July 21, 2023

COMMODITY FUTURES TRADING COMMISSION RULE 1.55(K):

FCM-SPECIFIC DISCLOSURE DOCUMENT

The Commodity Futures Trading Commission (Commission) requires each futures commission merchant (FCM), including HSBC Securities (USA) Inc. ("HSI"), to provide the following information to a customer prior to the time the customer first enters into an account agreement or deposits money or securities (funds) with HSI. Except as otherwise noted below, the information set out is as of March 31, 2022. HSI will update this information annually and as necessary to take account of any material change to its business operations, financial condition or other factors that HSI believes may be material to a customer's decision to do business with HSI. Nonetheless, HSI's business activities and financial data are not static and will change in non-material ways frequently throughout any 12-month period.

HSBC Securities (USA) Inc. is a subsidiary of HSBC North America Holdings. Information that may be material with respect to HSI for purposes of the Commission's disclosure requirements may not be material to HSBC North America Holdings for purposes of applicable securities laws.

Firm Name, Address and Contact Details:

HSBC Securities (USA) Inc., 452 5th Avenue New York N.Y. 10018, (212) 525-5000.

Email Address: FCM_Compliance@us.hsbc.com

Fax: 646-366-3560

Principals:

<u>Jason Henderson</u>

Jason Henderson is a Managing Director and Head of Markets & Securities Services, North America, and Chief Executive Officer ("CEO") of HSI. In this role, Mr. Henderson is responsible for Sales, Trading, Balance Sheet Management and Securities Services for the US and Canada. Prior to his current role, Jason was Head of Global Banking and Markets, Canada, a role he held from 2013 through 2019, and an Executive Director of HSBC Bank Canada from 2015 through 2020. Previously, he spent three years as Head of Global Markets, Canada. Before that, he was Head of FX and Commodity Derivatives for the Americas from 2006-2010. Prior to joining HSBC, Jason spent 13 years at RBC in both London and Toronto.

Mr. Henderson's business address is 452 Fifth Avenue, New York, NY 10018.

<u>John Farrell</u>

John Farrell is a Managing Director and became the Principal Operations Officer or Chief Operating Officer of HSBC Markets and Security Services Operations, Americas in early 2022. In this role, Mr. Farrell has oversight of the functional and operational areas in Markets and Security Services Operations for Foreign Exchange, Equities, Fixed Income, Custody Services, Exchange traded derivatives clearing services ("DCS") and numerous other non-revenue generating resources associated or attached to the operational services of this line of business. Mr. Farrell also coordinates the financial and operating plans, participates in the development of policies and guiding principles, anticipates and/or resolves challenges and issues and stakeholder feedback. Mr. Farrell is tasked to ensure a greater co-ordination and standardization of the operations, including the monitoring of operational controls. He is also responsible for managing the Markets and Security Services Operations cost base. Mr. Farrell holds a Masters of Business Administration in Finance and a series 27 license from FINRA.

Mr. Farrell's business address is 452 Fifth Avenue, New York, NY 10018.

Michael Yelovich

Michael Yelovich joined HSBC in 2018 as a Managing Director and is the Americas Head of Exchange Traded Derivatives and OTC Clearing, effective April 12, 2019. In this capacity, Mr. Yelovich manages professionals engaged in sales, clearing, marketing, and client services for HCSU's institutional clients located in the Americas, which comprises the US, Canada and LATAM. Mr. Yelovich has over 30 years of experience in the futures industry. Prior to joining HCSU, Mr. Yelovich was a regional sales manager at Citigroup working out of their Chicago office managing a team of futures sales professionals. His career started in 1982 working on the CBOE floor for Chicago Corporation. In 1985, he joined Shearson/Lehman working in a sales capacity on the floor of the Chicago Board of Trade. In 1992, he joined Smith Barney and remained on the CBOT floor cultivating a sales book consisting asset managers, hedge funds, pension funds, and banks executing futures and options on their behalf. He stayed with the firm through multiple acquisitions that eventually became Citigroup in 2003. In 2013, Citigroup transitioned from the CBOT floor to their Chicago ICG sales office and he worked in a dual capacity taking on sales manager responsibilities while maintaining his sales book. Mr. Yelovich graduated from Marquette University in 1982 with a B.A. in Economics.

Mr. Yelovich's business address is 227 W Monroe Street, Chicago, IL 60606.

Marco Ossanna

Marco Ossanna was appointed as the Chief Risk Officer ("CRO") of HSI in August 2016 and became a member of the HSI Board of Directors in August 2020. Mr. Ossanna has been a Senior Vice President and worked as subject matter expert of Central Clearing Counterparties at HSI since June 2014 advising the FCM on establishing risk appetite and managing exposure towards Clearing Houses. From 2011 to 2013, Mr. Ossanna, was an Executive Director at Chicago Mercantile Exchange, in charge of Clearing Membership, Risk Management and Default Management for Over-the-Counter Derivatives. From 1991 to 2010, Mr. Ossanna was an Executive Vice President and Global Risk Officer of Structured Equity Derivatives at Intesa Sanpaolo, an Italian bank, supervising teams in New York and London. In the 1990's, he worked in the Research Department of Banca Commerciale Italiana in Milan, Italy, publishing market wide bank sector analysis and bank's strategy papers. Mr. Ossanna received a *Laurea* in Economics from the Universita' degli Studi di Pavia in 1991 and he is a Certified European Financial Analyst. He is also an active member of "The Clearing House" Association and periodically represents HSBC at meetings with Regulators on matters concerning derivatives.

Mr. Ossanna's business address is 452 Fifth Avenue, New York, NY 10018.

