

# **INFORMATION STATEMENT**

**DATED March 10, 2010**



**HSBC BANK CANADA**

**DOW JONES INDUSTRIAL AVERAGE<sup>SM</sup> - LINKED  
DEPOSIT NOTES, SERIES 1**

**DUE MARCH 19, 2015**

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**PRICE: US \$100.00 per Note**

**MINIMUM SUBSCRIPTION: US \$5,000.00**

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## **IMPORTANT INFORMATION**

*This Information Statement has been prepared for the sole purpose of assisting prospective Noteholders in making an investment decision with respect to the Notes. **The contents of this Information Statement are not intended as, do not constitute and should not be considered as investment, legal or tax advice. Each prospective Noteholder should seek independent investment, legal and tax advice concerning the consequences of making an investment in the Notes.***

*The Notes are not conventional notes or debt securities in that they do not provide to Noteholders a return at maturity calculated by reference to a fixed or floating rate of interest that is determinable prior to maturity. The Notes are complex investment products that are constructed using: i) a zero coupon bond which provides the principal protection component; and ii) an embedded derivative that provides indirect exposure (positive or negative) to the underlying asset(s). Depending on the performance of the underlying asset(s), a Noteholder's return on the Notes could be zero. **An investment in the Notes is speculative and only persons who are willing to accept no return on their investment should consider purchasing the Notes.***

*The Notes will be new instruments for which there is currently no established trading market. If there is no secondary market, Noteholders will not be able to sell their Notes prior to maturity. The Notes are more suitable for purchasing and holding up to maturity. Prospective purchasers should take into account all of the various risk factors associated with this offering. See "**Risk Factors**".*

*By purchasing the Notes, Noteholders will be deemed to represent that they understand the terms of the offering and that they have the knowledge and experience necessary to evaluate the merits of such an investment. HSBC Bank Canada ("**HSBC**" or the "**Bank**") has taken all reasonable care to ensure that the facts stated in this Information Statement in relation to the Notes are true and accurate in all material respects and that there are no other material facts in relation to the Notes the omission of which would make any statement herein, whether of fact or opinion, misleading as of the date hereof.*

*Prospective Noteholders should rely only on the information contained in:*

- (a) this Information Statement;*
- (b) any amendments from time to time to this Information Statement; or*
- (c) any supplementary terms and conditions provided in any related global certificate of deposit lodged with a depository or other definitive replacement certificate of deposit therefor;*

*in connection with the Notes. Nothing in this Information Statement will constitute a representation or create any implication that there has been no change in the affairs of HSBC since the date hereof.*

*The Notes will constitute unsecured, unsubordinated obligations of the Bank and, as such, will rank pari passu as among themselves and with all of the Bank's other outstanding unsecured, unsubordinated, present and future obligations including deposit liabilities (except as otherwise prescribed by law) and will be payable rateably without any preference or priority. **The Notes will not constitute deposits insured under the Canada Deposit Insurance Corporation Act or under any other deposit insurance regime.***

*In this Information Statement, capitalized terms will have the meanings ascribed to them and references to "**US \$**" are to United States Dollars unless otherwise expressly specified.*

***This Information Statement does not constitute an offer or invitation by anyone in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Information Statement and the offering or sale of the Notes in some jurisdictions may be restricted by law. Persons into whose possession this Information Statement comes are required by HSBC and such person's broker to inform themselves about and to observe any such restriction. This Information Statement constitutes an offering of the Notes only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale, and then only through persons duly qualified to effect such sales.***

***The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and subject to certain exceptions, may not be offered or sold within the United States or to U.S. persons as contemplated under the U.S. Securities Act and the regulations thereunder.***

*No securities commission or similar authority has in any way passed upon the merits of the Notes and any representation to the contrary may be an offence.*

*HSBC is a trademark of HSBC Holdings plc and has been licensed for use by HSBC and its affiliates.*

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You may request information about the Notes or obtain another copy of this Information Statement by calling HSBC at 1-866-511-4722. A copy of this Information Statement is also posted at [www.hsbcnet.com/spcanada](http://www.hsbcnet.com/spcanada).

During the term of the Notes, you may inquire as to the net asset value of a Note or the level of the underlying index and how it relates to the Variable Return that may be payable under the Notes, if any, by contacting HSBC at the above number.

## **ELIGIBILITY FOR INVESTMENT**

Based on the current provisions of the *Income Tax Act* (Canada) (the "Tax Act") and the regulations thereunder, the Notes offered hereby will, if issued on the date hereof, be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans, deferred profit sharing plans (other than a deferred profit sharing plan under which HSBC Bank Canada or a person or partnership with which HSBC Bank Canada does not deal at arm's length within the meaning of the Tax Act is an employer) and, tax free savings accounts (collectively "deferred plans"), all within the meaning of the Tax Act. Investors should consult with their own advisors as to whether the Notes will be "prohibited investments" for a tax-free savings account in their particular circumstances.

## SUMMARY OF THE OFFERING

*As this is a summary, it may not contain all of the information that may be important to you. You should read the entire Information Statement carefully before you decide to make an investment in the Notes. Capitalized terms that are used but not defined in this summary are defined elsewhere in the Information Statement.*

**Issuer:** The Notes will be issued by HSBC Bank Canada (the “**Bank**”, “**HSBC**”, “**we**”, “**our**” or “**us**”).

**Issue:** **HSBC Dow Jones Industrial Average<sup>SM</sup> - Linked Deposit Notes, Series 1** (the “**Notes**”) are principal protected deposit notes issued by HSBC. If held to maturity, the Notes will pay:

- 100% of the principal amount invested; and
- a Variable Return, if any, linked to the change in the value (positive or negative) of the Dow Jones Industrial Average Index<sup>SM</sup> (as described below under “*The Index*”). The performance (positive or negative) of the Index will be measured from its Initial Index Level to the Final Index Level to determine the Index Return. The Index Return will then be multiplied by the Participation Rate to determine the Variable Return, if any. **If the Variable Return is zero or less than zero, then the Notes will not pay a Variable Return.** The actual calculation of Variable Return is described below under “*Description of the Notes – Variable Return*”.

**The Index:** The Variable Return, if any, payable under the Notes is linked to the performance (positive or negative) of the Dow Jones Industrial Average Index<sup>SM</sup> (Index Ticker: INDU) (the “**Index**”). Reference herein to the Index will be deemed to include any Successor Index unless the context requires otherwise. See “*The Index – Discontinuance or Modification of the Index; Corrections to Index*”. The Index is described in more detail below under “*The Index*” and “*Annex A*”.

**Principal Amount:** The price for each Note is US \$100.00 (the “**Principal Amount**”) with a minimum subscription of US \$5,000.00 in Notes per holder (each a “**Noteholder**”).

**Issue Date:** The Notes will be issued on or about March 19<sup>th</sup>, 2010.

**Closing Date:** On or about March 12<sup>th</sup>, 2010.

**Initial Valuation Date:** On or about March 16<sup>th</sup>, 2010.

**Final Valuation Date:** On or about March 16<sup>th</sup>, 2015

**Maturity Date/Term:** The Notes will mature on March 19<sup>th</sup>, 2015 or if such date is not a Business Day then on the next succeeding Business Day (the “**Maturity Date**”), resulting in a term to maturity of approximately five years (the “**Term**”).

**Maturity Redemption Amount:** On the Maturity Date, repayment of the full Principal Amount of US \$100.00 per Note will be payable to the Noteholder regardless of the performance of the Index, *plus* the Variable Return, if any (together, the “**Maturity Redemption Amount**”).

**Initial Index Level:** The Closing Level for the Index on the Initial Valuation Date, subject to adjustment in the case of an ongoing Market Disruption Event. See “*Calculation Agent – Market Disruption Event*”.

**Final Index Level:** The Closing Level for the Index on the Final Valuation Date, subject to adjustment in the case of an ongoing Market Disruption Event. See “*Calculation Agent – Market Disruption Event*”.

**Variable Return:** The “**Variable Return**”, if any, payable on each Note will be calculated using the following formula:

$$\text{Principal Amount} \times \text{Participation Rate} \times \text{Index Return}$$

**If the Variable Return is zero or less than zero, then the Notes will not pay a Variable Return.**

***Index Return:***

The “**Index Return**” means, an amount (which may be positive or negative) expressed as a percentage and calculated as the Final Index Level *minus* the Initial Index Level, *divided* by the Initial Index Level for the Index. The Index Return is calculated according to the following formula:

$$\frac{(\text{Final Index Level} - \text{Initial Index Level})}{\text{Initial Index Level}}$$

The Index Return will not reflect any interest, dividends, distributions or other payments on the securities underlying the Index. **If the Index Return is calculated to be zero or less than zero, then the Notes will not pay a Variable Return.** See “*Description of the Notes – Variable Return*”.

***Participation Rate:***

55%

***Distribution:***

The Notes will be sold primarily through an affiliate of HSBC, HSBC Securities (Canada) Inc., and any other broker or dealer permitted by HSBC to act as a selling agent (“**Selling Agents**”).

***Expenses of the Offering:***

The Selling Agents will receive from HSBC a fee of up to 2.25% of the aggregate Principal Amount of the Notes sold as a result of the services of the Selling Agents.

***Ongoing Information:***

HSBC will also maintain background information with respect to the Notes on its website at [www.hsbcnet.com/spcanada](http://www.hsbcnet.com/spcanada).

