

**INFORMATION STATEMENT**

**DATED January 05, 2009**



**HSBC BANK CANADA**

**HSBC MINIMUM ANNUAL INCOME DEPOSIT NOTES, SERIES 4**

**DUE JANUARY 30, 2014**

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**PRICE: \$100.00 per Note**

**MINIMUM SUBSCRIPTION: \$2,000.00 (20 Notes)**

**FundSERV Code: FIE 2011**

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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. 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 Reference Shares. **An investment in the Notes is speculative and only persons who are willing to accept the minimum annual Coupon amount in only the first and second year (as described in more detail in the Information Statement) 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 **“\$”** are to Canadian 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 or Fiera Capital Inc. at 1-866-323-5598. A copy of this Information Statement is also posted at [www.hsbcnet.com/spcanada](http://www.hsbcnet.com/spcanada) and at [www.fieracapital.com](http://www.fieracapital.com).

During the term of the Notes, you may inquire as to the net asset value of a Note or the market price of the underlying Reference Shares (as described herein) and how they relate to the annual variable Coupons that may be payable under the Notes, by contacting HSBC or Fiera Capital Inc. at the above numbers.

## ELIGIBILITY FOR INVESTMENT

In accordance with legislation in effect as at the date hereof, the Notes offered hereby will, at the Issue Date, 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, and, beginning in 2009, tax free savings accounts (collectively "deferred plans"), all within the meaning of the *Income Tax Act* (Canada) (the "**Tax Act**") (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).

## 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 Minimum Annual Income Deposit Notes, Series 4** (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
- annual variable Coupons in the first and second year of the Term, subject to a minimum of \$1.00 per Note and a maximum of \$7.00 per Note, depending upon the price performance of a notional portfolio of ten(10) equally-weighted shares set out below under the heading “*The Portfolio*”. Beginning in the third year and ending at maturity, a Noteholder may be entitled to receive an annual Coupon of up to a maximum of \$7.00 per Note, depending upon the price performance of the Portfolio. The annual Coupon amount, if any, will be equal to the Principal Amount *multiplied* by the applicable Coupon Rate. The Coupon Rate will be determined on the annual Valuation Dates and the corresponding Coupon amount will be payable on the applicable Coupon Payment Date. The Coupon Rate will be a percentage amount equal to the average of all of the ten (10) Reference Share Returns, subject to a minimum Coupon Rate of 1.00% and a maximum Coupon Rate of 7.00% in the first and second year. Beginning in the third year and ending at maturity, there is no minimum Coupon Rate and the maximum Coupon Rate will remain at 7.00% **As a result, except in the first and second year, there is no assurance that a Coupon will be payable in any subsequent year during the Term of the Note.** The actual calculation of the Coupon Rate and Reference Share Return is described below under “*Description of the Notes*”.

**The Portfolio:** The notional portfolio (the “**Portfolio**”) is initially comprised of ten(10) equally-weighted shares of publicly listed companies (each a “**Reference Share**” and collectively, the “**Reference Shares**”, and the respective issuers thereof being each a “**Company**” and collectively, the “**Companies**”). Subject to the occurrence of a Special Circumstance, the ten (10) Reference Shares will be as follows during the Term of the Notes:

REFERENCE SHARE	TICKER	EXCHANGE
JP Morgan Chase & Co.	JPM	NYSE
Research in Motion Limited	RIMM	Nasdaq
Monsanto Company	MON	NYSE
Petroleo Brasileiro S.A.	PBR	NYSE
Sony Corporation	SNE	NYSE
Wal-Mart Stores Inc.	WMT	NYSE
Valero Energy Corporation	VLO	NYSE
Amgen Inc.	AMGN	Nasdaq
FedEx Corp.	FDX	NYSE
International Business Machines Corp.	IBM	NYSE

See “*Annex A - The Reference Shares*” for further information about the Reference Shares, including brief descriptions of the business of each of the Companies and information on their respective

historical share price performance.

**The Portfolio is notional only.** A Noteholder will not have, and the Notes will not represent, any direct or indirect ownership or other interest in the Reference Shares or the Companies associated therewith. Noteholders will not have any direct or indirect recourse to the Reference Shares and the Companies associated therewith, and will not have any of the rights of an actual holder of shares of the Companies, including the right as against a Company to receive any dividends or to vote, and will only have a right against HSBC to be paid the amounts required to be paid by HSBC under the terms of the Notes. Any actions (e.g., purchases, sales, liquidations, etc.) taken in connection with the Reference Shares are notional actions only. The annual variable Coupon (if payable) in respect of the Notes will not reflect any dividends declared on the Reference Shares. The Reference Shares in the notional Portfolio may change in certain circumstances. See “*Special Circumstances*”.

**Issue Price:** The price for each Note is \$100.00 (the “**Principal Amount**”) with a minimum subscription of \$2,000.00 in Notes per holder (each a “**Noteholder**”).

**Issue Date:** The Notes will be issued on or about January 30, 2009.

**Closing Date:** On or about January 22, 2009.

**Reference Share Set Date:** On or about January 23, 2009.

**Issue Size:** Up to \$10,000,000. HSBC may increase or decrease the size of the offering at its sole discretion.

**Maturity Date/Term:** The Notes will mature on January 30, 2014 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 (5) years (the “**Term**”).

**Principal Repayment:** On the Maturity Date, subject to the occurrence of a Market Disruption Event, repayment of the full Principal Amount of \$100.00 per Note will be payable in Canadian dollars to each Noteholder regardless of the price performance of the Reference Shares.

**Coupon:** An amount of interest (the “**Coupon**”), if any, will be paid in Canadian dollars on each annual Coupon Payment Date, depending upon the price performance of the Reference Shares. The annual variable Coupon will be an amount per Note (rounded to the nearest cent) equal to the result obtained using the following formula:

$$\text{Principal Amount (\$100.00 per Note)} \times \text{Coupon Rate}$$

In the first and second year of the Term, the minimum Coupon amount payable will be \$1.00 per Note and the maximum Coupon amount payable will be \$7.00 per Note. Beginning in the third year and ending at maturity, there is no minimum Coupon amount payable per Note and the maximum Coupon amount payable will remain at \$7.00 per Note.

The annual Coupon, if any, will be payable on a Coupon Payment Date without any need for the Noteholder to elect or otherwise take any action (subject to (i) the postponement of the determination of a Coupon amount due to a Market Disruption Event, or (ii) the earlier occurrence of an Extraordinary Event, as described under the heading “*Special Circumstances*”).

**Coupon Rate:** The Coupon Rate will be determined annually on each Valuation Date. The Coupon Rate will be a percentage amount equal to the average of all of the ten(10) Reference Share Returns (one for each Reference Share, each of which may be positive or negative) subject to a minimum Coupon Rate of 1.00% and a maximum Coupon Rate of 7.00% in the first and second year. Beginning in the third year and ending at maturity, there is no minimum Coupon Rate and the maximum Coupon Rate will remain at 7.00%. **As a result, except in the first and second year, there is no assurance that a Coupon will be payable in any subsequent year during the Term of the Note.**

**Reference Share Return:** For each Reference Share, the “**Reference Share Return**” on any Valuation Date will be its Actual Return (i.e. that Reference Share’s actual percentage increase or decrease in share price, measured from its Initial Price to its Valuation Price on the applicable Valuation Date), provided that:

- if the Actual Return is calculated to be greater than zero, then the Reference Share Return will be 7.00% (regardless of the extent that such Actual Return is positive or higher than 7.00%), and
- if the Actual Return for a Reference Share is calculated to be zero or negative, then the Reference Share Return will be its Actual Return (this value being zero or negative). There is no minimum Reference Share Return.

In order for a Noteholder to receive the maximum Coupon amount of \$7.00 per Note on any Coupon Payment Date, every Reference Share's closing price must increase, measured from the Issue Date to the Valuation Date immediately preceding the relevant Coupon Payment Date. However, in the first and second year during the Term, if the average of all the ten (10) Reference Share Returns is calculated to be less than or equal to 1.00%, then the Coupon Rate will be 1.00% per Note. Beginning in the third year and ending at maturity, there is no minimum Coupon Rate and **if the average of all the ten (10) Reference Share Returns is calculated to be zero or less than zero, a Coupon will not be payable.** See "Description of the Notes- Calculation of the Coupon".

***Actual Return:***

"**Actual Return**" means, in respect of a Reference Share and the determination of the applicable Coupon Rate for a Coupon Payment Date, a number (which may be positive or negative), expressed as a percentage, calculated as follows:

$$\frac{\text{Valuation Price} - \text{Initial Price}}{\text{Initial Price}}$$

***Initial Price:***

"**Initial Price**" means, in respect of a Reference Share, the Closing Price of that Reference Share on the Reference Share Set Date, provided that, if such date is not an Exchange Day in respect of that Reference Share, then the Initial Price in respect of that Reference Share means the Closing Price of that Reference Share for the following Exchange Day, and subject further to the provisions set out under the heading "*Special Circumstances*".