James Pilbeam

Mr. Pilbeam joined HSBC in 2006 as a part of the graduate program with a degree in Statistics and Management and has held various roles across the organization from 2006 to present. Mr. Pilbeam joined HSBC as a Credit Analyst in 2006 then became a Credit and Risk Manager and Strategy Manager for HSBC Credit and Risk from 2008-2011. From 2011-2012, Mr. Pilbeam was a Wealth Risk Manager before becoming a Senior Risk Operations Manager/Risk Strategy Manager for HSBC Bank plc Risk from 2012-2014. From 2015-2017, Mr. Pilbeam was the Chief Risk Administration Officer for

HSBC Global Banking and Markets ("GBM") Risk. From 2017-2019, Mr. Pilbeam was the Chief Risk Administration Officer for the Global CRO of GBM & Commercial Banking ("CMB"). In 2019, Mr. Pilbeam moved from London to New York to be part of the the US GBM & CMB team and in 2021 he was appointed as the CRO of the FCM.

Mr. Pilbeam's business address is 452 Fifth Avenue, New York, NY 10018.

Nicholas Sahadi

Nicholas Sahadi is the Americas Head of Global Markets Compliance since January 2018 and Chief Compliance Officer of the Futures Commission Merchant of HSBC Securities (USA) Inc. since April 2018. Mr. Sahadi is responsible for providing advice, guidance, training and education regarding financial services regulation to various business units and senior management to support management's supervisory responsibility and their efforts to achieve compliance with applicable laws, regulations and best practices.

Previously, Mr. Sahadi was a Managing Director and CCO for the broker-dealer, FCM and swap dealer entities of Cantor Fitzgerald. Prior to Cantor Fitzgerald, he was the Head of Compliance for DirectEdge, a leading electronic equities exchange which subsequently merged with BATS Global Markets. Mr. Sahadi also worked at Barclays Capital and Lehman Brothers, managing regulatory compliance for various sales and trading desks. Earlier in his career, Mr. Sahadi worked at Pershing in risk and compliance roles.

Mr. Sahadi's business address is 452 Fifth Avenue, New York, NY 10018

Najib Lamhaouar

Najib Lamhaouar is a Managing Director and Global Head of OTC and ETD Clearing at HSBC Securities USA Inc. In this capacity, Mr. Lamhaouar manages professionals engaged in sales, clearing, marketing and client services for HSBC's institutional clients located in the Americas, Europe and the Asia Pacific regions.

Prior to joining HSBC, Mr. Lamhaouar was a Managing Director and Global Head of Listed Derivatives at Citigroup Global Markets Inc. Before that, he was Dresdner Bank's head of Foreign Exchange Derivatives Sales in North America for several years. In 1990's, Mr. Lamhaouar was an institutional futures salesperson for Salomon Smith Barney in Paris and New York. In the 1980's, Mr. Lamhaouar was Adjunct Professor of Mathematics at Hunter College and City College in New York, NY.

In addition to his current responsibilities, Mr. Lamhaouar is also a member of the Executive Board and the Secretary of the Global Futures Industry Associations (Washington , D.C.). In 2007, he was presented with the Manager of the Year award by the YMCA of Greater New York for his achievements in the industry.

Mr. Lamhaouar received a Master Degree in Mathemathics from Rene Descartes University in Paris, France. He is fluent in Arabic and French.

Mr. Lamhaouar's business address is 452 Fifth Avenue, New York, NY 10018.

Trevor Chambers

Trevor Chambers is currently the Head of Regulatory Reporting for HSBC in the U.S. Trevor joined HSBC in 2010, and his most recent position was the Head of the Financial Accounting Team for the

Americas. Prior to joining HSBC, Trevor was the Americas Regional Controller for UBS Asset Management. He began his career at Ernst & Young LLP, and has also held positions at Ronin Capital LLC, and Washington Mutual Bank. Trevor has a Bachelor's and Master's Degree in Accounting.

Mr. Chamber's business address is 227 W. Monroe St., 18th Floor, Chicago, IL 60606.

Oresta Mehta

Oresta Mehta is the Head of Markets Treasury for the Americas Region. In this capacity, her responsibilities include managing the structural interest rate risk of the bank, as well as liquidity and funding for the entity, in line with bank and regulatory requirements. Prior to this she managed the funding and analytics here in NY and in London. Oresta has been with HSBC for 17 years in a variety of positions including Global Treasury Sustainability Lead, Head of Funding and Analytics, Credit Card Analytics.

Mrs. Mehta's business address is 452 Fifth Avenue, New York, NY 10018.

Mark Pittsey

Mr. Pittsey is a Director of HSI and Executive Vice President and Head of Wealth for HSBC Bank USA. Prior to his current role, Mr. Pittsey served as Managing Director and Market Head for the Central and Western Regions. He began his career with Wells Fargo Private Bank in 1992, became a Regional Manager for the Bay Area Region at Deutsche Bank Private Bank in 2007 and joined HSBC in 2010. Mr. Pittsey has a Bachelor's degree in Speech Communication from California State University, Long Beach.

Mr. Pittsey's business address is 452 Fifth Avenue, New York, NY 10018.

Sara Buscaglia

Sara Buscaglia is the Markets and Securities Services Chief Operating Officer for the Americas. She is responsible for assisting the business in defining and implementing the business strategy covering aspects such as resource allocation, infrastructure build and development, control framework, and costs and has been in this role since September 2019. Prior to her current role, Sara was the Americas Fixed Income Chief Operating Officer for 7 years. Before that role, she held many different roles within HSBC since joining in 2003 which include Rates Operations, Credit Product Controller, Trading Assistant on the Corporate Bond and CDS Desk, and Credit Trading Business Manager. Ms. Buscaglia became a member of the HSI Board of Directors in January 2021.