***Secondary Market and Sale of the Notes prior to the Maturity Date:***

**There is currently no established trading market through which the Notes may be sold.** A Noteholder cannot elect to receive the Principal Amount from HSBC prior to the Maturity Date and the Notes will not be listed on any exchange. However, Noteholders may be able to sell Notes prior to maturity in any available secondary market that develops, but no assurances are given that such a market will develop or that it will be liquid. HSBC Securities (Canada) Inc. (“**HSBC Securities**”) intends, in normal market conditions, but is under no obligation, to use reasonable efforts to provide a secondary price for the Notes as principal (which price will be determined in the sole discretion of HSBC Securities), and to obtain prices upon which third parties may be prepared to purchase Notes in any available secondary market, but reserves the right not to do so in the future in its sole discretion, without providing prior notice to the Noteholders. Other than any price which HSBC Securities may, but is under no obligation to, obtain or provide, there is no guarantee that third parties will be available in any such secondary market, if one exists. HSBC Securities may, from time to time, purchase and sell Notes but will not be obligated to do so. HSBC Securities will have the right, in its sole discretion, to cease to purchase or sell Notes. If a secondary market develops, it may be suspended or discontinued at any time without notice to Noteholders.

Sales of Notes prior to maturity may be subject to an “**Early Trading Charge**” which will be equal to a percentage of the Principal Amount and will be determined as follows:

<b>Time Period</b>	<b>Early Trading Charge</b>
Issue Date to and including September 18, 2010	2.25%
September 19, 2010 to and including March 18, 2011	1.25%
March 19, 2011 to and including the Maturity Date	0.0%

If you sell a Note within the first (1) year from the Issue Date, the proceeds from the sale of the Note will be reduced by the applicable Early Trading Charge as indicated in the table above. After one (1) year following the Issue Date, there will not be an early Trading Charge on a sale of your Notes. See “*Description of the Notes – Secondary Trading of Notes*”. **The Notes are not**

**intended to be short-term trading instruments and are generally not suitable for an investor who requires liquidity prior to maturity.** You should consult your investment advisor on whether it would be more favourable in the circumstances at any time to sell the Note on the secondary market (assuming it is available) or hold the Note until the Maturity Date. You should also consult your tax advisor as to the income tax consequences arising from a sale of the Notes prior to the Maturity Date as compared to holding the Notes until the Maturity Date.

**Noteholders choosing to sell their Notes prior to the Maturity Date will receive a market price which is not necessarily equal to 100% of the Principal Amount and which does not necessarily reflect any increase in the level of the Index to the date of such sale, and as a result, Noteholders may suffer losses. See “Risk Factors”.**

***Book-Entry Registration:***

On the Issue Date, the Notes will be evidenced and issued by way of a single global certificate to be delivered to and registered in the name of CDS and deposited with CDS. Registrations of interests in and transfers of Notes will be made only through the Book-Entry system administered by CDS and must be subscribed, transferred and repurchased through a participant in the depository service of CDS (a “**CDS Participant**”). Subject to certain limited exceptions, no Noteholder will be entitled to any certificate or other instrument from the Bank or CDS evidencing the ownership thereof, and no Noteholder will be shown on the records maintained by CDS, except through a CDS Participant. See “*Book-Entry System*”.

***Rank:***

The Notes will constitute direct unsecured deposit obligations of the Bank. The Notes will be issued on an unsubordinated basis and will rank *pari passu* as among themselves and will be payable rateably without any preference or priority. **The Notes will not constitute deposits insured under the Canada Deposit Insurance Corporation Act or under any other deposit insurance regime.** The Notes will not be issued under a trust indenture, and no trustee or other fiduciary for Noteholders will be appointed.

***Calculation Agent:***

The Calculation Agent will be HSBC Bank USA, National Association. We may appoint a different Calculation Agent at any time without notice to Noteholders.

***Credit Rating of the Issuer:***

The Notes will not be specifically rated by any rating agency. However, as of the date of this Information Statement, the deposit liabilities of HSBC with a term to maturity of more than one (1) year were rated AA by DBRS and AA by S&P. These ratings represent the rating agencies’ assessments of HSBC’s creditworthiness and are not indicative of the market risk or liquidity associated with the Notes or the performance of the Index. **A rating is not a recommendation to buy, sell or hold investments and may be subject to change or withdrawal at any time by the relevant rating agency.**

***Tax Considerations:***

This income tax summary is subject to the limitations and qualifications outlined under “*Canadian Federal Income Tax Considerations*”. There should be no deemed accrual of interest in respect of any Variable Return for any taxation year of a Noteholder ending before the taxation year in which a minimum amount of Variable Return payable on the Maturity Date (or on the Special Redemption Date in the event of a Redemption Under Special Circumstances) becomes calculable. While the matter is not free from doubt, an amount received by a Noteholder on a disposition or a deemed disposition of a Note (other than a payment by or on behalf of HSBC) should generally give rise to a capital gain (or capital loss) to such Noteholder at such time to the extent such amount exceeds (or is less than) the aggregate of such Noteholder’s adjusted cost base of the Note and any reasonable costs of disposition. **Holders who dispose of a Note prior to the Maturity Date, particularly within a short period of time before the Maturity Date or pursuant to a private agreement with HSBC or an affiliate, should consult their own tax advisor with respect to their particular circumstances.** See “*Canadian Federal Income Tax Considerations*”.

***Redemption Under Special Circumstances:***

Notwithstanding the Maturity Date, the Bank may redeem the Notes prior to maturity under certain limited circumstances, including a change in the law, regulation, taxation regulations or taxation practice or other circumstances not within the control of the Bank. See “*Calculation Agent – Redemption Under Special Circumstances*”.

***Risk Factors to Consider:***

The Notes subject the Noteholders to significant risks, including the potential for lost investment opportunities. Potential Noteholders should carefully review and consider all risks set forth in this Information Statement (see “*Risk Factors*”), including:

- U.S equity market exposure;
- The volatility or degree to which the level of the underlying Index changes;
- Notes will not constitute insured deposits;

- Noteholders only participate in 55% of the upside performance of the Index;
- The Principal Amount is repaid only if the Notes are held to maturity;
- There is no guaranteed secondary market for the Notes and if such a market develops, there can be no assurance that it will be liquid;
- You have no recourse to the Index Sponsor or any issuer of an instrument comprising the Index;
- Price or other movements in the instrument or instruments comprising the Index are unpredictable;
- The historical or pro forma performance of each underlying Index is not an indication of future performance;
- Currency risk; and
- Special Circumstances



## HSBC BANK CANADA

HSBC Bank Canada is the largest full service, globally integrated foreign-owned bank in Canada and the seventh largest Canadian bank overall, with more than 180 offices and total assets of approximately CAD \$71.3 billion as at December 31, 2009. As an indirect wholly owned subsidiary of HSBC Holdings plc, HSBC Bank Canada provides its clients with access to one of the largest banking and financial services organizations in the world.

HSBC Holdings plc together with its direct and indirect subsidiaries including HSBC Bank Canada (the "**HSBC Group**") have approximately 8000 offices in 87 countries and territories and assets of US \$2,364 billion on a consolidated basis as at December 31, 2009. The HSBC Group provides a comprehensive range of financial services to more than 125 million customers worldwide.

HSBC Bank Canada files reports and other information, including financial information, on the System for Electronic Document Analysis and Retrieval pursuant to Canadian securities laws. The address of that website is <http://www.sedar.com>. HSBC Bank Canada's address on the World Wide Web is <http://www.hsbc.ca>. The information on these websites is for reference purposes only and is not incorporated herein.

## DESCRIPTION OF THE NOTES

The Notes will not be issued under a trust indenture as is customarily the case in respect of the issuance of debt securities in public offerings, and no trustee or other fiduciary will be appointed for the Noteholders under such a form of trust indenture or otherwise. The Bank may from time to time incur other indebtedness and additional obligations that rank equally with or senior to the Notes.

The following is a description of the material attributes and characteristics of the Notes and is entirely qualified by and subject to the global certificate referred to below, which contains the full text of such attributes and characteristics. The Bank will provide a copy of the global certificate of the Notes to any Noteholder who requests it.

### Issue

The Notes will be issued by HSBC on the Issue Date (March 19, 2010). HSBC will maintain background information with respect to the Notes on its website at [www.hsbcnet.com/spcanada](http://www.hsbcnet.com/spcanada).

### Maturity and Repayment of Principal

Each Note matures on the Maturity Date (March 19, 2015), on which date the Principal Amount (i.e. US \$100.00 per Note) and the Variable Return, if any, will be payable in respect of the Notes held as at the Maturity Date. However, if the Maturity Date does not occur on a Business Day, then the Maturity Date will be deemed to occur on the next following Business Day and no interest or other compensation will be paid in respect of such postponement.

### Variable Return

The Noteholders will be paid a Variable Return, if any, for each Note in United States Dollars on the Maturity Date (subject to the occurrence of a Market Disruption Event and a Special Circumstance – see "*Calculation Agent*") in an amount equal to the result obtained using the following formula:

The "**Variable Return**", if any, payable on each Note will be calculated using the following formula:

$$\text{Principal Amount} \times \text{Participation Rate} \times \text{Index Return}$$

Where:

“**Participation Rate**” means 55%.

“**Index Return**” means an amount (which may be positive or negative and which is expressed as a percentage), calculated as the Final Index Level *minus* the Initial Index Level, *divided by* the Initial Index Level for the Index. The Index Return will be calculated using the following formula:

$$\frac{(\text{Final Index Level} - \text{Initial Index Level})}{\text{Initial Index Level}}$$

“**Initial Index Level**” means the Closing Level for the Index on the Initial Valuation Date (March 16, 2010), subject to adjustment in the case of an ongoing Market Disruption Event.

“**Final Index Level**” means the Closing Level for the Index on the Final Valuation Date (March 16, 2015), subject to adjustment in case of an ongoing Market Disruption Event.

“**Closing Level**” means, in respect of the Index, the official closing level or value (as the case may be) for such Index as announced by the Calculation Agent, provided that, if on or after the Issue Date such Calculation Agent materially changes the time of day at which such official closing level or value is determined or no longer announces such official closing level or value, the Calculation Agent may thereafter deem the Closing Level to be the level or value of such Index as of the time of day used by such Calculation Agent to determine the official closing level or value prior to such change or failure to announce.