***Valuation Price:***

"**Valuation Price**" means, in respect of a Reference Share and the determination of the relevant Coupon Rate for a Coupon Payment Date, the Closing Price of that Reference Share on the Valuation Date corresponding to such Coupon Payment Date, subject to the provisions set out under the heading "*Special Circumstances*".

***Valuation Dates:***

The 23<sup>rd</sup> of January in each year during the Term of the Note (each such date, a "**Valuation Date**"), provided that, if such day is not an Exchange Day in respect of that Reference Share, then the Valuation Date in respect of that Reference Share will be the following Exchange Day for that Reference Share.

***Coupon Payment Dates:***

The 30<sup>th</sup> day of each January from, and including, January 30<sup>th</sup>, 2010 (first Coupon Payment Date) to, and including the Maturity Date (last Coupon Payment Date), provided that if a day that would otherwise have been a Coupon Payment Date is not a Business Day, the payment of a Coupon, if any, shall be made on the following Business Day, and no further interest or other compensation will be made in respect of such delay.

***Distribution:***

The Notes will be sold through Fiera Capital Inc. (the "**Agent**").

***Expenses of the Offering:***

HSBC has agreed to pay the Agent an amount equal to 1.00% of the aggregate Principal Amount of the Notes sold for the performance by the Agent of its obligations under the Agency Agreement and has agreed to pay the members of the selling group for the sale of the Notes a commission of 2.50% of the aggregate Principal Amount of the Notes sold by such members. These dealers and other firms may pay a portion of these commissions to their advisors who sell the Notes to Noteholders. These fees will not factor into the formula for, or affect the amount of the annual Coupon, if any, which may be payable to Noteholders throughout the Term.

***Ongoing Information:***

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

***Subscriptions through FundSERV:***

Subscriptions must be made through dealers and other firms that facilitate purchase and related settlement through the clearing and settlement service operated by FundSERV Inc. ("**FundSERV**") under the mutual fund order code FIE 2011. Upon receipt of the subscription funds, the Agent will deposit the funds in an account established by the Agent at PensonPrime Trading & Custody Services, a division of Penson Financial Services Canada Inc. (the "**Custodian**"), in trust for the subscribers. The Agent will pay to the subscribers interest on the subscription funds which will be used to subscribe for additional Notes (or portion thereof) for the benefit of the relevant subscribers. Subscribers will have no right to receive a cash payment representing any interest earned on the subscription funds if the settlement of this offering is completed. If Notes subscribed through FundSERV are not issued for any reason, the subscription funds will be returned forthwith to the investor together with the interest earned on such funds. See "*FundSERV*".

***Secondary Market and Sale of the Notes prior to the***

**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

**Maturity Date:**

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.

The Agent intends in normal market conditions, concurrently with HSBC Securities (Canada) Inc. (“**HSBC Securities**”), and subject to certain conditions, to use reasonable efforts to provide daily a secondary market price for the Notes during the Term, in which the maximum bid-offer spread will be 1% of the Bid Price (excluding commissions) when orders and settlements are made through FundSERV and 1% of the Principal Amount (excluding commissions) when orders and settlements are not made through FundSERV. Noteholders, through their dealers, will need to initiate an irrevocable request to sell the Notes in accordance with the then established procedures of FundSERV. Generally, this means that the Noteholder’s dealer will need to initiate the sale request by 4:00 p.m. (Eastern time each day or the following Business Day if such day is not a Business Day), or such other day or time as may hereafter be established by HSBC and the Agent. See “*FundSERV*”.

An Early Trading Charge will be deducted from a Noteholder’s sale proceeds for sales effected through FundSERV on or prior to January 28, 2011. The Early Trading Charge will be equal to a percentage of the Bid Price for the Note posted on FundSERV and will be determined as follows:

Time Period	Early Trading Charge
Issue Date to and including July 29, 2009	3.75%
July 30, 2009 to and including January 29, 2010	2.75%
February 1, 2010 to and including July 29, 2010	1.75%
July 30, 2010 to and including the January 28, 2011	0.75%
January 31, 2011 to and including the Maturity Date	0.00%

Beginning January 31, 2011 and thereafter, there will not be an Early Trading Charge on a sale of your Notes. See “*Description of the Notes – Secondary Trading of Notes*”.

A sale of Notes originally purchased through FundSERV will be subject to certain additional procedures and limitations established by FundSERV. See “*Book-Entry System*” and “*FundSERV – Sale through FundSERV*”.

**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 Notes 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, 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 and must be subscribed, transferred and repurchased through either a participant in the depository service of CDS (a “**CDS Participant**”) or FundSERV. Subject to certain limited exceptions, no Noteholder will be entitled to any certificate or other instrument from HSBC or CDS evidencing ownership of the Notes, and no Noteholder will be shown on the records maintained by CDS, except through a CDS Participant. Noteholders of Notes purchased through FundSERV will have an indirect beneficial interest in the global certificate held by CDS through an account established by the Agent at the Custodian, in trust for the beneficial Noteholders. All payments distributed to the Custodian, as a CDS Participant, will be credited by the Agent to Noteholders in accordance with the register showing records of beneficial interest in the Notes maintained by the Agent. Upon payment to CDS or its nominee, as registered holder of the Notes, HSBC shall have completed its payment obligations for the Notes. See “*Book-Entry System*” and “*FundSERV*”.

**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 Reference Shares within the Portfolio. **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.**

**Eligibility for Investment:** The Notes are qualified investments for deferred plans, subject to the conditions set out under "*Eligibility for Investment*".

Where a subscriber's purchase order for Notes is effected by a dealer or other firm using the FundSERV network, such dealer or other firm may not be able to accommodate a purchase of Notes through certain registered plans for purposes of the Tax Act. Subscribers should consult their financial advisors as to whether their orders for Notes will be made using the FundSERV network and any limitations on their ability to purchase Notes through registered plans.

**Tax Considerations:** If an Initial Noteholder is entitled to receive an annual Coupon, such amount will be required to be included in the Initial Noteholder's income in the taxation year in which it is received except to the extent that such amount was included in computing the income of the Initial Noteholder for a preceding taxation year. Subject to the limitations outlined under "*Canadian Federal Income Tax Considerations*", while the matter is not free from doubt, an amount received by an Initial 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 Initial Noteholder at such time to the extent such amount exceeds (or is less than) the aggregate of such Initial 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*".

**Consequences of Special Circumstances:** In certain circumstances, the Calculation Agent may, as it determines appropriate, i) adjust the component or variables in the calculation of the Reference Share Return and the Coupon amount as a result of a Potential Adjustment Event, ii) defer the timing of the calculation of a Coupon as a result of a Market Disruption Event, iii) change the Reference Shares included initially in the Portfolio as a result of a Substitution Event, or (iv) estimate the value of all remaining Coupon amounts and accelerate the payment thereof as a result of an Extraordinary Event. See "*Special Circumstances*" for a detailed discussion of these 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:

- The Notes will not constitute insured deposits;
- A Noteholder may not receive more than the minimum Coupon amount of \$1.00 per Note on each Coupon Payment Date in the first and second year;
- Except in the first and second year, there is no assurance a Noteholder will receive a Coupon for any subsequent year during the Term of the Note;
- A Noteholder will not receive more than the maximum Coupon amount of \$7.00 per Note on each Coupon Payment Date;
- The Principal Amount is payable only if 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;

- Price or other movements in the Reference Shares are unpredictable;
- The historical or pro forma performance of each Reference Share is not an indication of future performance;
- Adjustments as a result of certain Special Circumstances; and
- Currency risk.

## 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 \$67.4 billion as at June 30, 2008. 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 9,500 offices in 85 countries and territories and assets of US\$2,547 billion on a consolidated basis as at June 30, 2008. 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.

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

### Issue

The Notes will be issued by HSBC on the Issue Date (January 30, 2009).

### Maturity and Repayment of Principal

Each Note matures on January 30, 2014, on which date the Principal Amount (i.e. \$100.00 per Note) will be payable in Canadian dollars 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 following Business Day and no interest or other compensation will be paid in respect of such delay.

### Calculation of the Coupon

The annual variable Coupon amount, if any, will be paid annually in Canadian dollars on each Coupon Payment Date and will vary depending upon the price performance of the Reference Shares. The annual variable Coupon, if any, will be an amount per Note (rounded to the nearest cent) equal to the result obtained using the following formula:

$$\text{Principal Amount (\$100.00 per Note)} \times \text{Coupon Rate}$$

In the first and second year of the Term, the minimum Coupon Rate is 1.00% and the maximum Coupon Rate is 7.00%. Beginning in the third year and ending at maturity, there is no minimum Coupon Rate and the maximum Coupon Rate will remain at 7.00%. **As a result, except in the first and second year, there is no assurance that a Coupon will be payable in any subsequent year during the Term.**

### Reference Share Return

For each Reference Share, the “**Reference Share Return**” on any Valuation Date will be its Actual Return (i.e., that Reference Share’s actual percentage increase or decrease from its Initial Price to its Valuation Price on the applicable Valuation Date), provided that:

- if the Actual Return is calculated to be greater than zero, then the Reference Share Return will be 7.00% (regardless of the extent that such Actual Return is positive or higher than 7.00%), and
- if the Actual Return for a Reference Share is calculated to be zero or negative, then the Reference Share Return will be its Actual Return (this value being zero or negative). There is no minimum Reference Share Return.