Ms. Dodds business address is 452 Fifth Avenue, New York, NY 10018

Firm's Business Activities:

HSI engages in the execution and/or clearing of Exchange Traded Derivatives, as well as, the clearing of IRS and CDS Swaps. This business activity supports both Institutional and affiliated clients. In addition, certain business units within HSI engage in trading and market making

FCM's Assets and Capital Usage are available in the following chart:

HSBC Securities (USA) Inc.
Assets and Capital Usage
3/31/23

Activity/Product	Assets	%	Capital Usage	%
Financing Transactions	34,828,657,966	68.86%	15,555,682	3.10%
Inventory:				
U.S. and Canadian Government Debt	7,758,231,132	15.34%	16,218,846	3.23%
Corporate Debt	1,419,287,319	2.81%	102,074,120	20.35%
Other Securities	81,138,031	0.16%	18,747,448	3.74%
Receivables from Affiliates	18,523,623	0.04%	18,523,623	3.69%
Receivables from Brokers and Customers	1,304,779,288	2.58%	28,625,616	5.71%
Receivables from Clearing Organizations	4,209,134,315	8.32%	11,316,029	2.26%
Other Assets	955,562,473	1.89%	290,470,680	57.92%
	50,575,314,147	**100.00%**	**501,532,043**	**100.00%**

FCM Customer Business

HSI's business on behalf of its customers includes but is not limited to the execution and/or clearing of Exchange Traded Derivatives. It also is engaged in the OTC clearing of IRS and CDS swaps, in its capacity as such, its customers, markets traded and other additional information include the following:

- Types of customers: Institutional clients (asset managers, pension funds, insurance companies, banks); commercial (agricultural, energy); proprietary (Excluding HFT)
- Markets traded: mostly financial and equity futures, energy, agricultural and IRS & CDS cleared swaps
- International businesses: Europe, Asia, Latin America
- HSBC Securities USA Inc, through its affiliates, offers execution and clearing of Futures and Options, as well as clear eligible OTC derivatives, including interest rate swaps (IRS) and credit default swaps (CDS) across nearly 40 global exchanges and clearinghouses (CCPs). Below please find a list of a clearing organizations where HSBC Securities USA Inc., as an FCM, is a member:

Clearing Organization
Chicago Board of Trade
Chicago Mercantile Exchange
COMEX
Dubai Mercantile Exchange
ICE Clear US Inc.
ICE Clear Credit LLC
LCH.Clearnet Limited

New York Mercantile Exchange
Options Clearing Corporation

- carrying brokers used: affiliates, non-affiliates

Carrying Brokers US/Non-US	**Affiliated with HSI Y/N**
HSBC Broking Futures (Hong Kong) Limited	**Y**
HSBC Bank plc.	**Y**
BMO Nesbitt Burns, Inc.	**N**
JP Morgan Chase	**N**
Scotiabank Inverlat SA	**N**
Banco Bradesco S.A	**N**

HSBC Securities USA Inc. does not currently, but may permit certain customers to establish and maintain separate accounts with HSI. Such separate accounts may be: (i) managed by different asset management firms, introducing brokers or associated persons; (ii) managed as separate investment portfolios by the same asset management firm, introducing broker or associated person; (iii) subject to liens in connection with operating loans that contractually obligate an FCM to treat the accounts separately; or (iv) otherwise required for regulatory or appropriate business purposes. Subject to the terms and conditions of CFTC Letter No. 19-17, HSI treats such separate accounts as accounts of separate entities. Among other things, HSI may calculate the margin requirements for each separate account independently from all other separate accounts of the same customer and may disburse excess funds from one separate account notwithstanding that another separate account is undermargined.

Among other terms and conditions set out in CFTC Letter No. 19-17, HSI is required to advise its customers that are permitted to maintain separate accounts that, in the unlikely event of HSI's bankruptcy, the customer will be treated no differently from other customers, as a result of having maintained separate accounts with HSI. In particular, all separate accounts maintained for or on behalf of any such customer will be combined in determining such customer's rights and obligations under the applicable provisions of the U.S. Bankruptcy Code and Part 190 of the Commodity Futures Trading Commission's Regulations.

Permitted Depositories and Counterparties:

The process of evaluating settlement banks and depositories is managed by Risk & Credit teams once initiated by the business . When opening an account with a settlement bank or a clearing relationship, Operations will work with Network Management to confirm the bank is on HSI's preferred list. The process of monitoring settlement banks activities and depositories is managed by the Network Management team.

HSI Network Management and Market Intelligence has been established to monitor and keep under review the firm's Network of Custodians used by the Global Custody business and other specific custodian appointments used elsewhere within the Group. Agent Risk Assessment ("ARA), will undertake an independent risk review of all proposed agents, regardless of whether these are to be used as part of the Approved Sub-Custodian network or otherwise. This assessment takes into consideration Operational reliability. Wholesale Credit Risk reviews the depository's Capitalization, Creditworthiness and access to Liquidity. They also consider the extent to which segregated funds are concentrated with any depository or group of depositories. Once approved we monitor the depository on an ongoing basis to assess its continued satisfaction of the futures commission merchant's established criteria, including a thorough due diligence review of each depository at least annually.

Material Risks:

Entrusting Customer Funds to FCM:

HSI's written policies and procedures are reasonably designed to ensure that customer funds are segregated for futures, foreign futures or cleared OTC as required by the Act and CFTC regulations and must, at a minimum, include or address the following:

Once Front Office and Network Management authorize opening of an account, Operations will secure an acknowledgement letter prior to accepting funds or transferring of any funds to the client account. Client margin is segregated in a "permitted depository" per CFTC regulations. Custodians and Carrying or Clearing Brokers used by HSI are required to sign an acknowledgement letter prior to HSI accepting funds into the account.

Operations maintain a process for withdrawal of cash, securities or other property from accounts holding segregated funds, where the withdrawal is not for the purpose of payment to or on behalf of HSI's customer.

In addition, Operations maintains a process for assessing the appropriateness of specific investments of customer funds in permitted investments in accordance with CFTC regulations, taking into consideration the market, credit, counterparty, operational and liquidity risks associated with such investments, and assessing whether such investments comply with CFTC regulations.

To ensure that there is a minimum standard of task segregation in place to minimize the associated exposure to risk of fraud and error associated with individuals performing incompatible tasks, Operations ensures that tasks are appropriately segregated between roles and that individuals are not performing incompatible tasks.