**The Index Return will not reflect any interest, dividends, distributions or other payments on the securities underlying the Index. If the Index Return is calculated to be zero or less than zero, then the Notes will not pay a Variable Return.**

#### HYPOTHETICAL EXAMPLES

**PLEASE NOTE THAT THE FOLLOWING HYPOTHETICAL EXAMPLES ARE PROVIDED FOR ILLUSTRATIVE PURPOSES ONLY AND ARE NOT A FORECAST OR ESTIMATE OF ANY ACTUAL VARIABLE RETURN OR INDEX RETURN.**

The following tables illustrate the manner in which the Maturity Redemption Amount will be calculated, using various hypothetical assumptions as to the performance of the Index over the Term of the Notes. All references to “\$” within the tables are to United States Dollars. **Please note that if the Variable Return is calculated to be zero or less than zero, the Notes will not pay a Variable Return.**

*Illustration Purposes Only – Not Intended to Predict Actual Results*

#### Example #1: Upward Trend Scenario

Index (Ticker)	Dow Jones Industrial Average® (INDU)
Initial Index Level	10396.76
Final Index Level	15000.00
Index Return ((Final Index Level - Initial Index Level) / Initial Index Level)	44.28%
Participation Rate	55.00%
Principal Amount	\$10,000.00
Variable Return (Principal Amount x Index Return x Participation Rate)	\$2,435.16
<b>Maturity Redemption Amount (Principal Amount + Variable Return)</b>	<b>\$12,435.16</b>

In this example, the level of the Index increased over the Term of the Notes. The Final Index Level was calculated to be 15,000.00, and, as a result, the Index Return was calculated to be 44.28%. With a Participation Rate of 55%, the Notes would return the Principal Amount of US \$10,000.00, plus a Variable Return of US \$2,435.16, resulting in a Maturity Redemption Amount of US \$12,435.16. This is equivalent to an approximate return of 24.35% (4.45 % annualized).

**Example #2: Downward Trend Scenario**

<b>Index (Ticker)</b>	<b>Dow Jones Industrial Average® (INDU)</b>
<b>Initial Index Level</b>	<b>10396.76</b>
<b>Final Index Level</b>	<b>9000.00</b>
<b>Index Return ((Final Index Level - Initial Index Level) / Initial Index Level)</b>	<b>-13.43%</b>
<b>Participation Rate</b>	<b>55.00%</b>
<b>Principal Amount</b>	<b>\$10,000.00</b>
<b>Variable Return (Principal Amount x Index Return x Participation Rate)</b>	<b>-\$738.90</b>
<b>Maturity Redemption Amount (Principal Amount + Variable Return)</b>	<b>\$10,000.00</b>

In this example, the level of the Index decreased over the Term of the Notes. The Final Index Level was calculated to be 9,000.00, and, as a result, the Index Return was calculated to be -13.43%. **Since the Variable Return was calculated to be less than zero, the Notes will not pay a Variable Return.** Therefore, the Notes would return only the Principal Amount of US \$10,000.00.

**Secondary Trading of Notes**

*Secondary Market*

**There is currently no established trading market through which the Notes may be sold.** A Noteholder cannot elect to receive the Principal Amount from HSBC prior to the Maturity Date and the Notes will not be listed on any exchange. However, Noteholders may be able to sell Notes prior to maturity in any available secondary market that develops, but no assurances are given that such a market will develop or that it will be liquid. HSBC Securities intends, in normal market conditions, but is under no obligation, to use reasonable efforts to provide a secondary price for the Notes as principal (which price will be determined in the sole discretion of HSBC Securities), and to obtain prices upon which third parties may be prepared to purchase Notes in any available secondary market, but reserves the right not to do so in the future in its sole discretion, without providing prior notice to the Noteholders. Other than any price which HSBC Securities may, but is under no obligation to, obtain or provide, there is no guarantee that third parties will be available in any such secondary market, if one exists. HSBC Securities may, from time to time, purchase and sell Notes but will not be obligated to do so. HSBC Securities will have the right, in its sole discretion, to cease to purchase or sell Notes. If a secondary market develops, it may be suspended or discontinued at any time without notice to Noteholders.

**The Notes are not designed to be short-term trading instruments and are intended to be held to maturity. Noteholders choosing to sell their Notes prior to the Maturity Date will receive a market price which is not necessarily equal to 100% of the Principal Amount and which does not necessarily reflect any increase in the level of the Index to the date of such sale, and as a result, you may suffer losses.**

A sale of a Note prior to the Maturity Date may be subject to an early trading charge (“**Early Trading Charge**”) having regard to the year of any repurchase prior to maturity. If a Note is sold within the first (1) year from the Issue Date, the proceeds from the sale of the Note will be reduced by an Early Trading Charge equal to a percentage of the Principal Amount of the Note determined as follows:

<b>Time Period</b>	<b>Early Trading Charge</b>
Issue Date to and including September 18, 2010	2.25%
September 19, 2011 to and including March 18, 2010	1.25%
March 19, 2011 to and including the Maturity Date	0.0%

**A Noteholder should be aware that any valuation price for the Notes, as well as any bid price quoted to the Noteholder to sell his or her Notes within the first year from the Issue Date will be before the application of any applicable Early Trading**

**Charge.** A Noteholder wishing to sell Notes prior to the Maturity Date should consult with his or her investment advisor regarding any applicable Early Trading Charge.

A Noteholder should consult his or her investment advisor on whether it would be more favourable in the circumstances at any time to sell the Note (assuming the availability of a secondary market) or hold the Note until the Maturity Date. A Noteholder should also consult his or her tax advisor as to the income tax consequences arising from a sale prior to the Maturity Date as compared to holding the Note until the Maturity Date. See “*Canadian Federal Income Tax Considerations*”.

### **Forms of the Notes**

Each Note will generally be represented by a global deposit note representing the entire issuance of Notes. HSBC will issue Notes evidenced by certificates in definitive form to a particular Noteholder only in limited circumstances. Both certificated Notes in definitive form and global deposit notes will be issued in registered form. HSBC’s obligations in regards to the Notes shall be the holder of the security as they are named on the face of the security.

Definitive Notes if issued will name Noteholders or nominees as the owners of the Notes, and in order to transfer or exchange these definitive Notes or to receive payments other than interest or other interim payments, the Noteholders or nominees (as the case may be) must physically deliver the Notes to HSBC. A global deposit note will name a depository or its nominee as the owner of the Notes, initially to be CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee. Each Noteholder’s beneficial ownership of Notes will be shown on the records maintained by the Noteholder’s broker/dealer, bank, trust company or other representative that is a participant in the relevant depository, as explained more fully below. Interests of participants will be shown on the records maintained by the relevant depository. Neither HSBC nor any depository will be bound to see to the execution of any trust affecting the ownership of any Note or be affected by notice of any equity that may be subsisting with respect to any Note.

#### *Global Deposit Note*

HSBC will issue the registered Notes in the form of the fully registered global deposit note that will be deposited with a depository (initially being CDS) and registered in the name of such depository or its nominee in a denomination equal to the aggregate Issued Principal Amount of the Notes. Unless and until it is exchanged in whole for Notes in definitive registered form, the registered global deposit note may not be transferred except as a whole by and among the depository, its nominee or any successors of such depository or nominee.

Payments on the Notes represented by a registered global deposit note registered in the name of a depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner of the registered global deposit note. HSBC will not have any responsibility or liability whatsoever for any aspect of the records relating to payments made on account of beneficial ownership interests in the registered global deposit note or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

HSBC expects that the depository for any of the Notes represented by a registered global deposit note, upon receipt of any payment on the Notes, will immediately credit participants’ accounts in amounts proportionate to their respective beneficial interests in that registered global deposit note as shown on the records of the depository. HSBC also expects that payments by participants to owners of beneficial interests in a registered global deposit note held through participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of those participants.

#### *Definitive Notes*

If the depository for any of the Notes represented by a registered global deposit note is at any time unwilling or unable to continue to properly discharge its responsibilities as depository, and a successor depository is not appointed by HSBC within 90 days, HSBC will issue Notes in definitive form in exchange for the registered global deposit note that had been held by the depository.

In addition, HSBC may at any time and in its sole discretion decide not to have any of the Notes represented by one or more registered global deposit notes. If HSBC makes that decision, HSBC will issue Notes in definitive form in exchange for all of the registered global deposit notes representing the Notes.

Payments on a definitive Note will be made by cheque mailed to the applicable registered Noteholder at the address of the Noteholder appearing in the aforementioned register in which registrations and transfers of Notes are to be recorded or, if requested in writing by the Noteholder at least five Business Days before the date of the payment and agreed to by HSBC, by electronic funds transfer to a bank account nominated by the Noteholder with a bank in Canada.

### **Credit Rating of Issuer**

The Notes will not be specifically rated by any rating agency. However, as of the date of this Information Statement, the deposit liabilities of HSBC with a term to maturity of more than one (1) year were rated AA by DBRS and AA by S&P. These ratings

represent the rating agencies' assessments of HSBC's creditworthiness and are not indicative of the market risk or liquidity associated with the Notes or the performance of the Index. **A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency.**

### **Payment of the Maturity Redemption Amount**

The Maturity Redemption Amount will be paid through CDS to the applicable CDS Participants to those participants' CDS accounts in amounts proportionate to their respective beneficial interests in the Maturity Redemption Amount as shown on the records of CDS. It is expected that payments by CDS Participants to owners of beneficial interests in the global certificate held through such CDS Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such CDS Participants. Generally, such payments will be made by cheque or, pursuant to an agreement between the Noteholders and the relevant CDS Participant, by wire transfer. The responsibility and liability of the Bank in respect of the Notes represented by the global certificate is limited to making payment of any amount due on the global certificate to CDS. Upon receipt in full of such amounts by CDS or the Noteholders, as the case may be, the Bank will be discharged from any further obligation with regard to such payments.