#### *Where:*

“**Actual Return**” means, in respect of a Reference Share and the determination of the relevant Coupon Rate for a Coupon Payment Date, a number (which may be positive or negative), expressed as a percentage, calculated as follows:

$$\frac{\text{Valuation Price} - \text{Initial Price}}{\text{Initial Price}}$$

“**Valuation Price**” means, in respect of a Reference Share and the determination of the relevant Coupon Rate for a Coupon Payment Date, the Closing Price of that Reference Share on the Valuation Date corresponding to such Coupon Payment Date, subject to the provisions set out under the heading “*Special Circumstances*”.

“**Initial Price**” means, in respect of a Reference Share, the Closing Price of that Reference Share on the Reference Share Set Date, provided that, if such date is not an Exchange Day in respect of that Reference Share, then the Initial Price in respect of that Reference Share means the Closing Price of that Reference Share for the following Exchange Day, and subject further to the provisions set out under the heading “*Special Circumstances*”.

### Valuation Dates

The Valuation Dates are January 23<sup>rd</sup> of each year during the Term of the Note, provided that, if any such day is not an Exchange Day in respect of that Reference Share, then the Valuation Date in respect of that Reference Share will be the following Exchange Day for that Reference Share.

### Coupon Payment Dates

The annual Coupon (if payable) will be paid in Canadian dollars on each Coupon Payment Date. The Coupon Payment Dates are the 30<sup>th</sup> day of each January from, and including, January 30<sup>th</sup>, 2010 (first Coupon Payment Date) to, and including the Maturity Date (last Coupon Payment Date), provided that if a day that would otherwise have been a Coupon Payment Date is not a Business Day, the payment of a Coupon, if any, shall be made on the following Business Day, and no further interest or other compensation will be made in respect of such delay. The annual Coupon, if any, will be payable on a Coupon Payment Date without any need for the Noteholder to elect or otherwise take any action (subject to (i) the postponement of the determination of a Coupon amount due to a Market Disruption Event, or (ii) the earlier occurrence of an Extraordinary Event, as described under the heading “*Special Circumstances*”).

## Reference Shares

The notional Portfolio will initially consist of an equally-weighted proportion of the ten (10) Reference Shares of various Companies. Subject to the occurrence of a Special Circumstance, the ten (10) Reference Shares will be as follows during the Term of the Notes:

REFERENCE SHARE	TICKER	EXCHANGE
JP Morgan Chase & Co.	JPM	NYSE
Research in Motion Limited	RIMM	Nasdaq
Monsanto Company	MON	NYSE
Petroleo Brasileiro S.A.	PBR	NYSE
Sony Corporation	SNE	NYSE
Wal-Mart Stores Inc.	WMT	NYSE
Valero Energy Corporation	VLO	NYSE
Amgen Inc.	AMGN	Nasdaq
FedEx Corp.	FDX	NYSE
International Business Machines Corp.	IBM	NYSE

**The Portfolio is notional only.** A Noteholder will not have, and the Notes will not represent, any direct or indirect ownership or other interest in the Reference Shares or the Companies associated therewith. Noteholders will not have any direct or indirect recourse to the Reference Shares and the Companies associated therewith, and will not have any of the rights of an actual holder of shares of the Companies, including the right as against a Company to receive any dividends or to vote, and will only have a right against HSBC to be paid the amounts required to be paid by HSBC under the terms of the Notes. Any actions (e.g., purchases, sales, liquidations, etc.) taken in connection with the Reference Shares are notional actions only. **The annual Coupon (if payable) in respect of the Notes will not reflect any dividends declared on the Reference Shares.** The average dividend yield for the Portfolio was approximately 1.39% as of October 20, 2008. The Reference Shares in the notional Portfolio may change in certain circumstances. See “*Special Circumstances*”.

Prices of the Reference Shares may be volatile and an investment linked to the market prices of the Reference Shares may be considered to be speculative. The offering of the Notes by HSBC and the sale of the Notes by the Agent does not constitute and should not be considered to be a recommendation to invest in any of the Reference Shares or a statement by such persons regarding their expectations regarding future share prices of any Reference Share. Indeed, in some cases a purchase of Notes may be contrary to public statements and client recommendations made by HSBC, the Agent, or their affiliates with respect to any of the securities of the Companies. **A prospective investor of the Notes should independently determine, with his or her own advisors, whether an investment linked to the performance of the Reference Shares is suitable having regard to his or her own investment objectives and expectations.**

See “*Annex A – The Reference Shares*” below for further information about the Reference Shares, including brief descriptions of the business of each of the Companies and information on their historical trading prices. Investors may obtain more detailed information about the Reference Shares from their advisor or [www.sec.gov](http://www.sec.gov). In addition, information regarding such Reference Shares may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents. **We make no representation or warranty as to the accuracy or completeness of such information.**

**THE LEGALITY OR SUITABILITY OF THE NOTES HAS NOT BEEN PASSED ON BY THE COMPANIES. THE NOTES ARE NOT ISSUED BY AND ARE NOT FINANCIAL OR LEGAL OBLIGATIONS OF THE COMPANIES. THE COMPANIES MAKE NO WARRANTIES AND BEAR NO LIABILITIES WITH RESPECT TO THE NOTES. THIS INFORMATION STATEMENT RELATES ONLY TO THE NOTES AND DOES NOT RELATE TO ANY SECURITY OF ANY UNDERLYING COMPANY.**

**HYPOTHETICAL EXAMPLES**

The following examples demonstrate how the annual Coupon amount (if any) is calculated and are included for illustrative purposes only. **The examples below are based on hypothetical prices of the Reference Shares and are NOT intended as a forecast or estimate of the future share prices of the Reference Shares on the Valuation Dates.** The examples assume the investor has purchased a single Note.

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

**Example 1: Positive Scenario – Assumes overall positive price performance of the Portfolio.**

Valuation Prices							
Reference Share	Ticker	Initial	Year 1	Year 2	Year 3	Year 4	Year 5
		Price					
Sony Corporation	SNE	\$25.00	\$27.00	\$30.00	\$37.20	\$43.20	\$43.00
Petroleo Brasileiro S.A.	PBR	\$27.00	\$32.50	\$31.27	\$29.20	\$45.60	\$36.26
Monsanto Company	MON	\$84.00	\$78.87	\$90.00	\$116.29	\$102.38	\$92.89
Research in Motion Limited	RIMM	\$53.00	\$55.00	\$64.28	\$57.18	\$80.83	\$70.45
JP Morgan Chase & Co.	JPM	\$39.00	\$44.00	\$45.25	\$58.78	\$53.18	\$46.78
Wal-Mart Stores Inc.	WMT	\$53.00	\$52.12	\$59.35	\$51.12	\$69.05	\$60.44
Valero Energy Corporation	VLO	\$19.00	\$18.54	\$30.24	\$23.15	\$26.81	\$18.34
Amgen Inc.	AMGN	\$51.00	\$58.00	\$58.57	\$64.93	\$66.46	\$58.99
FedEx Corp.	FDX	\$63.00	\$66.00	\$79.99	\$67.05	\$95.45	\$75.45
IBM	IBM	\$90.00	\$94.00	\$92.39	\$109.98	\$98.54	\$99.99

The table above illustrates the hypothetical Closing Prices (or Valuation Prices) of each of the ten (10) Reference Shares on the annual Valuation Dates over the term of the Notes. On each annual Coupon Payment Date, a Note will pay a Coupon amount equal to the Principal Amount *multiplied* by the applicable Coupon Rate. The Coupon Rate will be a percentage amount equal to the average of all of the ten (10) Reference Share Returns (one for each Reference Share, each of which may be positive or negative) subject to a minimum Coupon Rate of 1.00% and a maximum Coupon Rate of 7.00% in the first and second year. **Beginning in the third year and ending at maturity, there is no minimum Coupon Rate** and the maximum Coupon amount payable will remain at 7.00%. **As a result, except in the first and second year, there is no assurance that a Coupon will be payable in any subsequent year during the Term of the Note.** For each Reference Share, in the event its Actual Return is calculated to be positive, the Reference Share Return will be deemed to be 7.00%, regardless of the extent that such Reference Share's Actual Return is positive or higher than 7.00%. If the Actual Return for a Reference Share is calculated to be zero or negative, then the Reference Share Return will be its Actual Return (this value being zero or negative). There is no minimum Reference Share Return.