(i) the nature of investments made by FCM:

For cleared swaps and Futures, customer invested assets are limited to those instruments permitted by the CFTC regulation 1.25. In order to assure that it is in compliance with its regulatory capital requirements and that it has sufficient liquidity to meet its ongoing business obligations, HSI holds a significant portion of its assets in cash and US Treasury securities guaranteed as to principal and interest. HSI also invests in other short-term highly liquid instruments such as money market instruments, commercial paper, and certificates of deposit.

(ii) FCM's creditworthiness, leverage, capital, liquidity, principal liabilities, balance sheet leverage and other lines of business;

Liquidity risk

HSBC North America Holdings, in compliance with overall firm policy, manages liquidity risk at the major legal entity level, including HSI. Accordingly, HSI is required to maintain sufficient, reliable liquidity to support it through a 30-day stress event, where both the markets are stressed and HSI, as a firm, is under pressure globally. As a general policy, liquidity is managed on a standalone legal entity basis with no reliance on any other HSI affiliated entity, unless pre-committed. In such cases, transactions between HSI and the affiliate are reflected symmetrically in the stress scenarios of both entities.

Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the HSI's customer and trading activities involve the execution, settlement, and financing of various financial instrument transactions. These activities may expose HSI to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and HSI has to purchase or sell the financial instrument underlying the contract at a loss.

As part of HSI's financing and securities settlement activities, HSI uses securities as collateral to support various secured financing sources. In the event the counterparty is unable to meet its contractual obligation to return securities pledged as collateral, HSI may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its obligations. HSI controls this risk by monitoring the market value of financial instruments pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure.

Concentrations of Market Risk

In the normal course of its operations, HSI enters into various contractual commitments involving forward settlement. These include financial futures contracts, options contracts, and commitments to buy and sell securities. The potential for changes in the market value of our trading positions is referred to as market risk. Such positions result from market-making and investing activities. All of HSI's inventory positions are marked-to-market and changes recorded.

HSI monitors and manages its market risk exposure by setting market risk limits and by reviewing the effectiveness of economic hedging strategies. HSI's policy is to take possession of securities purchased under agreements to resell and securities borrowed and maintain these securities with its custodian. HSI monitors the market value of the assets acquired to ensure their adequacy as compared to the amount at which the securities will be subsequently resold, as specified in the respective agreements. The agreements provide that, where appropriate, HSI may require the delivery of additional collateral.

HSI records all contractual commitments involving future settlement at fair value. Futures contracts are exchange traded and cash settlement is made on a daily basis for market movements.

Margin on futures contracts is included in receivable from and payable to brokers, dealers, and clearing organizations.

Concentrations of Credit Risk

Credit risk is measured by the loss that HSI would record if its counterparties failed to perform pursuant to the terms of contractual commitments. Management of credit risk involves a number of considerations, such as the financial profile of the counterparty, specific terms, and duration of the contractual agreement, market fluctuations, and the value of collateral held, if any. HSI has established various procedures to manage credit exposure, including initial credit approval, credit limits, collateral requirements, rights of offset, and continuous oversight.

HSI regularly transacts business with, and owns securities issued by, a range of corporations, governments and agencies, and other financial institutions.

HSI generally controls access to the collateral pledged by the counterparties, which consists largely of securities issued by the U.S. Government and government agencies. The value and adequacy of the collateral are continually monitored. Consequently, management believes the risk of credit loss from counterparties' failure to perform in connection with collateralized lending activities is minimal.

Remaining concentrations arise principally from financial or contractual commitments involving future settlements, fixed income securities, and equity securities. Concentrations are diverse with respect to geographic locations and industries of counterparties.

Substantially all of HSI's cash and securities positions are either held as collateral by its clearing brokers and banks against various margin obligations of HSI or deposited with such clearing brokers and banks for safekeeping purposes.

Other Lines of Business

In addition to the execution of Exchange Traded Derivatives as well as the clearing of Exchange Traded Derivatives and OTC (IRS & CDS) Swaps, HSI's other lines of business include Bond Origination, Credit Rates and Cash Equities.

(iii) risks to FCM created by its affiliates and their activities, including investment of customer funds in an affiliated entity; and

HSI often uses affiliates to provide execution and clearing access for affiliated and non-affiliated customers to exchanges and clearing houses located outside of the US. Similarly, HSI provides access to US markets for affiliated and non-affiliated customers of non-US affiliates. The use of affiliates poses certain risks. HSI would be at risk if any affiliate should fail to meet its obligations to HSI, either for the activity detailed above or for any other business between HSI and its affiliates. Such failure could adversely affect HSI capital and ability to continue doing business. Additionally, because HSI and its affiliates are commonly owned, the failure of one such entity may cause all of the affiliated companies to fail or be placed in administration within a relatively brief period of time. Further, as is the case if an unaffiliated broker were to fail, an affiliate that failed would be liquidated in accordance with the bankruptcy laws of the local jurisdiction. Customer funds held with a non-US affiliate would not receive the same protections afforded customer funds under the US Commodity Exchange Act and the US Bankruptcy Code.

(iv) any significant liabilities, contingent or otherwise, and material commitments.

Guarantees

In the normal course of business, HSI provides guarantees to securities clearing organizations, exchanges and central clearing counterparties. These guarantees are generally required under the standard membership agreements, such that members are required to guarantee the performance of other members. To mitigate these performance risks, the clearing organizations, exchanges and central clearing counterparties often require members to post collateral. HSI's obligation under such guarantees could exceed the collateral amounts posted; however, the potential for HSI to be required to make payments under such agreements is deemed remote. Additionally, as a clearing member of various central counterparties, HSI effectively provides guarantees to the central counterparties since HSI still must meet customer obligations to the central counterparties even if the customer of HSI defaults.

