) INC. ET. AL, THE ISSUANCE OF SEC , OCC AND FRB ORDERS IMPOSING SANCTIONS, WHICH INCLUDE PROVISIONS DIRECTING THE RESPONDENTS TO CEASE AND DESIST FROM



COMMITTING FUTURE VIOLATIONS AND REQUIRING THE PAYMENT OF CIVIL MONEY PENALTIES OF \$5,165,000 TO THE U.S. TREASURY AND SEC'S ISSUANCE OF A REPORT PURSUANT TO SECTION 21(A) OF THE SECURITIES EXCHANGE ACT OF 1934 REGARDING THE DISTRIBUTION OF CERTAIN DEBT SECURITIES ISSUED BY GOVERNMENT-SPONSORED ENTERPRISES.

### Regulator Statement

[TOP] 3/12/92 SEC NEWS DIGEST, ISSUE 92-11, DATED 1/16/92 ADMINISTRATIVE PROCEEDINGS DISCLOSES; SEC JOINTLY WITH , THE OFFICE OF THE COMPTROLLER OF THE CURRENCY (OCC) AND THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (FRB) INSTITUTED PROCEEDINGS AGAINST HSBC SECURITIES (USA) INC. ET. AL, THE ISSUANCE OF SEC , OCC AND FRB ORDERS IMPOSING SANCTIONS, WHICH INCLUDE PROVISIONS DIRECTING THE RESPONDENTS TO CEASE AND DESIST FROM COMMITTING FUTURE VIOLATIONS AND REQUIRING THE PAYMENT OF CIVIL MONEY PENALTIES OF \$5,165,000 TO THE U.S. TREASURY AND SEC'S ISSUANCE OF A REPORT PURSUANT TO SECTION 21(A) OF THE SECURITIES EXCHANGE ACT OF 1934 REGARDING THE DISTRIBUTION OF CERTAIN DEBT SECURITIES ISSUED BY GOVERNMENT-SPONSORED ENTERPRISES. THE ADMINISTRATIVE PROCEEDINGS RESULT FROM THE RESPONDENTS' ALLEGED VIOLATIONS OF CERTAIN BROKER-DEALER AND GOVERNMENT SECURITIES BROKER-DEALER RECORD-KEEPING PROVISIONS OF THE SECURITIES EXCHANGE ACT OF 1934 IN CONNECTION WITH THE RESPONDENTS' PARTICIPATION IN CERTAIN PRIMARY DISTRIBUTIONS OF UNSECURED DEBT SECURITIES ISSUED BY ONE OR MORE OF THE FOLLOWING GOVERNMENT-SPONSORED ENTERPRISES: THE FEDERAL HOME LOAN BANKS, THE FEDERAL FARM CREDIT BANKS FUNDING CORPORATION, THE FEDERAL NATIONAL MORTGAGE ASSOCIATION, THE FEDERAL HOME LOAN MORTGAGE CORPORATION AND THE STUDENT LOAN MARKETING ASSOCIATION. (RELS. 34-30192 - 34-30251) 3/17/92 SEC DOCKET VOLUME 50 NO. 12, DATED 1/28/92 DISCLOSES ADMINISTRATIVE PROCEEDINGS PAGES 1188 & 1190; IT IS HEREBY ORDERED THAT CARROLL MCENTEE SHAL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATION, AND FROM COMMITTING OR CAUSING ANY FUTURE VIOLATIONS, OF SECTION 17(A) OF THE EXCHANGE ACT AND 17 C.F.R. §§240.17A-3 AND 240.17A-4 THEREUNDER IN CONNECTION WITH ANY PRIMARY DISTRIBUTION OF UNSECURED DEBT SECURITIES ISSUED BY THE GSES.



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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** VIOLATION OF SECTION 17(A) OF THE SECURITIES EXCHANGE ACT OF 1934 AND 17C.F.R. SS 240. 17A-3 AND 240. 17A-4 THERE UNDER IN CONNECTION WITH THE OFFER, PURCHASE OF SALE OF CERTAIN UNSECURED DEBT SECURITIES ISSUED BY CERTAIN GOVERNMENT SPONSORED ENTERPRISES.