Valuation Dates		Year 1		Year 2		Year 3		Year 4		Year 5	
Reference Share	Ticker	Actual Return	Reference Share Return								
Sony Corporation	SNE	8.00%	7.00%	20.00%	7.00%	48.80%	7.00%	72.80%	7.00%	72.00%	7.00%
Petroleo Brasileiro S.A.	PBR	20.37%	7.00%	15.81%	7.00%	8.15%	7.00%	68.89%	7.00%	34.30%	7.00%
Monsanto Company	MON	-6.11%	-6.11%	7.14%	7.00%	38.44%	7.00%	21.89%	7.00%	10.58%	7.00%
Research in Motion Limited	RIMM	3.77%	7.00%	21.28%	7.00%	7.89%	7.00%	52.51%	7.00%	32.92%	7.00%
JP Morgan Chase & Co	JPM	12.82%	7.00%	16.03%	7.00%	50.71%	7.00%	36.37%	7.00%	19.95%	7.00%
Wal-Mart Stores Inc.	WMT	-1.66%	-1.66%	11.98%	7.00%	-3.55%	-3.55%	30.28%	7.00%	14.04%	7.00%
Valero Energy Corporation	VLO	-2.42%	-2.42%	59.16%	7.00%	21.84%	7.00%	41.09%	7.00%	-3.47%	-3.47%
Amgen Inc.	AMGN	13.73%	7.00%	14.84%	7.00%	27.32%	7.00%	30.31%	7.00%	15.67%	7.00%
FedEx Corp.	FDX	4.76%	7.00%	26.97%	7.00%	6.43%	7.00%	51.50%	7.00%	19.76%	7.00%
IBM	IBM	4.44%	7.00%	2.66%	7.00%	22.20%	7.00%	9.49%	7.00%	11.10%	7.00%
<b>Average of Reference Share Returns</b>		<b>3.88%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>5.95%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>5.95%</b>	<b>7.00%</b>
<b>Maximum annual Coupon Rate</b>		<b>7.00%</b>	<b>7.00%</b>								
<b>Minimum annual Coupon Rate</b>		<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Coupon Amount per Note</b>		<b>\$3.88</b>	<b>\$7.00</b>	<b>\$7.00</b>	<b>\$7.00</b>	<b>\$5.95</b>	<b>\$7.00</b>	<b>\$7.00</b>	<b>\$7.00</b>	<b>\$5.95</b>	<b>\$7.00</b>

In the above example, a Noteholder would, in respect of each Note held, receive Coupon amounts of \$3.88, \$7.00, \$5.95, \$7.00 and \$5.95, respectively, on the five annual Coupon Payment Dates, representing a cumulative return of 29.78 % or an annual compound rate of return of approximately 5.35 %. In addition, a Noteholder will receive their original Principal Amount of \$100.00 per Note held on the Maturity Date, regardless of the price performance of the Reference Shares.

**Example 2: Negative Scenario - Assumes overall poor price performance of the Portfolio.**

Valuation Prices							
Reference Share	Ticker	Initial					
		Price	Year 1	Year 2	Year 3	Year 4	Year 5
Sony Corporation	SNE	\$25.00	\$24.85	\$23.71	\$24.13	\$17.09	\$22.31
Petroleo Brasileiro S.A.	PBR	\$27.00	\$22.19	\$18.23	\$22.15	\$18.64	\$21.84
Monsanto Company	MON	\$84.00	\$81.85	\$81.87	\$83.73	\$67.12	\$67.37
Research in Motion Limited	RIMM	\$53.00	\$51.71	\$50.68	\$53.60	\$42.37	\$43.60
JP Morgan Chase & Co.	JPM	\$39.00	\$38.86	\$38.86	\$38.29	\$28.87	\$30.99
Wal-Mart Stores Inc.	WMT	\$53.00	\$47.98	\$52.98	\$54.86	\$42.38	\$43.63
Valero Energy Corporation	VLO	\$19.00	\$18.66	\$18.92	\$19.31	\$15.00	\$15.89
Amgen Inc.	AMGN	\$51.00	\$48.16	\$48.49	\$53.46	\$39.67	\$43.58
FedEx Corp.	FDX	\$63.00	\$62.01	\$62.60	\$57.64	\$49.30	\$52.80
IBM	IBM	\$90.00	\$84.17	\$87.28	\$91.56	\$73.70	\$77.75

The table above illustrates the hypothetical Closing Prices (or Valuation Prices) of each of the ten (10) Reference Shares on the annual Valuation Dates over the Term of the Notes.

Valuation Dates		Year 1		Year 2		Year 3		Year 4		Year 5	
Reference Share	Ticker	Actual Return	Reference Share Return	Actual Return	Reference Share Return	Actual Return	Reference Share Return	Actual Return	Reference Share Return	Actual Return	Reference Share Return
Sony Corporation	SNE	-0.58%	-0.58%	-5.16%	-5.16%	-3.48%	-3.48%	-31.63%	-31.63%	-10.78%	-10.78%
Petroleo Brasileiro S.A.	PBR	-17.82%	-17.82%	-32.47%	-32.47%	-17.98%	-17.98%	-30.97%	-30.97%	-19.11%	-19.11%
Monsanto Company	MON	-2.56%	-2.56%	-2.54%	-2.54%	-0.32%	-0.32%	-20.10%	-20.10%	-19.80%	-19.80%
Research in Motion Limited	RIMM	-2.43%	-2.43%	-4.39%	-4.39%	1.12%	7.00%	-20.06%	-20.06%	-17.73%	-17.73%
JP Morgan Chase & Co	JPM	-0.35%	-0.35%	-0.35%	-0.35%	-1.83%	-1.83%	-25.97%	-25.97%	-20.55%	-20.55%
Wal-Mart Stores Inc.	WMT	-9.47%	-9.47%	-0.05%	-0.05%	3.51%	7.00%	-20.04%	-20.04%	-17.69%	-17.69%
Valero Energy Corporation	VLO	-1.79%	-1.79%	-0.41%	-0.41%	1.63%	7.00%	-21.04%	-21.04%	-16.37%	-16.37%
Amgen Inc.	AMGN	-5.57%	-5.57%	-4.93%	-4.93%	4.82%	7.00%	-22.21%	-22.21%	-14.55%	-14.55%
FedEx Corp.	FDX	-1.57%	-1.57%	-0.64%	-0.64%	-8.51%	-8.51%	-21.74%	-21.74%	-16.19%	-16.19%
IBM	IBM	-6.48%	-6.48%	-3.02%	-3.02%	1.73%	7.00%	-18.11%	-18.11%	-13.61%	-13.61%
<b>Average of Reference Share Returns</b>		<b>-4.86%</b>		<b>-5.40%</b>		<b>0.29%</b>		<b>-23.19%</b>		<b>-16.64%</b>	
<b>Maximum annual Coupon Rate</b>		<b>7.00%</b>		<b>7.00%</b>		<b>7.00%</b>		<b>7.00%</b>		<b>7.00%</b>	
<b>Minimum annual Coupon Rate</b>		<b>1.00%</b>		<b>1.00%</b>		<b>0.00%</b>		<b>0.00%</b>		<b>0.00%</b>	
<b>Coupon Amount per Note</b>		<b>\$1.00</b>		<b>\$1.00</b>		<b>\$0.29</b>		<b>\$0.00</b>		<b>\$0.00</b>	

In the above example, the average of all ten (10) Reference Share Returns in each year was negative except in year 3. However, the Coupon Rate in year 1 and year 2 is deemed to be 1.00%, even though the average of the Reference Share Returns is calculated to be negative in each of the first two years. Thereafter, in year 3, 4 and 5, there is no minimum annual Coupon Rate. As a result, the Noteholder would only receive, in respect of each Note held, Coupon amounts of \$1.00, \$1.00 and \$0.29, respectively, in the first three years during the Term, representing a cumulative return of 2.29% or an annual compound rate of return equal to approximately 0.45%. In addition, a Noteholder will receive their original Principal Amount of \$100.00 per Note held on the Maturity Date, regardless of the price performance of the Reference Shares.

## 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.

The Agent intends in normal market conditions, concurrently with HSBC Securities (Canada) Inc. (“**HSBC Securities**”), and subject to certain conditions, to use reasonable efforts to provide daily a secondary market price for the Notes during the Term, in which the maximum bid-offer spread will be 1% of the Bid Price (excluding commissions) when orders and settlements are made through FundSERV and 1% of the Principal Amount (excluding commissions) when orders and settlements are not made through FundSERV. Noteholders, through their dealers, will need to initiate an irrevocable request to sell the Notes in accordance with the then established procedures of FundSERV. Generally, this means that the Noteholder’s dealer will need to initiate the sale request by 4:00 p.m. (Eastern time) each day (or the following Business Day if such day is not a Business Day), or such other day or time as may hereafter be established by HSBC and the Agent.

The Agent or HSBC Securities may, from time to time, purchase and sell Notes but will not be obligated to do so. The Agent and HSBC Securities will have the right, in their 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.