Leases

At December 31, 2022, HSI was obligated under two short-term lease agreements with an affiliated entity relating to property used for office space and business purposes. Under the terms of the lease agreements, rental payments to affiliates totaled $13 million for the period ended December 31, 2022. These lease agreements have been renewed for one year which will expire on December 31, 2023. The payments for 2023 are expected to be approximately $7 million

FCM's DSRO:

The HSI's DSRO (Designated Self-Regulatory Organization) is the CME. Their webpage can be accessed via the following link- www.cmegroup.com

Location of HSI's Annual Audited Financial Statement:

The audited financial statements of HSI are available at https://www.us.hsbc.com/investments/disclosures/ or by contacting our Brokerage Customer Service Department at 1-800-662-3343

Material Complaints or Actions:

Any material administrative, civil, enforcement or criminal complaints or actions filed against HSI where such complaints or actions have not concluded, and any enforcement complaints or actions filed against HSI during the last three years are provided below.

Litigation

In this section, when we use the term "HSBC" we mean HSBC Securities (USA) Inc. HSBC is involved in a number of legal proceedings concerning matters arising in connection with the conduct of its business. The following disclosure is intended to provide information that may be material to an FCM customer, but is not intended to be a comprehensive list of all proceedings to which HSBC is or has been a party. Additional information on legal proceedings involving HSBC is available through the links provided below.

For a list of material actions that have not concluded, see Note 16 of HSBC's Statement of Financial Condition at https://www.us.hsbc.com/investments/disclosures/

For a list of concluded regulatory, criminal and judicial actions please go to the Financial Industry Regulatory Authority ('FINRA') homepage at http://www.finra.org. On this page you will see a box entitled "BrokerCheck." Type in "HSBC" and select "Firm" and then select , HSBC Securities (USA) Inc. On this page, locate the "Disclosures" section and then click on "Get Detailed Report."

A list of Regulatory actions/case history against HSBC Securities USA (Inc) is available via the NFA Basic Website at https://www.nfa.futures.org/basicnet/CaseInfo.aspx?entityid=0002170&type=reg

Customer Funds Segregation:

The following is a basic overview of customer fund segregation, FCM management and investments.

Customer Accounts: FCMs may maintain up to three different types of accounts for customers, depending on the products a customer trades:

(i) a **Customer Segregated Account** for customers that trade futures and options on futures listed on US futures exchanges;

(ii) a **30.7 Account** for customers that trade futures and options on futures listed on foreign boards of trade; and

(iii) a **Cleared Swaps Customer Account** for customers trading swaps that are cleared on a DCO registered with the Commission.

The requirement to maintain these separate accounts reflects the different risks posed by the different products. Cash, securities and other collateral (collectively, **Customer Funds**) required to be held in one type of account, *e.g.*, the Customer Segregated Account, may not be commingled with funds required to be held in another type of account, *e.g.*, the 30.7 Account, except as the Commission may permit by order. For example, the Commission has issued orders authorizing ICE Clear Europe Limited, which is registered with the Commission as a DCO, and its FCM clearing members: (i) to hold in Cleared Swaps Customer Accounts Customer Funds used to margin both (a) Cleared Swaps and (b) foreign futures and foreign options traded on ICE Futures Europe, and to provide for portfolio margining of such Cleared Swaps and foreign futures and foreign options; and (ii) to hold in Customer Segregated Accounts Customer Funds used to margin both (c) futures and options on futures traded on ICE Futures US and (d) foreign futures and foreign options traded on ICE Futures Europe, and to provide for portfolio margining of such transactions.

Customer Segregated Account: Funds that customers deposit with an FCM, or that are otherwise required to be held for the benefit of customers, to margin futures and options on futures contracts traded on futures exchanges located in the US, *i.e.*, designated contract markets, are held in a **Customer Segregated Account** in accordance with section 4d(a)(2) of the Commodity Exchange Act and Commission Rule 1.20. **Customer Segregated Funds** held in the Customer Segregated Account may not be used to meet the obligations of the FCM or any other person, including another customer.

All Customer Segregated Funds may be commingled in a single account, *i.e.*, a customer omnibus account, and held with: (i) a bank or trust company located in the US; (ii) a bank or trust company located outside of the US that has in excess of $1 billion of regulatory capital; (iii) an FCM; or (iv) a DCO. Such commingled account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's customers. Unless a customer provides instructions to the contrary, an FCM may hold Customer Segregated Funds only: (i) in the US; (ii) in a money center country;[1] or (iii) in the country of origin of the currency.

An FCM must hold sufficient US dollars in the US to meet all US dollar obligations and sufficient funds in each other currency to meet obligations in such currency. Notwithstanding the foregoing, assets denominated in a currency may be held to meet obligations denominated in another currency (other than the US dollar) as follows: (i) US dollars may be held in the US or in money center countries to meet obligations denominated in any other currency; and (ii) funds in money center currencies[2] may be held in the US or in money center countries to meet obligations denominated in currencies other than the US dollar.

30.7 Account: Funds that **30.7 Customers** deposit with an FCM, or that are otherwise required to be held for the benefit of customers, to margin futures and options on futures contracts traded on foreign boards of trade, *i.e.*, **30.7 Customer Funds**, and sometimes referred to as the **foreign futures and foreign options secured amount**, are held in a **30.7 Account** in accordance with Commission Rule 30.7.

Funds required to be held in the 30.7 Account for or on behalf of 30.7 Customers may be commingled in an omnibus account and held with: (i) a bank or trust company located in the US; (ii) a bank or trust company located outside the US that has in excess of $1 billion in regulatory capital; (iii) an FCM; (iv) a DCO; (v) the clearing organization of any foreign board of trade; (vi) a foreign broker; or (vii) such clearing organization's or foreign broker's designated depositories. Such commingled account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's 30.7 Customers. As explained below, Commission Rule 30.7 restricts the amount of such funds that may be held outside of the US.

Customers trading on foreign markets assume additional risks. Laws or regulations will vary depending on the foreign jurisdiction in which the transaction occurs, and funds held in a 30.7 Account outside of the US may not receive the same level of protection as Customer Segregated Funds. If the foreign broker carrying 30.7 Customer positions fails, the broker will be liquidated in accordance with the laws of the jurisdiction in which it is organized, which laws may differ significantly from the US Bankruptcy Code. Return of 30.7 Customer Funds to the US will be delayed and likely will be subject to the costs of administration of the failed foreign broker in accordance with the law of the applicable jurisdiction, as well as possible other intervening foreign brokers, if multiple foreign brokers were used to process the US customers' transactions on foreign markets.