### **Rank**

The Notes will constitute unsecured, unsubordinated obligations of the Bank and, as such, will rank *pari passu* as among themselves and with all of the Bank's other outstanding unsecured, unsubordinated, present and future obligations including deposit liabilities (except as otherwise prescribed by law) and will be payable rateably without any preference or priority. **The Notes will not constitute deposits insured under the *Canada Deposit Insurance Corporation Act* or under any other deposit insurance regime.**

### **Deferred Payment**

Federal laws of Canada preclude payments of interest or other amounts for the advancing of credit at effective rates in excess of 60% per annum. When any payment is to be made by the Bank to a Noteholder on account of the Maturity Redemption Amount of a Note, payment of a portion of such amount may be deferred to ensure compliance with such laws.

### **Amendments to the Notes**

The global certificate representing the Notes may be amended without the consent of the holders by the Bank if, in the reasonable opinion of the Bank, the amendment would not materially and adversely affect the interests of the holders. In other cases, the global certificate may be amended if the amendment is approved by a resolution passed by the favourable votes of the holders of not less than 66 2/3% of the Notes represented at a meeting convened for the purposes of considering the resolution, or by written resolution signed by holders of not less than 66 2/3% of the Notes. Quorum for a meeting shall be reached if holders of 10% or more of the Notes are present at the meeting. Each Noteholder is entitled to one vote per Note held by such Noteholder for the purposes of voting at meetings. If a quorum is not reached at any meeting, that meeting must be adjourned to a later date not earlier than seven Business Days after the original meeting date, in which case the quorum required shall be the Noteholders present at such adjourned meeting. The Notes do not carry the right to vote in any other circumstances.

### **Fees and Expenses**

The Selling Agents will receive from HSBC a fee up to 2.25% of the aggregate Principal Amount of the Notes sold as a result of the services of the Selling Agents. These upfront expenses will not have an effect on the amount payable to the Noteholders. Specifically the fees will not factor into the formula for, or affect the potential of the Variable Return, if any, which may be payable to Noteholders on the Maturity Date. See "*Plan of Distribution*".

## **CALCULATION AGENT**

The Bank has appointed HSBC Bank USA, National Association, an affiliate of the Bank, as Calculation Agent with regard to the Notes. The Calculation Agent will be solely responsible for (i) the calculation of amounts payable to a Noteholder; (ii) the determination of amounts payable to a Noteholder upon the occurrence of a Special Circumstance as set forth under "*Redemption Under Special Circumstances*"; (iii) determining whether a Market Disruption Event exists; and (iv) determining the net asset value of the Note or Note value for general valuation purposes. All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding

on the Bank and the Noteholders. The Calculation Agent may have economic interests adverse to those of the Noteholders, including with respect to certain determinations and judgments that the Calculation Agent must make. See “*Risk Factors – Conflicts of Interest*”. The Calculation Agent is obligated to carry out its duties and functions in good faith and using its reasonable judgment.

### **Redemption Under Special Circumstances**

In the event of a Special Circumstance, all of the outstanding Notes may be redeemed, at the option of the Bank (a “**Redemption Under Special Circumstances**”). In the event of a Redemption Under Special Circumstances for which the Bank has opted to redeem all of the Notes, the Bank, acting in good faith, will set a date for the redemption of the Notes (the “**Special Redemption Date**”). If the Note value, as determined by the Calculation Agent in accordance with industry-accepted methods based on a number of interrelated factors, is equal to or greater than the Principal Amount, then the Notes will be redeemed on the Special Redemption Date and Noteholders of record on such date will be entitled to receive the Note value (which shall not be less than the Principal Amount). The Bank will make available to Noteholders, no later than 10:00 a.m. (Toronto time) on the fifth (5<sup>th</sup>) Business Day following the determination of the Note value, the amount payable pursuant to such redemption, through CDS or its nominee. If, however, the Note value is less than the Principal Amount, then the Notes will not be redeemed on the Special Redemption Date and an amount equal to the Note value will be notionally invested in permitted investments (fixed income and money market instruments) until the earlier of (i) the date on which such amount equals or exceeds the Principal Amount or (ii) the Maturity Date. As a result, Noteholders would receive only the Principal Amount and any amount in excess of the Principal Amount accumulated under (i). Payment of any amount there under will be made on the fifth (5<sup>th</sup>) Business Day following such date.

### **Market Disruption Event**

If a Market Disruption Event occurs with respect to the Index on the Initial Valuation Date or the Final Valuation Date (a “**Valuation Date**”) such Valuation Date shall be the immediately following trading day during which no Market Disruption Event shall have occurred; provided, however, that if a Market Disruption Event has occurred on each of the five (5) trading days immediately following such Valuation Date, then the Valuation Date shall be the fifth trading day following the Valuation Date, notwithstanding the occurrence of a Market Disruption Event on such day (an “**Adjusted Valuation Date**”). With respect to any such Adjusted Valuation Date on which a Market Disruption Event occurs, the Calculation Agent will determine the value of the Index on such Adjusted Valuation Date in accordance with the formula for and method of calculating the Index last in effect prior to the commencement of the Market Disruption Event, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing price that would have prevailed but for such suspension or limitation) on such Scheduled Trading Day of each security most recently comprising the Index.

## **PLAN OF DISTRIBUTION**

The Notes are being offered by the Bank. The closing will take place on the Closing Date. The proceeds to HSBC from the issuance of the Notes will constitute deposits received by HSBC and will be used for general banking purposes.

Subscriptions for the Notes may be made through Selling Agents however, the Bank also reserve the right to sell the Notes to investors directly on our own behalf in those jurisdictions in which we are authorized to do so. **HSBC Securities, one of the Selling Agents, is a wholly owned subsidiary of the Bank. As a result, the Bank is a related issuer of the HSBC Securities under applicable securities legislation.** Subscriptions received will be subject to rejection or allotment in whole or in part and the Bank reserves the right to close the subscription books at any time without notice. Affiliates of HSBC may subscribe for Notes.

The Bank has agreed to pay the Selling Agents a fee equal to up to 2.25% of the aggregate Principal Amount of the Notes as a result of the services of the Selling Agents. These Selling Agents and other firms may pay a portion of such commissions to their advisors who sell the Notes to Noteholders. These fees and expenses will not have an effect on the amounts payable to the Noteholders at maturity. Specifically, the fees will not factor into the formula for, or affect the Variable Return, if any, which is payable to the Noteholders at maturity.

Selling Agents may from time to time purchase and sell Notes in any available secondary market but are not obligated to do so. The offering price and other selling terms for any such sales in a secondary market may, from time to time, be varied by such dealers.

HSBC reserves the right to issue additional notes of this series and other debt instruments or deposit notes which may have terms substantially similar to the terms of the Notes offered hereby, which may be offered by HSBC concurrently with the offering of Notes.

In connection with the issue and sale of the Notes, no person is authorized to give any information or to make any representation not

expressly contained in this Information Statement and HSBC does not accept responsibility for any information not contained herein. This Information Statement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the Notes or the distribution of this Information Statement in the United States or to U.S. Persons (as defined in the regulations under the U.S. Commodity Exchange Act, as amended) or in any jurisdiction outside Canada where any action is required.

## THE INDEX

A description of the Index appears in “Annex A”.

### DISCONTINUANCE OR MODIFICATION OF THE INDEX

If the Index Sponsor discontinues publication of or otherwise fails to publish the Index on any day on which such Index is scheduled to be published and the Index Sponsor or another entity publishes a successor or substitute index that the Calculation Agent determines, in its sole discretion, to be comparable to the discontinued Index (such index being referred to as a “**Successor Index**”), then such Successor Index will be deemed to be the Index for all purposes relating to the Notes.

Upon any selection by the Calculation Agent of a Successor Index, the Calculation Agent will cause written notice thereof to be furnished to HSBC and to the depositors in respect of the Notes. If a Successor Index is selected by the Calculation Agent, the Successor Index will be used as a substitute for the Index for all purposes, including for purposes of determining whether a Market Disruption Event exists.

If the Index is discontinued or if the Index Sponsor fails to publish the Index and the Calculation Agent determines that no Successor Index is available at such time, then the Calculation Agent will determine the Index level that is to be used for such Scheduled Trading Day using the same general methodology previously used by the Index Sponsor. The Calculation Agent shall continue to make such a determination until the earlier of (i) the Final Valuation Date or (ii) a determination by the Calculation Agent that the Index or a Successor Index is available. In such case, the Calculation Agent will cause written notice thereof to be furnished to HSBC and to the Noteholders.

If at any time the method of calculating the Index or a Successor Index, or the value thereof, is changed in a material respect, or if the Index or a Successor Index is in any other way modified so that, in the determination of the Calculation Agent, the value of such index does not fairly represent the value of the Index or such Successor Index that would have prevailed had such changes or modifications not been made, then the Calculation Agent will make such calculations and adjustments as may be necessary in order to determine an Index value comparable to the value that would have prevailed had such changes or modifications not been made. If, for example, the method of calculating the Index or a Successor Index is modified so that the value of such index is a fraction of what it would have been if it had not been modified (e.g., due to a split in the index), then the Calculation Agent will adjust such index in order to arrive at a value of the Index or such Successor Index as if it had not been modified (e.g., as if such split had not occurred). In such case, the Calculation Agent will cause written notice thereof to be furnished to HSBC and to the depositors in respect of the Notes.

## CORRECTIONS TO INDEX

In the event that any level published by the Index Sponsor and which is utilized for any calculation or determination made in respect of the Notes is subsequently corrected and the correction is published by the Index Sponsor after the original publication, the Calculation Agent will notify the parties of such correction, and determine the amount that is payable or deliverable as a result of that correction, and to the extent necessary, will adjust the terms of this transaction to account for such correction; provided that no adjustment or payment will be made if HSBC has paid the relevant amount to the holder(s) of the Notes based on the initial Index level prior to the related correction.