**Initiated By:** SECURITIES AND EXCHANGE COMMISSION, INC. ("SEC")

**Date Initiated:** 01/15/1992

**Docket/Case Number:****Principal Product Type:**

Debt - Government

**Other Product Type(s):**DEBT CORPORATE, EQUITY OTC, FUTURES FINANCIAL, EQUITY LISTED  
(COMMON & PREFERRED STOCK)**Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:**

Acceptance, Waiver &amp; Consent(AWC)

**Resolution Date:**

01/16/1992

**Sanctions Ordered:**Monetary/Fine \$100,000.00  
Cease and Desist/Injunction**Other Sanctions Ordered:**

WITHOUT ADMITTING OR DENYING THE FINDINGS OF FACT AND CONCLUSIONS OF LAW THEREIN, CM&M CONSENTED TO THE ENTRY OF AN ADMINISTRATIVE ORDER THAT REQUIRED CM&M TO (I) PAY A CIVIL MONEY PENALTY OF \$100,000 (II) DEVELOP, IMPLEMENT AND MAINTAIN POLICIES AND PROCEDURES REASONABLY DESIGNED TO ENSURE CM&M'S FUTURE COMPLIANCE WITH THOSE PROVISIONS IN CONNECTION WITH ANY PRIMARY DISTRIBUTION OF UNSECURED DEBT SECURITIES ISSUED BY THOSE GOVERNMENT SPONSORED ENTERPRISES.

**Sanction Details:**

WITHOUT ADMITTING OR DENYING THE FINDINGS OF FACT AND CONCLUSIONS OF LAW THEREIN, CM&M CONSENTED TO THE ENTRY OF AN ADMINISTRATIVE ORDER THAT REQUIRED CM&M TO (I) PAY A CIVIL MONEY PENALTY OF \$100,000 (II) DEVELOP, IMPLEMENT AND MAINTAIN POLICIES AND PROCEDURES REASONABLY DESIGNED TO ENSURE CM&M'S FUTURE COMPLIANCE WITH THOSE PROVISIONS IN CONNECTION WITH ANY PRIMARY DISTRIBUTION OF UNSECURED DEBT SECURITIES ISSUED BY THOSE GOVERNMENT SPONSORED ENTERPRISES.

**Disclosure 67 of 67****Reporting Source:**

Regulator

**Current Status:**

Final

**Allegations:****Initiated By:**

TEXAS

**Date Initiated:**

08/31/1979

**Docket/Case Number:**

**URL for Regulatory Action:****Principal Product Type:****Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:**

**Resolution:** Decision

**Resolution Date:** 08/31/1979

**Sanctions Ordered:** Suspension

**Other Sanctions Ordered:****Sanction Details:****Regulator Statement**

ON AUGUST 31, 1979, THE STATE SECURITIES BOARD OF TEXAS ISSUED AN ORDER GRANTING CARROLL MCENTEE & MCGINLEY INCORPORATED'S ("CM&M") APPLICATION FOR REGISTRATION AS A SECURITIES DEALER IN TEXAS SUBJECT TO THE EXPIRATION OF A SUSPENSION PERIOD OF 45 DAYS FROM THE DATE OF THE ORDER. IN REVIEWING CM&M'S APPLICATION FOR REGISTRATION, THE STATE SECURITIES BOARD ALLEGED THAT CM&M HAD VIOLATED THE REGISTRATION PROVISIONS OF SECTION 12 OF THE STATE SECURITIES ACT BY ENGAGING WITHOUT PRIOR REGISTRATION AS A SECURITIES DEALER IN THE SALE OF GOVERNMENT AGENCY SECURITIES TO SEVERAL CUSTOMERS LOCATED IN TEXAS FROM TWO OFFICES LOCATED IN THE STATE, AND THAT SUCH SALES TO ITS CUSTOMERS DID NOT QUALIFY AS EXEMPT TRANSACTIONS UNDER SECTION 5 OF THE TEXAS SECURITIES ACT. CM&M, FOR THE PURPOSE OF SETTLEMENT OF ALL ISSUES OF LAW AND FACT RAISED BY THE STATE SECURITIES BOARD, ACCEPTED THE DELAY OF THE EFFECTIVE DATE OF ITS REGISTRATION DURING THE SUSPENSION PERIOD OF 45 DAYS. AS A RESULT, CM&M'S REGISTRATION AS A SECURITIES DEALER IN TEXAS BECAME EFFECTIVE ON OCTOBER 15, 1979.(FORM BD: JD 20487, SEQUENCE NO 10002).