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1 Money center countries mean Canada, France, Italy, Germany, Japan, and the United Kingdom.

2 Money center currencies mean the currency of any money center country and the Euro.

If the foreign broker does not fail but the 30.7 Customers' US FCM fails, the foreign broker may want to assure that appropriate authorization has been obtained before returning the 30.7 Customer Funds to the FCM's trustee, which may delay their return. If both the foreign broker and the US FCM were to fail, potential differences between the trustee for the US FCM and the administrator for the foreign broker, each with independent fiduciary obligations under applicable law, may result in significant delays and additional administrative expenses. Use of other intervening foreign brokers by the US FCM to process the trades of 30.7 Customers on foreign markets may cause additional delays and administrative expenses.

To reduce the potential risk to 30.7 Customer Funds held outside of the US, Commission Rule 30.7 generally provides that an FCM may not deposit or hold 30.7 Customer Funds in permitted accounts outside of the US except as necessary to meet margin requirements, including prefunding margin requirements, established by rule, regulation, or order of the relevant foreign boards of trade or foreign clearing organizations, or to meet margin calls issued by foreign brokers carrying the 30.7 Customers' positions. The rule further provides, however, that, in order to avoid the daily transfer of funds from accounts in the US, an FCM may maintain in accounts located outside of the US an additional amount of up to 20 percent of the total amount of funds necessary to meet margin and prefunding margin requirements to avoid daily transfers of funds.

An FCM may exclude from the calculation of 30.7 Customer Funds permitted to be held outside of the US, those 30.7 Customer Funds held in a properly-titled account established by the FCM in a bank or trust company located outside of the US, provided the bank or trust company: (i) maintains regulatory capital of at least $1 billion; and (ii) provides the FCM a written acknowledgment letter that the depository was informed that such funds held in the 30.7 Account belong to customers and are being held in accordance with the Act and the Commission's rules.

Cleared Swaps Customer Account: Funds deposited with an FCM, or otherwise required to be held for the benefit of customers, to margin swaps cleared through a registered DCO, *i.e.*, **Cleared Swaps Customer Collateral**, are held in a **Cleared Swaps Customer Account** in accordance with the provisions of section 4d(f) of the Act and Part 22 of the Commission's rules. Cleared Swaps Customer Accounts are sometimes referred to as LSOC Accounts. LSOC is an acronym for "legally separated, operationally commingled." Funds required to be held in a Cleared Swaps Customer Account may be commingled in an omnibus account and held with: (i) a bank or trust company located in the US; (ii) a bank or trust company located outside of the US that has in excess of $1 billion of regulatory capital; (iii) a DCO; or (iv) another FCM. Such commingled account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's Cleared Swaps Customers.

Investment of Customer Funds: Section 4d(a)(2) of the Act authorizes FCMs to invest Customer Segregated Funds in obligations of the United States, in general obligations of any State or of any political subdivision thereof, and in obligations fully guaranteed as to principal and interest by the United States. Section 4d(f) authorizes FCMs to invest Cleared Swaps Customer Collateral in similar instruments.

Commission Rule 1.25 authorizes FCMs to invest Customer Segregated Funds, Cleared Swaps Customer Collateral and 30.7 Customer Funds in instruments of a similar nature. Commission rules further provide that the FCM may retain all gains earned and is responsible for investment losses incurred in connection with the investment of Customer Funds. However, the FCM and customer may agree that the FCM will pay the customer interest on the funds deposited.

Permitted investments include:

(i) Obligations of the United States and obligations fully guaranteed as to principal and interest by the United States (U.S. government securities);

(ii) General obligations of any State or of any political subdivision thereof (municipal securities);

(iii) Obligations of any United States government corporation or enterprise sponsored by the United States government (U.S. agency obligations);[3]

(iv) Certificates of deposit issued by a bank (certificates of deposit) as defined in section 3(a)(6) of the Securities Exchange Act of 1934, or a domestic branch of a foreign bank that carries deposits insured by the Federal Deposit Insurance Corporation;

(v) Commercial paper fully guaranteed as to principal and interest by the United States under the Temporary Liquidity Guarantee Program as administered by the Federal Deposit Insurance Corporation (commercial paper);

(vi) Corporate notes or bonds fully guaranteed as to principal and interest by the United States under the Temporary Liquidity Guarantee Program as administered by the Federal Deposit Insurance Corporation (corporate notes or bonds); and

(vii) Interests in money market mutual funds.

The duration of the securities in which an FCM invests Customer Funds cannot exceed, on average, two years.

An FCM may also engage in repurchase and reverse repurchase transactions with non-affiliated registered broker-dealers, provided such transactions are made on a delivery versus payment basis and involve only permitted investments. All funds or securities received in repurchase and reverse repurchase transactions with Customer Funds must be held in the appropriate Customer Account, *i.e.*, Customer Segregated Account, 30.7 Account or Cleared Swaps Customer Account. Further, in accordance with the provisions of Commission Rule 1.25, all such funds or collateral must be received in the appropriate Customer Account on a delivery versus payment basis in immediately available funds.[4]

No SIPC Protection. Although HSI is a registered broker-dealer, it is important to understand that the funds you deposit with HSI for trading futures and options on futures contracts on either US or foreign markets or cleared swaps are not protected by the Securities Investor Protection Corporation.

Further, Commission rules require HSI to hold funds deposited to margin futures and options on futures contracts traded on US designated contract markets in Customer Segregated Accounts. Similarly, HSI must hold funds deposited to margin cleared swaps and futures and options on futures contracts traded

[3] Obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Association are permitted only while these entities operate under the conservatorship or receivership of the Federal Housing Finance Authority with capital support from the United States.