An Early Trading Charge will be deducted from a Noteholder’s sale proceeds for sales effected through FundSERV on or prior to 24 months from the Issue Date. The Early Trading Charge will be equal to a percentage of the Bid Price for the Note posted on FundSERV and will be determined as follows:

<b>Time Period</b>	<b>Early Trading Charge</b>
Issue Date to and including July 29, 2009	3.75%
July 30, 2009 to and including January 29, 2010	2.75%
February 1, 2010 to and including July 29, 2010	1.75%
July 30, 2010 to and including the January 28, 2011	0.75%
January 31, 2011 to and including the Maturity Date	0.00%

Beginning January 31, 2011 and thereafter, there will not be an Early Trading Charge on a sale of your Notes. A sale of Notes originally purchased through FundSERV will be subject to certain additional procedures and limitations established by FundSERV. See "*Book-Entry System*" and "*FundSERV – Sale through FundSERV*".

**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, as a result, Noteholders may suffer losses. See “Risk Factors”.**

## 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.

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 any payment under the Notes, 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 are 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 Reference Shares. **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 Coupon Amounts and Repayment of the Principal Amount**

The annual Coupon amount, if payable on a Coupon Payment Date, and the Principal Amount payable at the Maturity Date will be paid through CDS to the applicable CDS Participants to those participants' CDS accounts in amounts proportionate to their respective beneficial interests 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.

All amounts payable in respect of the Notes will be made available by HSBC on the relevant payment date through CDS or its nominee, or otherwise by cheque (pursuant to an agreement between a Noteholder and the relevant CDS Participant) or by wire transfer. CDS or its nominee will, upon receipt of any such amount, facilitate payment to the applicable CDS Participant(s) or credit the account of such CDS Participant(s), in amounts proportionate to their respective interests as shown on the records of CDS. The payments to be made to Noteholders who subscribed their Notes through FundSERV will be paid through CDS or its nominee to the Custodian, as a CDS Participant, and then credited by the Agent to Noteholders in accordance with the register showing records of beneficial interest in the Notes maintained by the Agent.

The responsibility and liability of HSBC in respect of the Notes represented by the global certificate is limited to making payment of any amount due on the global deposit note to CDS or its nominee. HSBC shall 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.

### **Rank**

The Notes will constitute unsecured, unsubordinated deposit 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.**

### **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.

## **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 the amount of the annual Coupon (if any) payable to Noteholders; (ii) the determination of the occurrence of a Potential Adjustment Event, Substitution Event and Extraordinary Event as set forth under "*Special Circumstances*" below and its corresponding impact on the Reference Shares; and (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. The Calculation Agent will, in its sole discretion, make its calculations and determinations in good faith using commercially reasonable procedures, provided however, that absent manifest error, all of the Calculation Agent's calculations and determinations will be final and binding on the Bank and Noteholders without any liability on the part of the Bank and the Calculation Agent. 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*". The Calculation Agent is obligated to carry out its duties and functions in good faith and using its reasonable judgment.

## **SPECIAL CIRCUMSTANCES**

### **Potential Adjustment Event**

Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below) in respect of a Reference Share of a Company that is notionally held in the Portfolio at the time of such declaration, the Calculation Agent, acting in its sole and absolute discretion, will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value

of the relevant Reference Shares and, if so, will (i) make the corresponding adjustments, if any, to any one or more of the Initial Price of such Reference Share, the formula for calculating the Reference Share Return of such Reference Share, or any other component or variable relevant to the determination of the Coupon amount(if any) as the Calculation Agent, acting in its sole and absolute discretion, determines appropriate to account for the diluting or concentrative effect and (ii) determine the effective date of the adjustments. The Calculation Agent may, but need not, determine any appropriate adjustments by reference to the adjustments in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Reference Share traded on such options exchange. Unless expressly provided below, the Calculation Agent will make no adjustment in respect of any distribution of cash.

**“Potential Adjustment Event”** means, in respect of a Reference Share, the occurrence of any of the following events, as determined by the Calculation Agent, acting in its sole and absolute discretion:

- (a) a subdivision, consolidation or reclassification of relevant Reference Shares (unless resulting in a Merger Event), or a free distribution or dividend of any such Reference Shares to existing holders by way of bonus, capitalization or similar issue;
- (b) a distribution, issue or dividend to existing holders of the relevant Reference Shares of (i) such Reference Shares, or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the applicable Company equally or proportionately with such payments to holders of such Reference Shares, or (iii) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the applicable Company as a result of a spin-off or other similar transaction, or (iv) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by Calculation Agent;
- (c) an extraordinary dividend in respect of such Reference Shares (where the characterization of a dividend as “extraordinary” will be determined by Calculation Agent);
- (d) a call by the applicable Company in respect of the relevant Reference Shares that are not fully paid;
- (e) a repurchase by the applicable Company or any of its subsidiaries of the relevant Reference Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or a combination of cash and securities (other than a repurchase which constitutes a Tender Offer (as defined below));
- (f) in respect of the applicable Company, an event that results in any shareholder or unitholder rights, as applicable, being distributed or becoming separated from units, common shares or other securities of the capital stock of such Company pursuant to a shareholder or unitholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred shares, warrants, debt instruments or share rights at a price below their market value, as determined by Calculation Agent, provided that any adjustment effected as a result of such an event will be readjusted upon any redemption or exercise of such rights; or
- (g) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Reference Shares.

### **Merger Event and Tender Offer**

On or after a Merger Date or Tender Offer Date (each as defined below), the Calculation Agent (i) will (A) make adjustment(s), if any, to any one or more of the Initial Price of the relevant Reference Share, the formula for calculating the Reference Share Return of such Reference Share, or any other component or variable relevant to the determination of a Coupon amount as the Calculation Agent, acting in its sole discretion, determines appropriate to account for the economic effect on the Notes of the relevant Merger Event or Tender Offer, which may, but need not, be determined by reference to the adjustments made in respect of such Merger Event or Tender Offer by an options exchange to options on the relevant Reference Shares traded on such options exchange and (B) determine the effective date of the adjustments, or (ii) if the Calculation Agent determines that no adjustments that it could make under (i) will produce a commercially reasonable result, may deem the relevant Merger Event or Tender Offer to be a Substitution Event subject to the provisions of “*Substitution Event*” below.

**“Merger Event”** means, in respect of a Reference Share, any (i) reclassification, reorganization, consolidation or change of the relevant Reference Shares that results in a transfer of or an irrevocable commitment to transfer all of such Reference Shares outstanding to another entity or person, (ii) statutory arrangement, consolidation, amalgamation, merger or binding security exchange of the relevant Company with or into another entity or person (other than a statutory arrangement, consolidation, amalgamation, merger or binding security exchange in which such Company is the continuing entity and which does not result in a reclassification, reorganization, consolidation or change of all of such Reference Shares outstanding), (iii) takeover bid (within the meaning of applicable securities laws), tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Reference Shares of such Company that results in a transfer of or an irrevocable commitment to transfer all such Reference Shares (other than such Reference Shares owned or controlled by such other entity or person), (iv) statutory arrangement, consolidation, amalgamation, merger or binding security exchange of such Company or its subsidiaries with or into another entity in which such Company is the continuing entity and which does not result in a reclassification, reorganization, consolidation or change of all such Reference Shares outstanding but results in the outstanding Reference Shares (other than Reference Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Reference Shares immediately following such event (commonly referred to as a “reverse merger”), or (v) sale of all or substantially all assets of the Company (or any lease, long term supply agreement or other arrangement having the same economic effect as a sale of all or substantially all assets in the Issue) in each case if the Merger Date is on or before the date on which the return of such Reference Share is determined.

“**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by Calculation Agent.

“**Tender Offer**” means, in respect of a Reference Share, a takeover bid (within the meaning of applicable securities laws), tender offer, exchange offer, solicitation, proposal or other event by any entity or person (including, for greater certainty, an issuer bid) that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding relevant Reference Shares of the applicable Company, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

“**Tender Offer Date**” means, in respect of a Tender Offer, the date on which the relevant Reference Shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Calculation Agent).

### **Substitution Event**

Upon the Calculation Agent becoming aware of the occurrence of a Substitution Event (as defined below) in respect of a Reference Share or Reference Shares notionally held in the Portfolio (the “**Substituted Reference Share**”), the following will apply, effective on a date (the “**Substitution Date**”) as determined by the Calculation Agent, acting in its sole and absolute discretion:

- (a) any adjustments set out in “*Potential Adjustment Event*” above in respect of such Reference Share will not apply;
- (b) the Calculation Agent may choose (in its sole and absolute discretion) a new security (the “**Alternate Reference Share**”) of a large issuer listed on a major exchange or market quotation system as a substitute for such Substituted Reference Share;
- (c) such Substituted Reference Share will be deleted from the Portfolio and will not be considered as a Reference Share for purposes of determining the Coupon amount payable on or after the Substitution Date;
- (d) the Alternate Reference Share will be a Reference Share notionally held in the Portfolio, the issuer of such Alternate Reference Share will be the Company in respect of such Alternate Reference Share, and the primary exchange or market quotation system on which such Alternate Reference Share is listed will be the Exchange in respect of such Alternate Reference Share; and
- (e) the Calculation Agent, acting in its sole and absolute discretion, will determine the Initial Price of such Alternate Reference Share by taking into account all relevant market circumstances, including the Initial Price of such Substituted Reference Share and the Closing Price or estimated value on the Substitution Date of the Substituted Reference Share and the Closing Price on the Substitution Date of the Alternate Reference Share, and will make adjustments, if any, to any one or more of the formula for calculating the return of such Alternate Reference Share, or any other component or variable relevant to the determination of the Coupon amount as the Calculation Agent, acting in its sole and absolute discretion, determines appropriate to account for the economic effect on the Notes of the relevant Substitution Event (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the applicable substitution).

