

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY

In the Matter of: HSBC Bank USA, N.A. McLean, Virginia))))))	AA-EC-2012-140
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CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”), through his national bank examiners has conducted an examination of HSBC Bank USA, N.A., McLean, Virginia (“Bank”). The Comptroller has identified certain unsafe or unsound practices related to enterprise-wide compliance. The Comptroller has informed the Bank of the findings resulting from the examination.

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated December 11, 2012 (“Stipulation and Consent”), that is accepted by the Comptroller through his duly authorized representative. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

ARTICLE I

COMPTROLLER’S FINDINGS

The Comptroller finds, and the Bank neither admits nor denies, the following:

- (1) The Bank has a supervisory history of non-compliance with banking laws and regulations, as well as non-conformance with policies, procedures, and prescribed

practices in the compliance area that have occurred over a multi-year period. During the past year, additional deficiencies have surfaced from internal and external reviews that evidence broad and serious weaknesses in the Bank's compliance program. The robustness of the compliance program has not kept pace with the bank's size, complexity, and risk profile.

(2) The Comptroller's examination findings establish that the Bank has engaged in unsafe or unsound practices with respect to enterprise-wide compliance. Specifically, the Bank's compliance program has historically shown deficiencies in adequate, proactive leadership, risk reporting, and policies and procedures.

Pursuant to the authority invested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818(b), the Comptroller hereby ORDERS that:

ARTICLE II

COMPLIANCE COMMITTEE

(1) The Board shall maintain a Compliance Committee of at least three (3) directors, of which at least two (2) may not be employees or officers of the Bank or any of its subsidiaries or affiliates. In the event of a change of the membership, the name of any new member shall be submitted in writing to the Deputy Comptroller for Large Bank Supervision ("Deputy Comptroller") and Examiner-in-Charge of Large Bank Supervision at the Bank ("Examiner-in-Charge"). The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order.

(2) The Compliance Committee shall meet at least monthly.

(3) Within ninety (90) days of this Order and quarterly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the actions needed to achieve full compliance with each Article of this Order;
- (b) actions taken to comply with each Article of this Order; and
- (c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Deputy Comptroller and Examiner-in-Charge within ten (10) days of receiving such report.

ARTICLE III

ENTERPRISE-WIDE COMPLIANCE PROGRAM

(1) Within ninety (90) days of the date of this Order, the Board, or a designated committee of the Board, shall adopt, implement, and thereafter ensure adherence to a written enterprise-wide compliance program designed to ensure that the Bank is operating in compliance with applicable laws, rules, regulations, regulatory guidance, and supervisory findings. This program shall include, but not be limited to:

- (a) written description of the duties, responsibilities, and authority of the chief compliance officer and a requirement that this position be staffed by a qualified individual;
- (b) written descriptions of the duties, responsibilities, and reporting lines of other compliance management officers and compliance

- personnel, and requirements that these positions be staffed with qualified personnel;
- (c) performance objectives and compensation plans that align with written descriptions of duties and responsibilities of compliance personnel;
 - (d) written compliance values statement, to be communicated across the Bank;
 - (e) annual written analysis of the products and services offered by the Bank that fully assesses risk presented by applicable laws, rules, regulations, regulatory guidance, and supervisory findings;
 - (f) the preparation of a policies and procedures manual covering applicable laws, rules, regulations, regulatory guidance, and supervisory findings for use by appropriate Bank personnel in the performance of their duties and responsibilities;
 - (g) at least semi-annual review of the written policies and procedures manual to update it, as appropriate, to ensure it remains current;
 - (h) a control environment maintained by business lines and risk functions (“second lines of defense”) that ensures compliance with applicable laws, rules, regulations, regulatory guidance, and supervisory findings;
 - (i) integration of compliance risk into the enterprise-wide risk management framework;

- (j) an audit program that tests compliance with applicable laws, rules, regulations, regulatory guidance, and supervisory findings;
- (k) at least semi-annual independent evaluation of the effectiveness of the enterprise-wide compliance program, including but not limited to management, management information systems, staffing, and training;
- (l) at least semi-annual independent reporting of the results of the evaluation of the enterprise-wide compliance program to the Board or a committee thereof;
- (m) procedures to ensure that exceptions noted in testing and validation reports are corrected and responded to by the appropriate Bank personnel in a timely manner; and
- (n) the education and training of all appropriate Bank personnel to ensure their awareness of applicable laws, rules, regulations, regulatory guidance, and Bank policies and procedure.