[4] As discussed below, NFA publishes twice-monthly a report, which shows for each FCM, *inter alia*¸ the percentage of Customer Funds that are held in cash and securities and each of the permitted investments under Commission Rule 1.25. The report also indicates whether the FCM held any Customer Funds during that month at a depository that is an affiliate of the FCM.

on foreign boards of trade in a Cleared Swaps Customer Account or a 30.7 Account, respectively. In computing its Customer Funds requirements under relevant Commission rules, HSI may only consider those Customer Funds actually held in the applicable Customer Accounts and may not apply free funds in an account under identical ownership but of a different classification or account type (*e.g.*, securities, Customer Segregated, 30.7) to an account's margin deficiency. In order to be used for margin purposes, the funds must actually transfer to the identically-owned undermargined account.

For additional information on the protection of customer funds, please see the Futures Industry Association's "Protection of Customer Funds Frequently Asked Questions" located at www.futuresindusty.org/downloads/PCF_questions.pdf

Filing a Complaint:

Information on how a customer may obtain information regarding filing a complaint about HSI with the Commission, the National Futures Association (NFA), or with HSI's DSRO.

A customer that wishes to file a complaint about HSI or one of its employees with the Commission can contactthe Division of Enforcement either electronically at https://www.cftc.gov/Forms/tipsandcomplaints.html or by calling the Division of Enforcement toll free at 866-FON-CFTC (866-366-2382).

A customer that may file a complaint about HSI or one of its employees with the National Futures Association electronically at http://www.nfa.futures.org/basicnet/Complaint.aspx or by calling NFA directly at 800-621-3570.

A customer that wishes to file a complaint about HSI or one of its employees with the Chicago Mercantile Exchange electronically at: http://www.cmegroup.com/market-regulation/file-complaint.html or by calling the CME at 312.341.7970.

Relevant Financial Data:

Financial data as of the most recent month-end when the Disclosure Document is prepared.

(i) HSI's total equity, regulatory capital, and net worth, all computed in accordance with U.S. Generally Accepted Accounting Principles and Rule 1.17, as applicable; For the period March 31, 2023 are as follows:

Total Equity-$754 Million

Total Capital and Subordinated Liabilities-$1.8 Billion

Excess Regulatory Capital-$679 Million

(ii) the dollar value of the FCM's proprietary margin requirements as a percentage of the aggregate margin requirement for futures customers, cleared swaps customers, and 30.7 customers;

Proprietary Margin is 6.7% of the total aggregate customer margin requirement

(iii) the number of futures customers, cleared swaps customers, and 30.7 customers that comprise 50 percent of the FCM's total funds held for futures customers, cleared swaps customers, and 30.7 customers, respectively;

Futures Customers=0 Cleared Swaps Customers=0 30.7 Customers=0

(iv) the aggregate notional value, by asset class, of all non-hedged, principal over-the counter transactions into which the FCM has entered; **Zero**

(v) the amount, generic source and purpose of any unsecured lines of credit (or similar short-term funding) the FCM has obtained but not yet drawn upon.

HSBC SECURITIES (USA) INC

Credit Provider	Expiry Date	Total Line mm's	Committed
SUB DEBT:			
HUSI	8/31/2027	850.00	YES
HUSI	4/8/2027	500.00	YES
HUSI	8/19/2028	100.00	YES
		1,450.00	
AFFILIATE INV FUNDING:			
HUSI **(Committed)**	9/13/2023	200.00	YES
		200.00	
UNSECURED LINES:			
AFFILIATE:			
HUSI **(1) (Uncommitted)**	11/15/2023	2,700.00	NO
HUSI **(Term) (Committed)**	11/15/2023	1,650.00	YES
	6/21/2023	500.00	YES
		4,850.00	
	TOTALS	**6,500.00**	

(vi) the FCM does not provide financing for customer transactions involving illiquid financial products for which it is difficult to obtain timely and accurate prices;

(vii) the percentage of futures customer, cleared swaps customer, and 30.7 customer receivable balances that the FCM had to write-off as uncollectable during the past 12-month period, as compared to the current balance of funds held for futures customers, cleared swaps customers, and 30.7 customers.

HSI had no uncollectable funds during the past 12 months.

Additional financial information on all FCMs is also available on the Commission's website at: http://www.cftc.gov/MarketReports/Financialfcmdata/index.htm

Customers should be aware that the NFA publishes on its website certain financial information with respect to each FCM. The FCM Capital Report provides each FCM's most recent month-end adjusted net capital, required net capital, and excess net capital. (Information for a twelve-month period is available.) In addition, NFA publishes twice-monthly a Customer Segregated Funds report, which shows for each FCM:

(i)(a) total funds (cash and securities) held in Customer Segregated Accounts; (b) total funds required to be held in Customer Segregated Accounts; and (c) excess segregated funds, *i.e.*, the FCM's residual interest;

(ii) percentage of Customer Segregated Funds held in cash in Customer Segregated Accounts at: (a) banks; and (b) clearing organizations and other FCMs;

(iii) percentage of customer-owned securities held in Customer Segregated Accounts;

(iv)(a) percentage of Customer Segregated Funds held in each of the permitted investments under Commission Rule 1.25, including (b) percentage of Customer Segregated Funds subject to reverse repurchase agreements; and

(v) whether during that month the FCM held any Customer Segregated Funds at a depository that is an affiliate of the FCM.

The report shows the most recent semi-monthly information, but the public will also have the ability to see information for the most recent twelve-month period. A 30.7 Customer Funds report and a Customer Cleared Swaps Collateral report provides the same information with respect to the 30.7 Account and the Cleared Swaps Customer Account.

The above financial information reports can be found by conducting a search for a specific FCM in NFA's BASIC system https://www.nfa.futures.org/basicnet and then clicking on "View Financial Information" on the FCM's BASIC Details page.

A summary of HSI's current risk practices, controls and procedures are outlined below.

As mandated by the Commission, HSI maintains and enforces a risk management program designed to monitor and manage the risk associated with its FCM activities. As part of the risk management program, HSI maintains a risk management unit that reports directly to senior management and is independent from the business unit.