The Notes are not sponsored, endorsed, sold or promoted by the Index Sponsor and the Index Sponsor make no representation regarding the advisability of investing in the Notes. References to the Index in the terms and conditions of the Notes does not constitute a representation, express or implied, by the Index Sponsor or HSBC to any Noteholders regarding investing in the Notes or the ability of the Index to track general stock market performance. The Index is determined, composed and calculated by its Index Sponsor without regard to HSBC or the Notes, and the Index Sponsor has no obligation to take the needs of HSBC or any Noteholder into consideration in determining, composing, or calculating the Index. The Index Sponsor is not responsible for and has not participated in the determination of the timing of, prices at, or other features of the Notes, and the Index Sponsor has no obligation or liability in connection with the administration, marketing or trading of the Notes. The Index Sponsor is under no obligation to continue the calculation and dissemination of the Index, and neither the Index Sponsor nor HSBC shall have any responsibility to any Noteholder for the calculation and dissemination of the Index or any errors or omissions therein.

NEITHER HSBC NOR THE INDEX SPONSOR GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE INDEX OR ANY DATA INCLUDED THEREIN, AND NEITHER HSBC NOR THE INDEX SPONSOR SHALL HAVE ANY LIABILITY FOR ANY ERRORS, OMISSIONS OR INTERRUPTIONS THEREIN. THE INDEX SPONSOR AND HSBC DO NOT MAKE ANY WARRANTY, EXPRESS OR IMPLIED, BY HSBC OR THE INDEX SPONSOR AS TO ANY MATTER, INCLUDING THE RESULTS TO BE OBTAINED BY THE HOLDERS OF THE NOTES, OR ANY OTHER PERSON OR ENTITY, FROM THE USE OF THE INDEX OR ANY DATA INCLUDED THEREIN. ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE INDEX OR ANY DATA INCLUDED THEREIN ARE EXPRESSLY DISCLAIMED. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL HSBC OR THE INDEX SPONSOR HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

## SUITABILITY FOR INVESTMENT

The Notes are appropriate as investments only for those Noteholders who are seeking indirect exposure to the price performance of the Index and are willing to accept a high degree of investment risk and limited or no liquidity. Such Noteholders should be able to tolerate a significant degree of volatility, and the possibility that the return on the Notes could be negative if the Noteholder elects to have the Notes redeemed prior to maturity. The Notes are not conventional notes or debt instruments in that they do not provide Noteholders with a return or income stream prior to maturity calculated by reference to a fixed or floating rate of interest that is determinable prior to maturity. The effective yield to maturity of the Notes may be less than that which would be payable on a conventional fixed-rate or floating-rate debt instrument. The Notes are generally more suitable for purchasing and holding up to maturity.

**Potential Noteholders should consult with their own investment, legal and tax advisors to determine the suitability of an investment in the Notes and the appropriate amount, if any, of an investment of this nature. HSBC makes no recommendation as to the suitability of the Notes for investment. See “Risk Factors”.**

## BOOK ENTRY SYSTEM

The Notes will be issued in “book-entry only” form and must be subscribed, transferred and repurchased through a CDS Participant. On the Issue Date, the Bank will cause a single global certificate evidencing all Notes purchased pursuant to this offering to be delivered to and registered in the name of CDS. Registration of interests in and transfers of the Notes will be made only through the



Book-Entry System administered by CDS. Subject to the exceptions mentioned hereinafter, no Noteholder will be entitled to any certificate or other instrument from the Bank or CDS evidencing the ownership thereof, and no Noteholder will be shown on the records maintained by CDS, except through a CDS Participant. All rights of a Noteholder must be exercised through, and all payments or other property to which such Noteholder is entitled will be made or delivered by, CDS or the CDS Participant through which the Noteholder holds the Notes. Upon subscription of any Notes, the Noteholder will receive only the customary confirmation that will be sent to such Noteholder by the broker or by other dealers from whom or through whom such Notes are subscribed.

Definitive certificates in relation to the Notes will be issued to CDS Participants if the Bank advises the Noteholders that CDS is no longer willing or able to properly discharge its responsibilities as depositary with respect to the Notes or if CDS ceases to be a recognized clearing agency under applicable Canadian securities legislation and the Noteholders and the Bank are unable to locate a qualified successor depositary system, or if the Bank notifies CDS that it desires or is required to replace the global certificate with Notes in definitive form, or if the Bank elects or is required by law to terminate the registration of the Notes through the Book-Entry System. Upon the surrender by CDS of the global certificate representing the Notes and instructions from CDS for registration, the Bank will issue definitive certificates to CDS Participants appearing on the records maintained by CDS at the time of or as soon as practicable prior to such delivery, which definitive certificates will thereafter evidence Notes previously evidenced by the global certificate.

The Maturity Redemption Amount at the Maturity Date, payable under the global certificate will be paid to the applicable CDS Participants to those Participants' CDS accounts in amounts proportionate to their respective beneficial interests in the Notes as shown on the records of CDS or its nominee. It is expected that payments by CDS Participants to owners of beneficial interests in the global certificate held through such CDS Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such CDS Participants. The responsibility and liability of the Bank in respect of the Notes represented by the global certificate is limited to making payment of any amount due on the global certificate to CDS or its nominee.

The Bank will not assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Notes held by CDS or the payments relating thereto, (b) maintaining, supervising or reviewing any records relating to the beneficial ownership of the Notes, or (c) any advice or representations made by, or with respect to, CDS and the rules governing CDS, or any action to be taken by CDS or at the direction of the CDS Participants.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the acquisition, holding and disposition of a Note by a Noteholder who, for purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with, and is not affiliated with, HSBC, and holds the Note as capital property (a "**Canadian Holder**"). This summary is applicable to a Canadian Holder that is an individual (excluding trusts) and is not applicable to a Canadian Holder that is a corporation, partnership or trust, including a "financial institution" as defined in the Tax Act for the purposes of the rules governing securities held by financial institutions.

A Note will generally be capital property to a Noteholder unless: (i) such Noteholder holds the Note in the course of carrying on a business of dealing in securities; or (ii) such Noteholder acquired the Note in a transaction or transactions considered to be an adventure in the nature of trade. Certain Noteholders whose Notes might not otherwise qualify as capital property, or who would like certainty with respect to the treatment of the Notes as capital property, may be entitled to make an irrevocable election to have the Notes and every other "Canadian security" (as defined in the Tax Act) held by the Noteholder, deemed to be capital property pursuant to subsection 39(4) of the Tax Act. Noteholders should consult their own tax advisors as to whether they will hold the Notes as capital property.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**") as in force at the date hereof, all proposed amendments to the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"), and an understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**"). There can be no assurances that the Proposed Amendments will be enacted in the form proposed, or at all. This summary does not take into account provincial, territorial or foreign income tax considerations. All amounts relating to the acquisition, holding and disposition of Notes must be determined in Canadian dollars for purposes of the Tax Act using the daily noon rate of exchange as quoted by the Bank of Canada for the applicable day or such other rate of exchange that is acceptable to CRA.

**This summary is of a general nature only, is not exhaustive of all Canadian federal income tax considerations and should not be interpreted or relied upon as legal or tax advice to any particular Noteholder. Noteholders should consult their own tax advisors with respect to their particular circumstances and the tax consequences of holding Notes.**

### *Variable Return*

In the event that the Canadian Holder holds Notes until the Maturity Date (or the Special Redemption Date in the event of a Redemption Under Special Circumstances), the full amount of the Variable Return, if any, will generally be included in the Canadian Holder's income in the Canadian Holder's taxation year that includes the Maturity Date (or Special Redemption Date, as applicable), except to the extent that such Variable Return has already been included in the Canadian Holder's income for that or a preceding taxation year.

The Notes are "prescribed debt obligations" for the purposes of the Tax Act and the Regulations. Accordingly, a Canadian Holder will generally be required to include annually in income any interest deemed to accrue on the Notes in accordance with the provisions of the Tax Act and the Regulations. Based in part on an understanding of the CRA's administrative practice, there should be no deemed accrual of interest with respect to the Variable Return on the Notes for any taxation year of a Canadian Holder ending before the taxation year in which a minimum amount of Variable Return becomes calculable. HSBC has been advised that the CRA is reviewing whether the existence of a secondary market for a "prescribed debt obligation" such as the Notes should be taken into consideration in determining whether interest is deemed to accrue on such obligation. There can be no assurance that the above understanding of CRA's administrative practice will be applied to Noteholders or that such practice will not be subject to adverse change or qualification relevant to the Notes. The interest accrual rules in the Tax Act and the Regulations are complex. Canadian Holders of the Notes should consult their own tax advisors regarding the application of these rules to their particular circumstances.

### *Disposition of the Notes*

Where a Canadian Holder assigns or otherwise transfers a Note, the amount of any interest deemed to accrue on the Note to that time will be excluded from the proceeds of disposition of the Note and will be required to be included as interest in computing the Canadian Holder's income for the taxation year in which the transfer occurs, except to the extent that it has been otherwise included in income for the taxation year or a preceding taxation year. As noted above, there should be no deemed accrual of interest with respect to the Variable Return on the Notes for any taxation year of a Canadian Holder ending before the taxation year in which a minimum amount of Variable Return becomes calculable.

Although not free from doubt, a Canadian Holder who disposes of, or is deemed to dispose of, a Note (other than a disposition by virtue of the repayment or purchase of such Note by or on behalf of HSBC) should realize a capital gain (or a capital loss) to the extent that the proceeds of disposition of the Note, less any reasonable costs of disposition, exceed (or are exceeded by) the Canadian Holder's adjusted cost base of the Note at the time of disposition. A Canadian Holder who disposes or is deemed to dispose of a Note prior to the Maturity Date, particularly those who dispose of a Note shortly prior to the Maturity Date, should consult his or her tax advisor with respect to its particular circumstances. There can be no assurance as to whether any change or qualification in CRA's administrative practice with respect to notes which benefit from a secondary market could affect CRA's treatment of disposition of Notes other than to HSBC.