(2) Upon completion of the program, the Board shall submit the program to the Deputy Comptroller and the Examiner-in-Charge for prior written determination of no supervisory objection. In the event the Deputy Comptroller recommends changes to the program, the Board shall incorporate those changes into the program. Upon receiving a written determination of no supervisory objection from the Deputy Comptroller, the Bank shall immediately implement and adhere to the program.

ARTICLE IV

ENTERPRISE-WIDE COMPLIANCE PROGRAM ACTION PLAN

(1) The Board shall direct management to undertake and complete all steps necessary to correct the circumstances and conditions, as noted in the Bank's most recent Report of Examination, which prompted the need for the enterprise-wide compliance program required by this Order.

(2) Within ninety (90) days of this Order, the Board shall develop and adopt a written plan that:

- (a) explains the specific actions that Bank management will take to achieve full implementation of the enterprise-wide compliance program, under Article III, including personnel resource requirements and the associated on boarding timeline;
- (b) specifies how the Board will ensure Bank management's implementation of the plan; and
- (c) sets forth a timetable for the implementation of each action specified in the plan.

(3) Upon completion of the plan, the Board shall submit the plan to the Deputy Comptroller and Examiner-in-Charge for a prior written determination of no supervisory objection. Upon receiving a written determination of no supervisory objection from the Deputy Comptroller, the Bank shall immediately implement and adhere to the plan.

(4) The plan shall be implemented pursuant to the time frames set forth within the plan unless events dictate modifications to the plan. Where the Board considers

modifications appropriate, those modifications shall be submitted to the Deputy Comptroller and Examiner-in-Charge for prior written determination of no supervisory objection. Upon receiving a written determination of no supervisory objection from the Deputy Comptroller, the Bank shall implement and adhere to the revised plan.

ARTICLE V

OTHER PROVISIONS

(1) Although this Order requires the Bank to submit certain actions, plans, programs, policies, and procedures for the review or prior written determination of no supervisory objection by the Deputy Comptroller or the Examiner-in-Charge, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) In each instance in this Order in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Order;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (c) follow-up on any material non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any material non-compliance with such actions.

(3) If, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(4) This Order constitutes a settlement of the cease and desist proceeding against the Bank contemplated by the Comptroller, based on the unsafe or unsound practices described in the Comptroller's Findings set forth in Article I of this Order. Provided, however, that nothing in this Order shall prevent the Comptroller from instituting other enforcement actions against the Bank or any of its institution-affiliated parties, including, without limitation, assessment of civil money penalties, based on the findings set forth in this Order, or any other findings. Nothing herein shall limit or modify the releases provided by the Stipulation and Consent to the Issuance of a Consent Order for the Assessment of a Civil Money Penalty executed simultaneously with this Order.

(5) This Order is and shall become effective upon its execution by the Comptroller, through his authorized representative whose hand appears below. The Order shall remain effective and enforceable, except to the extent that, and until such time as, any provision of this Order shall be amended, suspended, waived, or terminated in writing by the Comptroller.

(6) Any time limitations imposed by this Order shall begin to run from the effective date of this Order, as shown below, unless the Order specifies otherwise.

(7) The terms and provisions of this Order apply to the Bank and its subsidiaries, even though those subsidiaries are not named as parties to this Order.

(8) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding the Comptroller or the United States. Nothing in this Order shall affect any action against the Bank or its institution-affiliated parties by a bank regulatory agency, the United States Department of Justice, or any other law enforcement agency, to the extent permitted under applicable law.

(9) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

(10) Nothing in the Stipulation and Consent or this Order, express or implied, shall give to any person or entity, other than the parties hereto, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under the Stipulation and Consent or this Order.

(11) The Bank consents to the issuance of this Order before the filing of any notices, or taking of any testimony or adjudication, and solely for the purpose of settling this matter without a formal proceeding being filed.

IT IS SO ORDERED, this 11th day of December.

/s/

Sally G. Belshaw
Deputy Comptroller
Large Bank Supervision

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of:)	
HSBC Bank USA, N.A.)	AA-EC-2012-140
McLean, Virginia)	
)	

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) intends to impose a cease and desist order on HSBC Bank USA, N.A., McLean, Virginia (“Bank”) pursuant to 12 U.S.C. § 1818(b), for unsafe and unsound banking practices relating to the Bank’s compliance program.

The Bank, in the interest of compliance and cooperation, enters into this Stipulation and Consent to the Issuance of a Consent Order (“Stipulation”) and consents to the issuance of a Consent Order, dated December 11, 2012 (“Consent Order”);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, stipulate and agree to the following:

ARTICLE I

JURISDICTION

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

(4) As a result of this Consent Order:

(a) the Bank is not subject to the limitation of 12 C.F.R. § 5.51(c)(6)(ii) for the purposes of 12 C.F.R. § 5.51 requiring the Comptroller’s approval of a change in directors and senior executive officers, unless otherwise informed in writing by the Comptroller.