**Reporting Source:** Firm



<b>Current Status:</b>	Final
<b>Allegations:</b>	ON AUGUST 31, 1979, THE STATE SECURITIES BOARD OF TEXAS ISSUED AN ORDER GRANTED CARROLL MCENTEE & MCGINLEY INCORPORATED'S ("CM&M") APPLICATION FOR REGISTRATION AS A SECURITIES DEALER IN TEXAS SUBJECT TO THE EXPIRATION OF A SUSPENSION PERIOD OF 45 DAYS FROM THE DATE OF THE ORDER. IN REVIEWING CM&M'S APPLICATION FOR REGISTRATION, THE STATE SECURITIES BOARD ALLEGED THAT CM&M HAD VIOLATED THE REGISTRATION PROVISIONS OF SECTION 12 OF THE STATE SECURITIES ACT BY ENGAGING WITHOUT PRIOR REGISTRATION AS SECURITIES DEALER IN THE SALE OF GOVERNMENT AGENCY SECURITIES TO SEVERAL CUSTOMERS LOCATED IN TEXAS FROM TWO OFFICES LOCATED IN THE STATE, AND THAT SUCH SALES TO ITS CUSTOMERS DID NOT QUALIFY AS EXEMPT TRANSACTIONS UNDER SECTION 5 OF THE TEXAS SECURITIES ACT.
<b>Initiated By:</b>	STATE SECURITIES BOARD OF TEXAS
<b>Date Initiated:</b>	08/31/1979
<b>Docket/Case Number:</b>	
<b>Principal Product Type:</b>	Debt - Government
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Suspension
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Settled
<b>Resolution Date:</b>	10/15/1979
<b>Sanctions Ordered:</b>	Suspension
<b>Other Sanctions Ordered:</b>	CM&M, FOR THE PURPOSE OF SETTLEMENT OF ALL ISSUES OF LAW AND FACT RAISED BY THE TEXAS SECURITIES BOARD AND WITHOUT ANY ADMISSION ON THE PART OF CM&M, ACCEPTED AND DELAY OF THE EFFECTIVE DATE OF ITS REGISTRATION DURING THE SUSPENSION PERIOD OF 45 DAYS. AS A RESULT, CM&M'S REGISTRATION AS A SECURITIES DEALER IN TEXAS BECAME EFFECTIVE ON OCTOBER 15, 1979.
<b>Sanction Details:</b>	ON AUGUST 31, 1979, THE STATE SECURITIES BOARD OF TEXAS ISSUED AN ORDER GRANTED CARROLL MCENTEE & MCGINLEY INCORPORATED'S ("CM&M") APPLICATION FOR REGISTRATION AS A SECURITIES DEALER IN TEXAS SUBJECT TO THE EXPIRATION OF A SUSPENSION PERIOD OF 45 DAYS FROM THE DATE OF THE ORDER. IN REVIEWING CM&M'S