One-half of a capital gain realized by a Canadian Holder must be included in the income of the Canadian Holder. One-half of a capital loss realized by a Canadian Holder is deductible against the taxable portion of capital gains realized in the year, and the excess, if any, may be deducted against net taxable capital gains in the three preceding taxation years or in subsequent years, subject to the rules in the Tax Act. Capital gains realized by an individual may give rise to a liability for alternative minimum tax.

To the extent a Canadian Holder realizes a gain (or loss) on the disposition of a Note as a result of a fluctuation in the value of the U.S. Dollar relative to the Canadian dollar, the gain (or loss) shall be deemed to be a capital gain (or a capital loss) from the disposition of foreign currency. For a Canadian Holder that is an individual, the first CAD\$ 200 of gains (or losses) realized in a taxation year from the disposition or deemed disposition of foreign currency will not be included for the purposes of computing the capital gains (or capital losses) realized by such individual in such taxation year.

## **RISK FACTORS**

**The Notes subject the Noteholders to significant risks, including the potential for lost investment opportunities.** Prospective Noteholders should carefully consider the risks associated with acquiring and holding Notes. The discussion below does not purport to be complete or to reflect all potential risks associated with this investment. The risks outlined below are in addition to those risks discussed or referred to elsewhere in this Information Statement. Potential Noteholders in the Notes should carefully review and consider all risks inherent in the Notes prior to making an investment decision, including the following factors:

Notes not suitable for all Noteholders.

The Notes are complex and are subject to certain risks. You should not purchase the Notes unless you understand and are able to bear all of the various risks associated with the Notes including, among other things, market, liquidity and yield risks.

**Before purchasing the Notes, you should consult with your financial, legal, tax, accounting and other advisors, as to the suitability of the Notes in light of your circumstances, your total portfolio of investments and the risks associated with the Notes. HSBC makes no recommendation as to the suitability of the Notes for investment.**

The Notes are not being offered pursuant to and are not otherwise subject to securities laws in certain provinces or territories in Canada and have not been registered with, recommended by or approved by any securities regulatory authority in Canada. No such authority has reviewed this Information Statement or approved or disapproved of the Notes or in any manner passed upon the accuracy or adequacy of the information contained in this Information Statement or the merits of the Notes offered hereunder, and no such authority will do so. The Notes have not been and will not be registered under the U.S. Securities Act, and subject to certain exceptions, may not be offered or sold within the United States or to U.S. persons as contemplated under the U.S. Securities Act and the regulations thereunder.

Notes will not constitute Insured Deposits.

The Notes will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance legislation or regime.

You bear risks associated with investing in U.S. equities.

The Index is computed by reference to the value of equity securities of companies listed on U.S. exchanges. The value of securities in such foreign markets may be affected by uncertainties such as political and economic developments, emergency situations and changes in government policies.

Currency Risk.

The Notes are denominated in U.S. Dollars and the Principal Amount and Variable Return, if any, payable under the Notes will be in U.S. Dollars. The Canadian dollar equivalent of any return on the Notes will be subject to fluctuations in the CAD\$/US\$ exchange rate.

Principal Amount is protected only if Notes are held to maturity.

The Notes are designed so that if, and only if, they are held to maturity, you will receive no less than 100% of the Principal Amount regardless of the performance of the Index, plus the Variable Return, if any. If you sell your Notes prior to maturity you may not receive the entire Principal Amount.

You have no rights in the Index.

Neither the Noteholders nor HSBC or any broker on their behalf will have any ownership or other rights in the Index.

You have no recourse to the Index Sponsor or any issuer of an instrument comprising the Index.

Your investment in the Notes will not give you any rights against any sponsor of the Index or any issuer of an instrument that is a constituent of the Index including any sponsor or issuer that may determine or publish the level of the Index or any instrument or instruments comprising the Index. The Notes are not sponsored, endorsed, sold or promoted by the sponsor of the Index or any issuer of any instrument or instruments that are constituents of the Index.

Noteholders holding to maturity may not receive any Variable Return.

A Noteholder is entitled only to repayment of 100% of the Principal Amount at maturity; there can be no assurance of the receipt of any Variable Return. The Variable Return, if any, is dependent on the performance (positive or negative) of the Index. The Index fluctuates, and changes in the Index cannot be predicted. Although historical data with respect to the Index is available, this data should not be taken as an indication of future levels or that the Index' levels will increase. **If the Variable Return is zero or less than zero, then the Notes will not pay a Variable Return.**

Variable Return(if any) may be limited by the Participation Rate.

If the Variable Return is calculated to be positive, Noteholders only participate in 55% of the upside price performance of the Index at maturity.

Credit Risk.

The Notes are not deposits insured under the *Canada Deposit Insurance Corporation Act* (Canada) or any other deposit insurance legislation or regime. You are relying solely on HSBC for payment on the Notes. Because the obligation to make payment to Noteholders is incumbent upon HSBC, the likelihood that such Noteholders will receive the Maturity Redemption Amount owing to them in connection with the Notes at maturity will be dependent on the financial health and creditworthiness of HSBC. As a result, you bear the risk of a failure of HSBC to pay any amounts due on the Notes.

Market value of the Notes may not change in the same manner as changes in the Index.

The market value of the Notes may not have a direct relationship with changes in the levels of the underlying Index and may not result in a comparable change in the market value of the Notes.

Yield on Notes may be less than that of a standard debt security of comparable maturity.

The Notes are not conventional notes or debt instruments in that they do not provide Noteholders with a return or income stream prior to maturity calculated by reference to a fixed or floating rate of interest that is determinable prior to maturity. Noteholders in the Notes will not have an opportunity to reinvest any income generated by their investment prior to maturity. The effective yield to maturity of the Notes may be less than that which would be payable on a conventional fixed-rate or floating-rate debt instrument. The Notes are generally more suitable for purchasing and holding up to maturity.

No Minimum Guaranteed Variable Return.

There is no minimum guaranteed Variable Return and a Noteholder's return on Notes held for the Term could be zero.

Price or other movements in the instrument or instruments comprising the Index are unpredictable.

Price or other movements in the instrument or instruments comprising the Index are unpredictable and volatile, and are influenced by complex and interrelated political, economic, financial, regulatory, judicial and other factors that can affect the markets in which the relevant instrument or instruments are traded and/or the particular instrument or instruments. As a result, it is impossible to predict whether the prices or levels of the instrument or instruments comprising the Index will rise or fall during the Term. During the Term, the price of the instrument or instruments comprising the Index may decrease below their initial level. We cannot guarantee that the price of the instrument or instruments comprising the Index will stay above the initial level over the life of the Notes or that, if the price of the instrument or instruments comprising the Index has decreased to or below the initial level, the price of the instrument or instruments comprising the Index will recover and be at or above the initial level on the Final Valuation Date.

The historical or pro forma performance of the Index is not an indication of future performance.

The historical or pro forma performance of the Index and instrument or instruments comprising the Index should not be taken as an indication of the future performance. It is impossible to predict whether the level of the Index will fall or rise over the Term. The level of the Index will be influenced by the complex and interrelated economic, financial, regulatory, judicial, political and other factors that can affect the trading markets on which the instrument or instruments comprising the Index are traded and/or the value of the Notes.

Reported Index levels may be based on non-current information.

If trading is interrupted in the instrument or instruments comprising the Index, publicly available information regarding the Index value may be based on the last reported prices or levels. As a result, publicly available information regarding reported Index levels may at times be based on non-current information.

*No Secondary Market for the Notes Exists / Possible illiquidity and possible losses on sales before maturity.*

The Notes will be new instruments for which there is currently no established trading market. If there is no secondary market, Noteholders will not be able to sell their Notes prior to maturity. The Notes are more suitable for purchasing and holding up to maturity. A Noteholder cannot elect to receive the Principal Amount from HSBC prior to the Maturity Date and the Notes will not be listed on any exchange. However, Noteholders may be able to sell Notes prior to maturity in any available secondary market that develops, but no assurances are given that such a market will develop or that it will be liquid to facilitate disposition. HSBC Securities intends, in normal market conditions, but is under no obligation, to use reasonable efforts to provide a secondary price for the Notes (as principal, which price will be determined in the sole discretion of HSBC Securities), and to obtain prices upon which third parties may be prepared to purchase Notes in any available secondary market, but reserves the right not to do so in the future in its sole discretion, without providing prior notice to the Noteholders. Other than any price which HSBC Securities may, but is under no obligation to, obtain or provide, there is no guarantee that third parties will be available in any such secondary market, if one exists. HSBC Securities may, from time to time, purchase and sell Notes but will not be obligated to do so. HSBC Securities will have the right, in its sole discretion, to cease to purchase or sell Notes.

*The inclusion in the original issue price of the Selling Agent's commission, and the cost of hedging HSBC Bank Canada's obligations under the Notes through one or more of its affiliates is likely to adversely affect the value of the Notes prior to maturity.*

While the payment at the Maturity Date will be based on the full Principal Amount of the Notes, the original issue price of the Notes includes the Selling Agent's commission and the provision for the expected cost of hedging HSBC's obligations under the Notes through one or more of its affiliates. Such cost includes such affiliates' expected cost of providing such hedge, as well as the profit the affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge. As a result, assuming no change in market conditions or any other relevant factors, the price, if any, at which HSBC Securities will be willing to purchase the Notes from a Noteholder in secondary market transactions, if at all, will likely be lower than the original issue price.