The risk management program takes into account market, credit, liquidity, foreign currency, legal, operational, settlement, segregation, technological, capital and any other applicable risk together with a description of the risk tolerance limits set by HSI. The risk tolerance limits are reviewed and approved quarterly by senior management and annually by the board of directors. The risk management program also takes into account risk posed by affiliates, all lines of business of HSI, and all other trading activity engaged in by HSI.

HSI's risk management program encompasses the following:

<u>Periodic Risk Exposure Reports</u>

(1) HSI will provide to senior management and to its governing body quarterly written reports setting forth applicable risk exposures of the FCM; any recommended or completed changes to the risk management program; the recommended time frame for implementing recommended changes; and the status of any incomplete implementation of previously recommended changes to the risk management program. Such reports are referred to as Risk Exposure Reports ("RER"). Senior management and the board of directors are to be informed immediately upon detection of any material change in the risk exposure of the HSI.

(2) HSI will file copies of its RER to the Commission within five business days of providing such reports to its senior management.

Specific Risk Management Considerations

The risk management program includes policies and procedures for monitoring and managing the following risks:

(1) Segregation Risk – HSI maintains written policies and procedures designed to ensure that segregated funds are separately accounted for and segregated or secured as belonging to customers as required. Such policies and procedures address the following:

- (a) HSI's process for the evaluation of depositories holding segregated funds;
- (b) HSI's program to monitor an approved depository on an ongoing basis, including a due diligence review of each depository at least annually;
- (c) HSI's account opening process for depositories, including documented authorization requirements, procedures to ensure that segregated funds are not deposited with a depository prior to HSI receiving the acknowledgment letter required from such depository by Commission regulation, and procedures to ensure such account is properly titled to reflect that it is holding segregated funds pursuant to the Commodity Exchange Act (the "Act") and Commission regulations ("Regulations");
- (d) HSI's process for establishing a targeted amount of residual interest that the HSI seeks to maintain as its residual interest in the segregated funds accounts. Such process has been designed to reasonably ensure that HSI maintains the targeted residual amounts and remains in compliance with segregated funds requirements at all times. The policies and procedures require senior management, in establishing the total amount of the targeted residual interest in the segregated funds accounts, perform appropriate due diligence and consider various factors, as applicable, relating to the nature of HSI's business. HSI's analysis and calculation of the targeted amount of its residual interest is described in writing with the specificity necessary to allow the Commission and the Chicago Mercantile Exchange, HSI's designated self-regulatory organization to duplicate the analysis and calculation and test the assumptions made by HSI. The adequacy of the targeted residual interest and the process for establishing the targeted residual interest is reassessed periodically by senior management and revised as necessary;
- (e) HSI's process for the withdrawal of cash, securities, or other property from accounts holding segregated funds, where the withdrawal is not for the purpose of payments to or on behalf of HSI's customers;
- (f) HSI's process for assessing the appropriateness of specific investments of segregated funds in permitted investments in accordance with Commission Regulation and the policies and procedures for assessing the liquidity, marketability and mark-to-market valuation of all

securities or other non-cash assets held as segregated funds, including permitted investments under Commission Regulation;

(g) HSI's procedures requiring the appropriate separation of duties among individuals responsible for compliance with the Act and Commission Regulations relating to the protection and financial reporting of segregated funds, including the separation of duties among personnel that are responsible for advising customers on trading activities, approving or overseeing cash receipts and disbursements and recording and reporting financial transactions;

(h) HSI's process for the timely recording of all transactions, including transactions impacting customers' accounts, in the firm's books of record;

(i) HSI's program for conducting annual training of all finance, treasury, operations, regulatory, compliance, settlement, and other relevant officers and employees regarding the segregation requirements required by the Act and Regulations and the consequences of failing to comply with such segregation requirements , the requirements per Regulation to provide notice to the Commission in certain circumstances and procedures for reporting suspected breaches of the policies and procedures to the chief compliance officer, without fear of retaliation; and

(2) Operational Risk - The risk management program includes automated risk management controls designed to prevent the placing of erroneous orders, including those that exceed pre-set capital, credit, or volume thresholds. The risk management program also specifies that the use of automated trading programs is subject to policies and procedures governing the use, supervision, maintenance, testing, and inspection of such programs.

(3) Capital Risk – HSI's written policies and procedures are designed to ensure that it has sufficient capital to be in compliance with the Act and the Regulations, and sufficient capital and liquidity to meet reasonably foreseeable needs.

(4) Supervision of Risk Management Program – HSI maintains a supervisory system designed so that the policies and procedures of the risk management program are diligently followed.

(a) Review and Testing

(i) HSI's risk management program will be reviewed and tested on at least an annual basis or upon any material change in the business of HSI that is reasonably likely to alter its risk profile.

(ii) The annual review of the risk management program will include an analysis of adherence to, and the effectiveness of, the risk management policies and procedures, and any recommendations for modifications to the risk management program. The annual testing is to be performed by qualified internal audit staff that are independent of the business unit, or by a qualified third party audit service reporting to staff that are independent of the business unit. The results of the annual review of the risk management program will promptly be reported to and reviewed by HSI's the chief compliance officer, senior management, and board of directors.

(iii) HSI documents all internal and external reviews and testing of its risk management program and written risk management policies and procedures including the date of the review or test; the results; any deficiencies identified; the corrective action taken; and the date that corrective action was taken. Such documentation will be provided to Commission staff, upon request.

(b) Distribution of Risk Management Policies and Procedures

The risk management program includes procedures for the timely distribution of its written risk management policies and procedures to relevant supervisory personnel. In addition, HSI will maintain records of the persons to whom the risk management policies and procedures were distributed and when they were distributed.

(c) Recordkeeping

(i) HSI will maintain copies of all written approvals required pertaining to its risk management program.
(ii) All records or reports, including, but not limited to, the written policies and procedures and any changes thereto that HSI is required to maintain for its risk management program are maintained in accordance Commission Regulation.

This Disclosure Document was first used on July 11, 2014.