



Comptroller of the Currency
Administrator of National Banks

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April 16, 2012

Conditional Approval #1032
May 2012

William L. Kuhn, IV, Esq.
Vice President and Senior Counsel
HSBC – North America
26525 North Riverwoods Boulevard
Mettawa, Illinois 60045

Re: Application to Change the Asset Composition of HSBC Bank Nevada, National Association, Las Vegas, Nevada

Control Number: 2011 NE 12 0237
Charter Number: 22675

Dear Mr. Kuhn:

HSBC Bank Nevada, National Association, Las Vegas, Nevada (“HSBC Nevada”) seeks prior approval of a fundamental change in its asset composition under 12 C.F.R. § 5.53. Under Section 5.53(c)(1)(i), a national bank must obtain prior written approval of the Office of the Comptroller of the Currency (“OCC”) before changing the composition of all, or substantially all, of its assets through sales or other dispositions. The principal purpose of adopting 12 C.F.R. § 5.53 was to provide the OCC with a means to monitor and address supervisory concerns raised by so called “dormant” bank charters.

In its Section 5.53 application, HSBC Nevada represents it will sell certain assets to HSBC USA, N.A., McLean, Virginia (“HBUS”), and it will sell substantially all of its remaining assets to Capital One Bank, N.A., McLean, Virginia and Capital One Bank (USA), N.A., Glen Allen, Virginia (collectively “Capital One”). Thus, the transaction falls within the scope of Section 5.53(c)(1)(i).

HSBC Nevada has filed an application pursuant to 12 U.S.C § 215a-3 to merge into HSBC Finance Corporation, Mettawa, Illinois (“HBIO”) its non-bank parent corporation, once the asset sales to HBUS and Capital One are completed. Prior to merging with HBIO, HSBC Nevada represents it will surrender its FDIC insurance and become an uninsured bank. HSBC Nevada will surrender its banking charter to the OCC after the merger with HBIO. The comment period on HSBC Nevada’s Section 215a-3 application has not lapsed, and that application will be decided separately.

Change in Asset Composition – 12 C.F.R. § 5.53

In determining whether to approve an application under Section 5.53, the OCC will consider the purpose of the transaction, its impact on the safety and soundness of the bank, and any effect on the bank's customers. The OCC may deny the application if the transaction would have a negative effect in any of these respects.

The proposed change in asset composition is consistent with the strategic realignment of HSBC – North America. HSBC Nevada's customers will not be adversely affected by the transaction because the customers will be served by HBUS and Capital One after the transaction. Because HSBC Nevada plans to merge into HBIO shortly after the change in asset composition, any concerns over the continuation of "dormant" charters are addressed. Therefore, OCC approval of the change in asset composition application is consistent with the purpose of Section 5.53.

Conditions

The approval of this 12 C.F.R. § 5.53 application is subject to the following conditions:

1. HSBC Nevada shall not withdraw its 12 U.S.C. § 215a-3 application to merge with HBIO;
2. HSBC Nevada shall, within sixty (60) days of the sale of assets to HBUS and Capital One, seek termination of its FDIC insurance.

These conditions of approval are "condition[s] imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request" within the meaning of 12 U.S.C. § 1818. As such, the conditions are enforceable under 12 U.S.C. § 1818.

Conclusion

Accordingly, the OCC approves HSBC Nevada's application for a fundamental change in asset composition. This approval is subject to the conditions set out above. This conditional approval is also granted based on the information and representations made in the application and representations by counsel for HSBC Nevada. In particular, the approval is based on HSBC Nevada's representation that the merger with HBIO will occur shortly after the transfer and sale of HSBC Nevada's assets to HBUS and Capital One and that HSBC Nevada shall surrender its FDIC insurance and terminate its status as an insured bank.

This conditional approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our approval is based on the bank's representations, submissions, and information available to

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the OCC as of this date. The OCC may modify, suspend or rescind this decision if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have questions regarding this letter, please contact Licensing Analyst Wai-Fan Chang at (212) 790-4055. Please reference the application control number in any correspondence.

Sincerely,

signed

Steven Maggio
Director for District Licensing