*Noteholders choosing to sell their Notes prior to maturity may receive a market price which is not necessarily equal to 100% of the Principal Amount.*

Only the Principal Amount is principal protected and must be paid by HSBC at maturity. However, HSBC does not guarantee the payment at maturity of any premium that may have been paid by a Noteholder having purchased Notes in any secondary market over such Principal Amount. In addition, in the event a secondary market develops, the trading price of a Note at any time will be dependent on, among other things, (i) how much the level of the Index has risen or fallen since the Initial Valuation Date, (ii) the frequency and magnitude of changes in the levels of the Index since the Initial Valuation Date, (iii) the fact that the amount of protected principal at maturity is limited to the Principal Amount and that any premium paid for the Notes on the secondary market is not protected by HSBC, and (iv) a number of other interrelated factors, including, without limitation, the volatility of the underlying components of the Index, the time remaining to maturity, the creditworthiness of HSBC and market demand for the Notes. The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the trading price of a Note. As such, Noteholders choosing to sell their Notes prior to the Maturity Date will receive a market price which is not necessarily equal to 100% of the Principal Amount and which does not necessarily reflect any increase in the level of the Index to the date of such sale, and as a result, you may suffer losses. In addition, a Noteholder who sells his or her Notes on or prior to the Maturity Date will receive sales proceeds equal to the bid price for the Notes at the relevant time minus the applicable Early Trading Charge (if any).

**Although the Notes are generally more suitable for purchasing and holding to maturity**, the Noteholder may wish to consult their investment advisor on whether it would be more appropriate in the circumstances at any time to sell or to hold the Note until maturity.

*Changes in legislation.*

There can be no assurance that changes in income tax, securities and other laws will not be amended or changed in a manner that adversely affects Noteholders.

*Special Circumstances.*

The occurrence of certain Special Circumstances may delay the time at which the amount of any return is determined and may allow HSBC the option of crystallizing the amount of return payable and (if positive) paying such amount before maturity. These include events that could have an impact on HSBC's ability to perform its obligations under the Notes or to hedge its position in respect of its obligation to make payments under the Notes. In these circumstances, the amount of return payable under the Notes, if any, will be

subject to reduction to reflect the direct or indirect cost of disposing of, terminating, settling, liquidating or otherwise unwinding such arrangements.

*Hedging activities may create conflicts of interest.*

HSBC or one or more affiliates may hedge its obligations under the Notes by acquiring futures or options on the Index or shares of any issuer comprising the Index or other derivative instruments with returns linked or related to changes in the performance of the Index, and HSBC may adjust these hedges by, among other things, purchasing or selling shares, futures or options or unwinding or disposing of these positions at any time. Although they are not expected to, any of these hedging activities may adversely affect the level of the Index or any of the instruments comprising the Index and, therefore, the market value of the Notes. It is possible that HSBC or one or more of its affiliates could receive substantial returns from these hedging activities while the market value of the Notes decline.

*Business activities may create conflicts of interest between Noteholders and HSBC.*

HSBC or one or more of its affiliates may, now or in the future, publish research reports with respect to the Index, the Index Sponsor or any of the instruments comprising the Index. This research may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities may affect the level of the Index and, therefore, the market value of the Notes.

*Conflicts of Interest with the Calculation Agent and HSBC Securities.*

Because the Calculation Agent is an affiliate of HSBC, a potential conflict of interest may exist between the Calculation Agent and the Noteholders, including with respect to certain determinations and judgments that the Calculation Agent must make including, among other things, the observation or determination of the level of the Index on the Valuation Dates, the calculation of the Variable Return, including the amount payable to a Noteholder upon the occurrence of a Special Circumstance and the determination of the occurrence of a Market Disruption Event. In addition, as a result of its role in the secondary market, HSBC Securities, an affiliate of HSBC, may have economic interests that are adverse to Noteholders.

*Independent Investigation Required.*

HSBC and the Selling Agents have not performed any due diligence investigation or review of the Index, the securities included in the Index or the Index Sponsor or issuer of the Index, as the case may be. Any information relating to the Index was derived from publicly available sources. HSBC and the Selling Agents assume no responsibility for the adequacy of the information concerning the Index, the securities included in the Index or that is publicly available otherwise. A prospective investor should undertake such independent investigation of the Index, the securities included in the Index or the Index Sponsor or issuer as the investor considers necessary in order to make an informed decision as to the merits of an investment in the Notes.

*Taxation of Prescribed Debt Obligations and the Accrual of Interest.*

HSBC has been advised that CRA is reviewing whether the existence of a secondary market for a "prescribed debt obligation" such as the Notes should be taken into consideration in determining whether interest is deemed to accrue on such obligation. There can be no assurance that CRA's administrative practice with respect to "prescribed debt obligations" noted under "Canadian Federal Income Tax Considerations" will be applied to investors or that such practice will not be subject to adverse change or qualification relevant to the Notes.

*Asymmetry between Tax Treatment of Gains or Losses at Maturity.*

The full amount of any excess of the Maturity Redemption Amount over the Principal Amount of a Note, if any, that is payable to a Noteholder will generally be included in the Noteholder's income in the taxation year in which the Final Valuation Date of the Notes occurs. On the other hand, a Noteholder will realize a capital loss to the extent that the Maturity Redemption Amount received on a Note is less than the Principal Amount of the Note. One half of any capital loss incurred is deductible only against taxable capital gains of the Noteholder. See "Canadian Federal Income Tax Considerations" above.

## NOTEHOLDERS' RIGHT OF CANCELLATION

A subscriber may cancel an order to purchase a Note (or cancel the purchase of a Note if the Note has been issued) by providing written instructions to HSBC directly or through his or her investment advisor any time up to two (2) days after the later of (i) the day on which the agreement to purchase the Note is entered into and (ii) deemed receipt of this Information Statement.

The agreement to purchase the Notes will be entered into (i) if the order to purchase is received via telephone or electronic means, on the day on which the order to purchase is received, and (ii) if the order to purchase is received in person, on the later of the second day following (a) the day of deemed receipt of this Information Statement and (b) the day on which the order to purchase is received.

A subscriber will be deemed to have received the Information Statement (i) on the day recorded as the time of sending by the server or other electronic means, if provided by electronic means; (ii) on the day recorded as the time of sending by fax machine, if provided by fax; (iii) five Business Days after the postmark date, if provided by mail, and (iv) when it is received, in any other case.

Upon cancellation, the investor is entitled to a refund of the Principal Amount and any fees relating to the purchase that have been paid by the investor. This right of cancellation does not extend to Noteholders buying a Note in the secondary market.

## OTHER MATTERS

### Anti-Money Laundering

If the Bank has a suspicion that a payment (by way of a subscription or otherwise) contains the proceeds of criminal conduct, or knows or suspects that another person is engaged in money laundering, the Bank may report such suspicion to the appropriate authorities. The Bank and any agent of the Bank will not incur any liability for adhering to the Bank's responsibilities under its anti-money laundering program, and will be indemnified by the subscriber for any losses which the Bank or its principals or agents may incur for doing so. If the Bank determines that any Noteholder is a prohibited Noteholder under applicable money laundering legislation, the Bank may, among other things, freeze that Noteholder's Notes and notify appropriate legal authorities.

### Notification

All notices to Noteholders regarding the Notes will be valid and effective (i) if such notices are given (which notice may be given by wire or fax) to CDS and the relevant CDS Participants, or (ii) in the case where the Notes are directly registered in the Noteholders' names and issued in definitive form, if such notices are mailed or otherwise delivered to the registered addresses of the Noteholders.

All notices to HSBC regarding the Notes will be valid and effective if such notices are mailed or otherwise delivered to:

Senior Vice President  
HSBC Derivative Products Group  
70 York Street, 8th Floor  
Toronto, ON  
M5J 1S9

with a mandatory copy to:

Associate General Counsel  
70 York Street, 8th Floor  
Toronto, ON  
M5J 1S9

Fax: (416) 868-3088

## DEFINITIONS

In addition to those terms defined elsewhere in this Information Statement, the following terms have the following meanings, unless the context otherwise requires:

“**Book-Entry System**” means the record entry securities transfer and pledge system established and governed by one or more agreements between CDS and CDS Participants pursuant to which the operating rules and procedures for such system are established and administered by CDS for, among other things, the settlement of securities transactions under such system.

“**Business Day**” means any day, other than a Saturday or a Sunday or a day on which commercial banks in New York and Toronto are required or authorized by law to remain closed.

“**Calculation Agent**” means HSBC Bank USA, National Association.

“**Closing Level**” means, in respect of the Index, the official closing level or value (as the case may be) for such Index as announced by the Calculation Agent, provided that, if on or after the Issue Date such Calculation Agent materially changes the time of day at which such official closing level or value is determined or no longer announces such official closing level or value, the Calculation Agent may thereafter deem the Closing Level to be the level or value of such Index as of the time of day used by such Calculation Agent to determine the official closing level or value prior to such change or failure to announce.

“**DBRS**” means Dominion Bond Rating Service Limited.

“**Early Closure**” means the closure on any Exchange Business Day of the Relevant Exchange(s) relating to securities that comprise 20% or more of the level of the Index or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by such Relevant Exchange(s) or Related Exchange at least one hour prior to the earlier of the actual closing time for the regular trading session on such Relevant Exchange(s) or Related Exchange.

“**Early Trading Charge**” has the meaning ascribed thereto under "*Description of the Notes- Secondary Trading of Notes*".

“**Exchange Business Day**” means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) with respect to the Index a trading day for each share, futures contract or other financial instrument or measure which is a component of such Index on their related Relevant Exchanges, other than, in either case, a day on which trading on any such exchange is scheduled to close prior to its Scheduled Closing Time.

“**Exchange Disruption**” means any event (other than an early closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the securities that comprise 20 percent or more of the level of the Index, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the security or the relevant Index on any relevant Related Exchange.

“**Final Index Level**” has the meaning ascribed thereto under "*Summary of the Offering*".

“**Final Valuation Date**” has the meaning ascribed thereto under "*Summary of the Offering*".

“**HSBC**” means HSBC Bank Canada.

“**HSBC Group**” means HSBC Holdings plc together with its direct and indirect subsidiaries including HSBC Bank Canada.