(b) the Bank is not subject to the limitation on golden parachute and indemnification payments provided by 12 C.F.R. § 359.1(f)(1)(ii)(C) and 12 C.F.R. § 5.51(c)(6)(ii), unless otherwise informed in writing by the Comptroller.

(c) the Bank remains an “eligible bank” pursuant to 12 C.F.R. § 5.3(g)(4) for the purposes of 12 C.F.R. Part 5 regarding rules, policies and procedures for corporate activities, unless otherwise informed in writing by the Comptroller.

(d) the Bank’s status as an “eligible bank” remains unchanged pursuant to 12 C.F.R. § 24.2(e)(4) for the purposes of 12 C.F.R. Part 24 regarding community and economic development, unless otherwise informed in writing by the Comptroller.

(5) The Consent Order shall not be construed to be a “written agreement, order, or capital directive” within the meaning of 12 C.F.R. § 6.4, unless the Comptroller informs the Bank otherwise in writing.

ARTICLE II

AGREEMENT

(1) The Bank, without admitting or denying any wrongdoing, consents and agrees to issuance of the Consent Order by the Comptroller.

(2) The Bank consents and agrees that the Consent Order shall (a) be deemed an “order issued with the consent of the depository institution” pursuant to 12 U.S.C. § 1818(h)(2), (b) become effective upon its execution by the Comptroller through his authorized representative, and (c) be fully enforceable by the Comptroller pursuant to 12 U.S.C. § 1818(i).

(3) Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(4) The Bank declares that no separate promise or inducement of any kind has been made by the Comptroller, or by his agents or employees, to cause or induce the Bank to consent to the issuance of the Consent Order and/or execute the Consent Order.

(5) The Bank expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the United States Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities.

(6) The Comptroller releases and discharges the Bank from all potential liability for a cease and desist order that has been or might have been asserted by the Comptroller based on the

violations described in the Comptroller's Findings set forth in Article I of the Consent Order, to the extent known to the Comptroller as of the effective date of the Consent Order. However, the violations alleged in Article I of the Consent Order may be utilized by the Comptroller in other future enforcement actions against the Bank or its institution-affiliated parties, including, without limitation, to assess civil money penalties or establish a pattern or practice of violations or the continuation of a pattern or practice of violations. This release shall not preclude or affect any right of the Comptroller to determine and ensure compliance with the terms and provisions of this Stipulation or the Consent Order.

(7) The terms and provisions of the Stipulation and the Consent Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Stipulation or the Consent Order, express or implied, shall give to any person or entity, other than the parties hereto, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Stipulation or the Consent Order.

ARTICLE III

WAIVERS

- (1) The Bank, by consenting to this Stipulation, waives:
 - (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Consent Order;
 - (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. §§ 1818(b) and (h), 12 C.F.R. Part 19;
 - (d) all rights to seek any type of administrative or judicial review of the Consent Order;

- (e) any and all claims for fees, costs or expenses against the Comptroller, or any of his agents or employees, related in any way to this enforcement matter or this Consent Order, whether arising under common law or under the terms of any statute, including, but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412; and
- (f) any and all rights to challenge or contest the validity of the Consent Order.

ARTICLE IV

CLOSING

(1) The provisions of this Stipulation shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon it by the several laws of the United States of America.

(2) Nothing in this Stipulation shall preclude any proceedings brought by the Comptroller to enforce the terms of this Consent Order, and nothing in this Stipulation constitutes, nor shall the Bank contend that it constitutes, a waiver of any right, power, or authority of any other representative of the United States or an agency thereof, including, without limitation, the United States Department of Justice, to bring other actions deemed appropriate.

(3) The terms of the Stipulation and the Consent Order are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set her hand on behalf of the Comptroller.

//signed//

Sally G. Belshaw
Deputy Comptroller
Large Bank Supervision

December 11, 2012

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

//signed//
Jeffrey A. Bader _____ Date _____

//signed//
William R. P. Dalton _____ Date _____

//signed//
Anthea Disney _____ Date _____

//signed//
Irene M. Dorner _____ Date _____

//signed//
Robert K. Herdman _____ Date _____

//signed//
Louis Hernandez, Jr. _____ Date _____

//signed//
Richard A. Jalkut _____ Date December 4, 2011

//signed//
Nancy G. Mistretta _____ Date _____