Upon choosing an Alternate Reference Share, the Calculation Agent will promptly give details of such substitution and brief details of the Substitution Event to Noteholders. For greater certainty, the Alternate Reference Share chosen by the Calculation Agent may be any security of a large issuer, including any securities of an issuer that was the continuing entity in respect of a Merger Event. The Calculation Agent may decide not to choose an Alternate Reference Share as a substitute for a Substituted Reference Share if the Calculation Agent, acting in its sole and absolute discretion, determines that there are no appropriate securities of a large issuer listed on a major exchange or market quotation system which offer sufficient liquidity in order for a party to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of such Reference Share or to realize, recover or remit the proceeds of any such hedge transaction. See “*Special Circumstances-Extraordinary Event*” below.

“**Substitution Event**” means, in respect of a Reference Share, any Nationalization, Insolvency or Delisting in respect of such Reference Share, or any Merger Event or Tender Offer in respect of such Reference Share that is deemed by the Calculation Agent to be a Substitution Event, in its sole discretion, or the occurrence and continuation for at least four consecutive applicable Exchange Days of a Market Disruption Event (as defined below) in respect of such Reference Share.

“**Nationalization**” means, in respect of a Reference Share, that all or substantially all such shares or all or substantially all the assets of the applicable Company are nationalized, expropriated or otherwise required to be transferred to any governmental agency, authority or entity.

“**Insolvency**” means, in respect of a Reference Share, that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the applicable Company, (i) all the relevant Reference Shares of such Company are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Reference Shares of such Company become legally prohibited from transferring them.

“**Delisting**” means, in respect of a Reference Share, that the relevant primary exchange announces that pursuant to the rules of such exchange, the Reference Shares cease (or will cease) to be listed, traded or publicly quoted on such exchange for any reason (other than a

Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange.

### **Market Disruption Event**

If the Calculation Agent, acting in its sole and absolute discretion, determines that a Market Disruption Event (as defined below) in respect of a Reference Share has occurred and is continuing on any day that but for that event would be a Valuation Date in respect of such Reference Share, then the applicable Coupon will be calculated (and the applicable Closing Price will be determined) on the basis that such Valuation Date will be postponed to the next Exchange Day on which there is no Market Disruption Event in effect in respect of such Reference Share.

However, there will be a limit for postponement of any Valuation Date. If on the fourth Exchange Day following the date originally scheduled as a Valuation Date, such Valuation Date has not occurred, then despite the occurrence of any Market Disruption Event in respect of such Reference Share on or after such fourth Exchange Day:

- (i) such fourth Exchange Day will be the Valuation Date in respect of such Reference Share, and
- (ii) where on that fourth Exchange Day a Market Disruption Event in respect of such Reference Share has occurred and is continuing, then the Closing Price of such Reference Share for such Valuation Date used for determining the relevant value of such Reference Share in the calculation of a Coupon will be a value equal to the Calculation Agent's estimate of the Closing Price of such Reference Share as at such Valuation Date reasonably taking into account all relevant market circumstances.

A Market Disruption Event may delay the determination of the Reference Share Return of a Reference Share and consequently the calculation of a Coupon that may be payable. Where there has been a Market Disruption Event, payment of applicable Coupon on a Coupon Payment Date, will be made on the Business Day after the Actual Returns or Reference Share Returns of all Reference Shares used in the calculation of the Coupon have been determined.

**"Market Disruption Event"** means, in respect of a Reference Share, any bona fide event, circumstance or cause (whether or not reasonably foreseeable) beyond the reasonable control of HSBC or any person that does not deal at arm's length with HSBC which has or will have a material adverse effect on the ability of a party to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of such Reference Share or to realize, recover or remit the proceeds of any such hedge transaction. A Market Disruption Event may include, without limitation, any of the following events:

(a) 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) relating to the Reference Shares on the Exchange(s), or (ii) in futures or options contracts relating to the relevant Reference Shares on any relevant Related Exchange;

(b) the closure ("**Early Closure**") on any Exchange Day of the relevant Exchange(s) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the close of trading on such Exchange Day;

(c) 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 Reference Shares on the Exchange(s), or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Reference Shares on any relevant Related Exchange;

(d) the failure on any Exchange Day of the relevant Exchange(s) of the relevant Reference Shares or any Related Exchange to open for trading during its regular trading session;

(e) the adoption, change, enactment, publication, decree or other promulgation of any statute, regulation, rule or notice, howsoever described, or order of any court or other governmental authority, or issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice, howsoever described, after such date or as a result of any other event which has or would have a material adverse effect on a securityholder of a Company or in respect of any hedge transaction established in connection with a Reference Share;

(f) the taking of any action by any governmental, administrative, legislative or judicial authority or power of Canada or any other country, or any political subdivision thereof, which has a material adverse effect on the financial markets of Canada or a country in which any applicable Exchange or Related Exchange is located;

(g) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities) which has or would have a material adverse effect on the ability of HSBC to perform its obligations under the Notes or for a

party generally to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of such Reference Share or to realize, recover or remit the proceeds of any such hedge transaction in respect of such Reference Share or has or would have a material adverse effect on the Canadian or U.S. economy or the trading of securities generally on any relevant Exchange or Related Exchange; or

(h) an increase in the cost of acquiring, placing, establishing, re-establishing, substituting, maintaining, modifying unwinding or disposing of any hedging transaction in connection with a Reference Share or in the cost of realizing, recovering or remitting the proceeds of any such hedging transaction.

### **Extraordinary Event**

If the Calculation Agent determines in its sole and absolute discretion that a Market Disruption Event in respect of a Reference Share has occurred and has continued for at least ten(10) consecutive applicable Exchange Days or that any other Substitution Event in respect of a Reference Share has occurred, and the Calculation Agent has decided not to choose an Alternate Reference Share as a substitute for such Reference Share on the grounds the Calculation Agent has determined that there are no appropriate securities of a large issuer listed on a major exchange or market quotation system which offer sufficient liquidity in order for the Calculation Agent to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of such securities or to realize, recover or remit the proceeds of any hedge transaction (an “**Extraordinary Event**”), then the Calculation Agent may, upon notice to the Noteholders to be given effective on an applicable Exchange Day (the date of such notification being the “**Extraordinary Event Notification Date**”), elect to estimate the present value, which may be nil, (“**Estimated Coupon Amount**”) as of the Extraordinary Event Notification Date, taking into account all relevant market circumstances, of a right to receive the remaining Coupons that, but for such occurrence of the Extraordinary Event, would have been payable on the remaining Coupon Payment Dates. Upon such election, the following consequences will arise as of the Extraordinary Event Notification Date:

- (a) Any remaining Coupons that may otherwise be payable by HSBC will not be calculated in accordance with the provisions set out in “*Description of the Notes- Calculation of the Coupon*”.
- (b) HSBC shall be discharged of all its obligations in respect of any such remaining Coupons.
- (c) The Estimated Coupon Amount, if any, will be paid on the seventh Business Day after the Extraordinary Event Notification.

In these circumstances, payment of the Principal Amount per Note will NOT be accelerated and will remain due and payable on the Maturity Date.

## **PLAN OF DISTRIBUTION**

In connection with this offering of the Notes, HSBC Bank Canada and the Agent have entered into an Agency Agreement under which the Agent agrees to promote, on a best efforts basis, the sale of the Notes in Canada and to form a selling group for the purposes of offering the Notes if, as and when issued by HSBC in accordance with the terms and conditions contained in the Agency Agreement.

The closing of this offering will take place on the Closing Date. Each Note will be issued for a subscription price of 100% of the Principal Amount (\$100.00 per Note). The proceeds to HSBC from the issuance of the Notes will constitute deposits received by HSBC and will be used for general banking purposes.

**Subscription for the Notes must be made through the mutual fund order entry system FundSERV under mutual fund order code FIE 2011.** Subscription funds received through FundSERV will be deposited in an account established by the Agent at the Custodian, in trust for the subscribers. The interest earned on the subscription funds will be used by the Agent to subscribe, for the benefit of the relevant subscribers, for that number of additional Notes (or portion thereof) corresponding to the amount of earned interest. See “*FundSERV - Subscription through FundSERV*”.