“**HSBC Securities**” means HSBC Securities (Canada) Inc.

“**Index Return**” has the meaning ascribed thereto under "*Summary of the Offering*".

“**Index Sponsor**” means the entity that calculates and publishes an Index, Dow Jones & Company, Inc

“**Initial Index Level**” has the meaning ascribed thereto under "*Summary of the Offering*".

“**Initial Valuation Date**” has the meaning ascribed thereto under "*Summary of the Offering*".

“**Market Disruption Event**” means with respect to a security or the Index, the occurrence or existence of (a) a Trading Disruption, (b) an Exchange Disruption, which in either case the Calculation Agent determines is material; or (c) an Early Closure.

“**Maturity Redemption Amount**” has the meaning ascribed thereto under "*Summary of the Offering*".

“**Noteholder**” means a beneficial owner of a Note.

“**Related Exchange**” means, with respect to the Index, the exchanges or quotation systems, if any, on which options or futures contracts on the relevant Index are traded or quoted, and as may be selected from time to time by the Calculation Agent.

“**Relevant Exchange**” means, with respect to the Index, the primary exchanges for which each share is a component of such Index.



“**S&P**” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc.

“**Scheduled Closing Time**” means, in respect of a Relevant Exchange and a Related Exchange and a Scheduled Trading Day, the scheduled closing time of such Relevant Exchange or Related Exchange on such scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

“**Scheduled Trading Day**” means, with respect to the Index, any day on which all of the Relevant Exchanges and Related Exchanges are scheduled to be open for trading for each security then included in the Index.

“**Selling Agents**” means HSBC Securities and any other broker or dealer permitted by HSBC to act as a selling agent.

“**Special Circumstance**” means:

- (a) a case where, in the opinion of the Bank acting reasonably and in good faith, an amendment or a change is made to an act or regulation; to taxation practices, policies or administration; to the interpretation of an act or regulation or taxation practice, policy or administration; or an event occurs, now or in the future, caused by circumstances beyond the control of the Bank making it illegal or disadvantageous, from a legislative or regulatory point-of-view, or disadvantageous, from a financial point-of-view, for the Bank to allow its Notes to remain outstanding; or
- (b) as a result of any change in law affecting the Bank or its affiliates or the issuance of any judgment, order, ruling, decree, administrative guideline or policy of or by any court or governmental authority or administrative body or tribunal of competent jurisdiction having or claiming jurisdiction over the Bank or its affiliates, which, as determined by the Bank in its sole discretion, prohibits or renders unlawful the performance of the Bank’s obligations under the Notes.

“**Tax Act**” means the *Income Tax Act* (Canada).

“**Trading Disruption**” means any suspension of or limitation imposed on trading by the Relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Relevant Exchange or Related Exchange or otherwise (i) on any Relevant Exchange(s) relating to securities that comprise 20 percent or more of the level of the Index, or (ii) in futures or options contracts or futures contracts relating to the Index on any relevant Related Exchange.

“**US \$**” are to United States dollars.

## ANNEX A

*The following information is derived from publicly available sources and is presented in summary form. As such, neither HSBC nor any of their respective affiliates assumes any responsibility for the accuracy or completeness of such information. In addition, neither HSBC nor any of their respective affiliates accepts any responsibility for the calculation or composition or other maintenance of, or any adjustment to, or for the level of the Index.*

### Dow Jones Industrial Average<sup>SM</sup> Index (“INDU” or the “Index”)

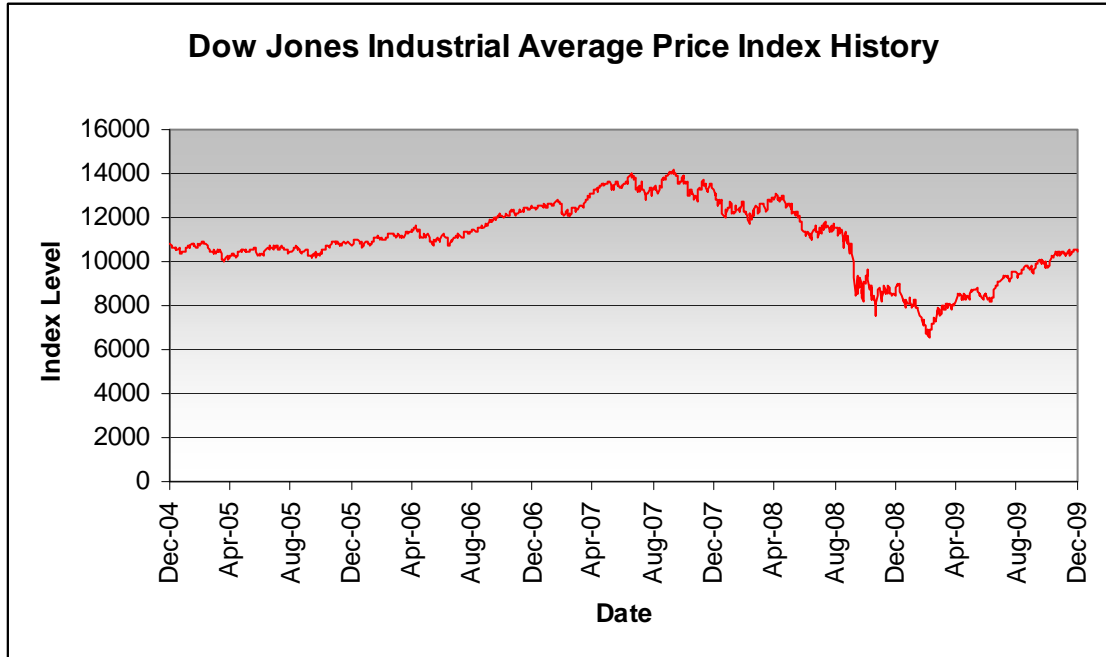
The Index is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry.

### Historical Performance of the Index

The following table sets forth the quarterly high and low intraday levels, as well as end-of-quarter closing levels, of the Index for each of the quarters below, from December 2004 to December 2009. We obtained the data in the following table from Bloomberg, LP, without independent verification by us. **Historical levels and volatility of the Index should not be taken as an indication of future performance and volatility.**

<u>Quarter Ending</u>	<u>Quarterly High</u>	<u>Quarterly Low</u>	<u>Quarterly Close</u>
12/31/2004	10868.07	9708.40	10783.01
3/31/2005	10984.46	10368.61	10503.76
6/30/2005	10656.29	10000.46	10274.97
9/30/2005	10719.41	10175.40	10568.70
31/12/2005	10959.79	10156.46	10717.50
31/03/2006	11334.96	10661.15	11109.32
30/06/2006	11670.19	10698.85	11150.22
29/09/2006	11741.99	10683.32	11679.07
29/12/2006	12529.88	11653.06	12463.15
30/03/2007	12795.93	11939.61	12354.35
29/06/2007	13692.00	12324.28	13408.62
28/09/2007	14021.95	12517.94	13895.63
31/12/2007	14198.10	12724.09	13264.82
31/03/2008	13279.54	11634.82	12262.89
30/06/2008	13136.69	11287.56	11350.01
30/09/2008	11867.11	10365.45	10850.66
31/12/2008	10882.52	7449.38	8776.39
31/03/2009	9088.06	6469.95	7608.92
30/06/2009	8877.93	7483.87	8447.00
30/09/2009	9917.99	8087.19	9712.28
31/12/2009	10580.33	9430.08	10428.05

The following graph sets forth the historical levels of the Index since December 2004 to December 2009 using monthly data obtained from Bloomberg LP. The closing level of the Index on March 8, 2010 was 10,552.50. **Historical levels and volatility of the Index should not be taken as an indication of future performance and volatility.**



**License Agreement with INDU:**

The Index is the Dow Jones Industrial Average<sup>SM</sup> (INDU<sup>SM</sup>) sponsored by Dow Jones & Company, Inc. The closing value of the Index is determined by Dow Jones & Company, Inc. ("Dow Jones").

"Dow Jones", "DJIA", "The Dow 30" and "The Dow Jones Industrial Average<sup>SM</sup>" are service marks of Dow Jones & Company, Inc. and have been licensed for use for certain purposes by HSBC. The Issuer's Information Statement and the Notes described herein based on the Dow Jones Industrial Average<sup>SM</sup>, are not sponsored, endorsed, sold or promoted by Dow Jones, and Dow Jones makes no representation regarding the advisability of investing in such Notes.

The Notes are not sponsored, endorsed, sold or promoted by Dow Jones. Dow Jones makes no representation or warranty, express or implied, to the owners of the Notes or any member of the public regarding the advisability of investing in securities generally or in the Notes particularly. Dow Jones' only relationship to HSBC is the licensing of certain trademarks, trade names and service marks of Dow Jones and of the Dow Jones Industrial Average<sup>SM</sup>, which is determined, composed and calculated by Dow Jones without regard to HSBC or the Notes. Dow Jones has no obligation to take the needs of HSBC or the owners of the Notes into consideration in determining, composing or calculating Dow Jones Industrial Average<sup>SM</sup>. Dow Jones is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Notes to be issued or in the determination or calculation of the equation by which the Notes are to be converted into cash. Dow Jones has no obligation or liability in connection with the administration, marketing or trading of the Notes.

DOW JONES DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE DOW JONES INDUSTRIAL AVERAGE<sup>SM</sup> OR ANY DATA INCLUDED THEREIN AND DOW JONES SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. DOW JONES MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY HSBC, OWNERS OF THE DEPOSIT NOTES OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE DOW JONES INDUSTRIAL AVERAGE<sup>SM</sup> OR ANY DATA INCLUDED THEREIN. DOW JONES MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE DOW JONES INDUSTRIAL AVERAGE<sup>SM</sup> OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL DOW JONES HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES OR LOSSES, EVEN IF NOTIFIED OF THE POSSIBILITY THEREOF. THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN DOW JONES AND HSBC.