APPLICATION FOR REGISTRATION, THE STATE SECURITIES BOARD ALLEGED THAT CM&M HAD VIOLATED THE REGISTRATION PROVISIONS OF SECTION 12 OF THE STATE SECURITIES ACT BY ENGAGING WITHOUT PRIOR REGISTRATION AS A SECURITIES DEALER IN THE SALES OF GOVERNMENT AGENCY SECURITIES TO SEVERAL CUSTOMERS LOCATED IN TEXAS FROM TWO OFFICES LOCATED IN THE STATE, AND THAT SUCH SALES TO IT CUSTOMERS DID NOT QUALIFY AS EXEMPT TRANSACTIONS UNDER SECTION 5 OF THE TEXAS SECURITIES ACT. CM&M, FOR THE PURPOSE OF SETTLEMENT OF ALL ISSUES OF LAW AND FACT RAISED BY THE STATE SECURITIES BOARD AND WITHOUT ANY ADMISSION ON THE PART OF CM&M, ACCEPTED THE DELAY OF THE EFFECTIVE DATE OF ITS REGISTRATION DURING THE SUSPENSION PERIOD OF 45 DAYS. AS A RESULT, CM&M'S REGISTRATION AS SECURITIES DEALER IN TEXAS BECAME EFFECTIVE ON OCTOBER 15, 1979.

## Arbitration Award - Award / Judgment

Brokerage firms are not required to report arbitration claims filed against them by customers; however, BrokerCheck provides summary information regarding FINRA arbitration awards involving securities and commodities disputes between public customers and registered securities firms in this section of the report.

The full text of arbitration awards issued by FINRA is available at [www.finra.org/awardsonline](http://www.finra.org/awardsonline).

### Disclosure 1 of 7

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE
<b>Arbitration Forum:</b>	NASD
<b>Case Initiated:</b>	11/11/2005
<b>Case Number:</b>	<a href="#">05-05308</a>
<b>Disputed Product Type:</b>	COMMON STOCK; DO NOT USE-NO OTHER TYPE OF SEC INVOLVE
<b>Sum of All Relief Requested:</b>	\$270,000.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	07/20/2006
<b>Sum of All Relief Awarded:</b>	\$36,500.03

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

### Disclosure 2 of 7

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE
<b>Arbitration Forum:</b>	NASD
<b>Case Initiated:</b>	05/10/2006
<b>Case Number:</b>	<a href="#">06-01998</a>





**Disputed Product Type:** DO NOT USE-NO OTHER TYPE OF SEC INVOLVE; OTHER TYPES OF SECURITIES

**Sum of All Relief Requested:** \$733,294.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 05/04/2007

**Sum of All Relief Awarded:** \$776,001.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 3 of 7

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 08/13/2009

**Case Number:** [09-04717](#)

**Disputed Product Type:** COMMON STOCK; CORPORATE BONDS; MUTUAL FUNDS; VARIABLE ANNUITIES

**Sum of All Relief Requested:** \$311,624.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 09/01/2010

**Sum of All Relief Awarded:** \$128,671.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 4 of 7

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE



**Arbitration Forum:** FINRA  
**Case Initiated:** 04/09/2010  
**Case Number:** [10-01550](#)  
**Disputed Product Type:** VARIABLE ANNUITIES  
**Sum of All Relief Requested:** \$267,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 12/03/2010  
**Sum of All Relief Awarded:** \$283,190.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 5 of 7

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 08/16/2010  
**Case Number:** [10-03612](#)  
**Disputed Product Type:** COMMON STOCK  
**Sum of All Relief Requested:** \$261,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 09/02/2011  
**Sum of All Relief Awarded:** \$65,642.31

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 6 of 7

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION



<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OTHER
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	03/06/2012
<b>Case Number:</b>	<a href="#">12-00720</a>
<b>Disputed Product Type:</b>	OTHER TYPES OF SECURITIES
<b>Sum of All Relief Requested:</b>	\$420,000.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	06/19/2013
<b>Sum of All Relief Awarded:</b>	\$11,000.01

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 7 of 7

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	08/21/2012
<b>Case Number:</b>	<a href="#">12-02582</a>
<b>Disputed Product Type:</b>	COLLATERALIZED DEBT OBLIGATIONS
<b>Sum of All Relief Requested:</b>	\$29,045,194.27
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	01/13/2015
<b>Sum of All Relief Awarded:</b>	\$3,250,000.01

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

## End of Report



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