HSBC has agreed to pay the Agent an amount equal to 1.00% of the aggregate Principal Amount of the Notes sold for the performance by the Agent of its obligations under the Agency Agreement and has agreed to pay the members of the selling group for the sale of the Notes a commission of 2.50% of the aggregate Principal Amount of the Notes sold by such members. These dealers and other firms may pay a portion of these commissions to their advisors who sell the Notes to Noteholders. These fees will not factor into the formula for, or affect the amount of the annual Coupon which will be payable to Noteholders throughout the Term.

HSBC will have the sole right to accept offers to purchase the Notes and may reject any proposed purchase of Notes in whole or in part. HSBC reserves the right to discontinue accepting subscriptions at any time without notice. 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. HSBC reserves the right to purchase for cancellation at its discretion any amount of Notes in the secondary market without notice to Noteholders.

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.

## SUITABILITY FOR INVESTMENT

You may be suited to become a Noteholder if, among other benefits, you: (1) are looking for safety of principal if held to maturity; (2) want the potential to earn a return that may be greater than what is available from a traditional fixed term deposit but with similar risks to your principal investment; (3) want exposure to an investment that is linked to the performance of the Reference Shares; and (4) are investing for the longer term and believe that the Reference Shares will appreciate.

An investment in the Notes is suitable only for investors prepared to assume risks with respect to a return linked to the price performance of the Reference Shares. The Notes are designed for investors who are prepared to hold the Notes to maturity. The Notes have certain investment characteristics that differ from conventional fixed income investments. The Notes do not provide Noteholders with a return or income stream that is calculated or determined by reference to a fixed or floating rate of interest. A Note's return is reflected in the annual Coupon amounts, which will depend on the price performance of the Reference Shares (subject to a minimum Coupon amount of \$1.00 per Note in only the first two years and a maximum Coupon amount of \$7.00 per Note throughout the Term) as described in this Information Statement. At maturity, a Noteholder is entitled to be repaid their initial Principal Amount invested of \$100.00 per Note. An investment in the Notes is not suitable for an investor looking for a return beyond the minimum annual Coupon amount of \$1.00 per Note payable on each of the first two Coupon Payment Date during the Term. **As a result, there is no assurance that a Coupon will be payable in any subsequent year during the Term of the Note.**

**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 or FundSERV. On the Issue Date, the Bank will cause a single global deposit note evidencing all Notes purchased pursuant to this offering to be delivered to and registered in the name of CDS or its nominee. Registration of interests in and transfers of the Notes will be made only through the Book-Entry System. Subject to the exceptions mentioned hereinafter, no Noteholder will be entitled to any certificate or other instrument from the Bank or CDS evidencing ownership thereof, and no Noteholder will be shown on the records maintained by CDS, except through a CDS Participant, which is expected to be the Custodian throughout the Term of the Note. 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, the CDS Participant or FundSERV, as the case may be. Upon subscription of any Notes, the Noteholder will receive only the customary confirmation that will be sent to such Noteholder by brokers 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 depository 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 depository system, or if the Bank notifies CDS that it desires or is required to replace the global note 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 deposit note 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 deposit note.

A Coupon amount if any, payable on an annual Coupon Payment Date, and the Principal Amount payable at the Maturity Date 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 deposit note is limited to making payment of any amount due on the global deposit note to CDS or its nominee. The payments to be made to Noteholders who subscribed their Notes through FundSERV will be paid through CDS or its nominee to the Custodian, as a CDS Participant, and then credited by the Agent to Noteholders in accordance with the register showing records of beneficial interest in the Notes maintained by the Agent.

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.

HSBC Bank Canada retains the right, as a condition to payment of amounts at the Maturity Date, to require the surrender for cancellation of any certificate evidencing the Notes.

## FUNDSERV

Subscription for Notes must be made through dealers that facilitate purchase and related settlement through a clearing and settlement service operated by FundSERV Inc. The FundSERV order code is "FIE 2011". The following information about FundSERV is pertinent for investors who wish to subscribe for the Notes. Noteholders should consult their financial advisors or dealers to obtain further information on FundSERV procedures.

### General Information

FundSERV is owned and operated by both fund sponsors and distributors and provides distributors of funds and certain other financial products with online order access to such financial products. FundSERV was originally designed and is operated as a mutual fund communications network facilitating members in electronically placing, clearing and settling mutual fund orders. In addition, FundSERV is currently used in respect of other financial products that may be sold by financial planners, such as the Notes. FundSERV enables its participants to clear certain financial product transactions between participants, to settle the payment obligations arising from such transactions, and to make other payments between themselves.

**Where a subscriber's purchase order for Notes is effected by a dealer or other firm using the FundSERV network, such dealer or other firm may not be able to accommodate a purchase of Notes through certain registered plans for purposes of the Tax Act. Subscribers should consult their financial advisors as to whether their orders for Notes will be made using the FundSERV network and any limitations on their ability to purchase Notes through registered plans.**

### Notes subscribed through FundSERV held in an account in trust for the beneficial Noteholders

As stated above, all Notes will initially be issued in the form of a single global certificate to be delivered to and registered in the name of CDS. See "*Book-Entry System*" for further details on CDS as a depository and related matters with respect to the global certificate. Holders of the Notes will therefore have an indirect beneficial interest in the global certificate. That beneficial interest will be recorded in CDS as being held in an account established by the Agent at the Custodian, in trust for the beneficial Noteholders. The Agent will record in its books the respective beneficial interests in the Notes subscribed by Noteholders. A Noteholder should understand that the Agent will make such recordings as instructed through FundSERV by the Noteholder's dealer.

### Subscription through FundSERV

In order to subscribe Notes through FundSERV, the subscription funds, net of commissions, must be delivered to the Agent's FundSERV account in immediately available funds on or prior to the Closing Date.

Upon receipt of the subscription funds, the Agent will deposit the funds in an account established by the Agent at the Custodian, in trust for the subscribers. The Agent will pay to the investors interest on the subscription funds at a rate equal to the prime rate of the Canadian chartered bank selected, less 3%, if the subscription funds are delivered to the Agent in Canadian dollars. The interest will be calculated from the date of receipt of the subscription funds by the Agent until (but excluding) the Closing Date. The Agent will retain the difference between the aggregate amount of interest earned on the subscription funds and the amount of interest that the Agent has agreed to pay to

the investor. On the Issue Date, the subscription funds, together with the interest earned thereon by the investor, will be used by the Agent to subscribe for additional Notes (or portion thereof) for the benefit of the relevant subscribers. Investors will have no right to receive a cash payment representing any interest earned on the subscription funds if the settlement of this offering is completed.

If Notes subscribed through FundSERV are not issued for any reason, the subscription funds will be returned forthwith to the investor together with the interest earned on such funds as described in the preceding paragraph.

### **Sale through FundSERV**

Noteholders may sell Notes, subject to the secondary market terms and conditions established by the Agent and HSBC Securities, by using the sale procedures of FundSERV. Noteholders, through their dealers, will need to initiate an irrevocable request to sell the Notes in accordance with the then established procedures of FundSERV. Generally, this means that the Noteholder's dealer will need to initiate the sale request by 4:00 p.m. (Eastern time) each day (or the following Business Day if such day is not a Business Day), or such other day or time as may hereafter be established by HSBC Securities and the Agent (the "**Sale Deadline Date**"). Any request received after such time will be deemed to be a request sent and received on the following day. The sale of the Notes will be effected as of the close of market on the Sale Deadline Date at the Agent's bid price for the Notes (*i.e.*, the price it is offering to purchase Notes in the secondary market) for the applicable day which is established after the close of market on the Sale Deadline Date (the "**Bid Price**"). The Bid Price, as posted to FundSERV by the Agent, is also referred to by FundSERV as the "net asset value" of a Note. An Early Trading Charge will be deducted from a Noteholder's sale proceeds for sales effected through FundSERV on or prior to 2 years from the Issue Date. See "*Description of the Notes- Secondary Trading of Notes*".

The Bid Price will be affected by a number of complex and inter-related factors. The effect of any one factor may be offset or magnified by the effect of another factor. The following list, although not exhaustive, describes some of the factors that may impact the Bid Price: i) how much the share prices of the Reference Shares have increased or decreased and their performance up to such time; ii) the fact that the Coupon amount payable on a Coupon Payment Date will be a minimum of \$1.00 per Note in only the first two years during the Term and a maximum amount of \$7.00 per Note throughout the Term; iii) the proximity to any Coupon Payment Date; and iv); the price performance of the Reference Shares are unpredictable.

The Agent is the fund sponsor for the Notes within FundSERV. The Agent intends to post to FundSERV, under normal market conditions, the Bid Price for the Notes on a daily basis, which Bid Price may also be used for valuation purposes in any statement sent to Noteholders. There is no guarantee that the Bid Price for any day will be the highest bid price possible in any secondary market for the Notes, but will represent the Agent's bid price generally available to all Noteholders. Such Bid Price will take into account, in particular, the amount of Notes offered for sale in the secondary market. Noteholders should also be aware that from time to time the mechanism described above to sell Notes may be suspended for any reason without notice, thus effectively preventing Noteholders from selling their Notes. Potential investors requiring liquidity should carefully consider this possibility.

Notes held in an investment account maintained with a particular dealer will be transferable to another account maintained with another dealer only if such other dealer has been previously approved by the Agent. In the event the dealer has not been previously approved by the Agent, the Noteholder would have to sell the Notes pursuant to the procedures outlined above.

## **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is, as of the date hereof, 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 purchases the Notes from HSBC at the time of their issuance, who is an individual (other than a trust) and 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 (an "**Initial Noteholder**"). This summary is not applicable to an Initial Noteholder 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 or a taxpayer to whom the "functional currency" reporting rules apply.

A Note will generally be capital property to an Initial Noteholder unless: (i) the Initial Noteholder holds the Note in the course of carrying on or otherwise as part of a business of dealing in securities; or (ii) the Initial Noteholder acquired the Note in a transaction or transactions considered to be an adventure in the nature of trade. The determination of whether the Notes are held as capital property for purposes of the Tax Act should take into account, among other factors, whether the Notes are acquired with the intention or secondary intention of selling them prior to the Maturity Date. Certain Initial 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 Initial 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 administrative policies and assessing practices published in writing by 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.

**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. You should consult your tax advisers with respect to your particular circumstances and the tax consequences of holding Notes.**

#### *Interest on Subscription Funds*

If the issue of the Notes is not completed, any interest earned on the subscription funds that is paid to an investor will be included in such investor’s income for the taxation year in which the interest is paid. If the issue is completed, while Initial Noteholders will not receive any cash payments of interest earned on the subscription funds, an Initial Noteholder will be required to include in the Initial Noteholder’s income for the taxation year in which the Notes are issued, the amount of such interest allocated to the Initial Noteholder for the period beginning with the deposit of the subscription funds and ending with the Issue Date. The amount of such interest included in the Initial Noteholder’s income will be added to the Initial Noteholder’s adjusted cost base of the Notes.

#### *Coupon Payments*

An Initial Noteholder will be required to include in income for a taxation year the amount of the Coupon received or receivable (if any) by such Initial Noteholder in that year (depending upon the method regularly followed by the Initial Noteholder in computing income), except to the extent that such amount was already included in the Initial Noteholder’s income for that or a preceding taxation year.

#### *Payment on the occurrence of an Extraordinary Event*

The amount of any payment of the Estimated Coupon Amount in excess of the Principal Amount paid on a Extraordinary Event Notification Date will be included in the Initial Noteholder’s income in the taxation year in which the Estimated Coupon Amount is determined as the result of a Extraordinary Event.

#### *Disposition of the Notes*

On a disposition or deemed disposition of a Note by an Initial Noteholder at a time when the annual Coupon is not calculable and an Extraordinary Event has not occurred (including a sale through FundSERV or otherwise in the secondary market (if available) but not including a disposition resulting from a payment by or on behalf of HSBC), while the matter is not free from doubt, the Initial Noteholder should generally realize a capital gain (or capital loss) to the extent the Initial Noteholder’s proceeds of disposition, net of any amount required to be included in the income of the Initial Noteholder as interest (which will include any unpaid accrued minimum Coupon for such year), exceed (or are less than) the aggregate of the Initial Noteholder’s adjusted cost base of the Note and any reasonable costs of disposition. On a private sale of a Note to HSBC, the proceeds of sale in excess of the principal amount will generally be included in the income of such Initial Noteholder. An Initial Noteholder 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 its 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 an Initial Noteholder must be included in the income of the Initial Noteholder. One-half of a capital loss realized by a Initial Noteholder 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 and in accordance with the rules in the Tax Act. Capital gains realized by an individual may give rise to a liability for alternative minimum tax.

## 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. An investment in the Notes is suitable only for investors prepared to assume risks with respect to a return linked to the price performance of the Reference Shares. The Notes are designed for investors who are prepared to hold the Notes to maturity. An investment in the Notes is not suitable for an investor looking for a return beyond the minimum annual Coupon amount of \$1.00 per Note payable on each Coupon Payment Date during the first and second year during the Term. **As a result, there is no assurance that a Coupon will be payable in any subsequent year during the Term of the Note.**

**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, the Agent and the Calculation Agent make 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.

*Principal Amount is payable 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 Reference Shares. If you sell your Notes prior to maturity you may not receive the entire Principal Amount.

*A Noteholder may not receive an annual Coupon in excess of \$1.00 per Note in the first two years.*

The annual Coupon payable is linked to the average of the ten(10) Reference Share Returns (one for each Reference Share, each of which may be positive or negative), subject to a minimum Coupon Rate of 1.00% or \$1.00 per Note payable on each Coupon Payment Date in year one and year two. There is a possibility that the share prices of the Reference Shares will decrease during the Term and a Noteholder may only receive the minimum Coupon amount of \$1.00 per Note in each of the first two years of the Term.

*Except in the first and second year, there is no assurance a Coupon will be payable in any subsequent year.*

With the exception of the guaranteed Coupons payable on the first and second annual Coupon Payment Dates, there is no minimum Coupon Rate thereafter in years three, four and five during the Term. As a result, the Noteholder should realize that although the Coupon payable on the first and second Coupon Payment Dates will be a minimum \$1.00 per Note, there is a possibility that no additional Coupons may be payable on any subsequent Coupon Payment Date. Therefore, the minimum amount of cumulative interest that may be payable is \$2.00 per Note (i.e. \$1.00 for year one and year two) if held to maturity.

Maximum annual Coupon payable is \$7.00 per Note.

The Reference Share Return of any Reference Share will be capped at 7.00% and, as a result, the maximum Coupon Rate is 7.00%, regardless of the extent of the actual percentage increase in the share price of a Reference Share to the applicable Valuation Date. Therefore, the maximum amount of cumulative interest that may be payable is \$35.00 per Note (i.e. \$7.00 for each year) if held to maturity.

No ownership of, or recourse to the Reference Shares comprising the Portfolio.

The Portfolio is a notional portfolio only. The Notes will not reflect the return a Noteholder would realize if the Noteholder actually owned the Reference Shares in the Portfolio. Noteholders will not have, and the Notes will not represent, any direct or indirect ownership interest or rights (including, without limitation, voting rights or rights to receive dividends) in the Reference Shares in the Portfolio, other than a right to be paid a return on the Notes based on the price performance of the Portfolio. An annual Coupon (if payable) in respect of the Notes will not reflect any dividends declared on the Reference Shares. There will be no control over the management of any entity whose securities are reflected in the Portfolio. The success of the Notes will depend in part on the ability and success of the management of the Companies in addition to general economic and market factors. Noteholders will have no recourse to any of the Companies represented by the Reference Shares.

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 a Coupon, if payable, and the Principal 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.

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

The Notes have certain investment characteristics that differ from conventional fixed income investments. The Notes do not provide Noteholders with a return or income stream that is calculated or determined by reference to a fixed or floating rate of interest. A Note's return is reflected in the annual Coupon amount, if payable, which will depend on the price performance of the Reference Shares (subject to a minimum Coupon amount of \$1.00 per Note in only year one and year two and a maximum Coupon amount of \$7.00 per Note throughout the Term) as described in this Information Statement. At maturity, a Noteholder is entitled to be repaid their initial Principal Amount invested of \$100.00 per Note. 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.

Risk Factors Relating to the Reference Shares and the Companies.

The amount of an annual Coupon, if any, payable on the Notes on any Coupon Payment Date is linked to the price performance of the Reference Shares notionally held in the Portfolio. Accordingly, certain risk factors applicable to investors who invest directly in the Reference Shares are also applicable to an investment in the Notes to the extent that such risk factors could adversely affect the price performance of the Reference Shares.

Investors should recognize that it is impossible to know whether the price of the Reference Shares at any time will rise or fall. The price of the Reference Shares notionally held in the Portfolio will be influenced by the outlook for the applicable Company and by general economic, industry and market trends. When the economy is strong, the outlook for many companies will be good, and the price of equity investments will generally rise. On the other hand, the price of equity investments usually declines with a general economic or industry downturn.

This is not a complete description of the risks applicable to the Reference Shares and the Companies. For a description of the risks applicable to the Companies and Reference Shares initially notionally held in the Portfolio, an investor may consult documents made publicly available by each Company at [www.sec.gov](http://www.sec.gov) or their respective company websites. HSBC is not affiliated with any of the Companies and has not performed any due diligence investigation or review of them. HSBC assumes no responsibility for the adequacy of the information concerning the Companies contained in this Information Statement or publicly available. A potential investor should undertake an independent investigation of the Companies as they deem necessary to allow them to make an informed decision with respect to an investment in the Notes.

Notes are subject to risk associated with non-Canadian securities markets.

The Reference Shares are mostly non-Canadian companies. Investments linked to non-Canadian securities involve risks associated with the securities markets in those countries, including risks of volatility in those markets. Geopolitical risks may affect volatility in U.S. equity securities to a greater extent than Canadian equity securities.

The historical or pro forma performance of any Reference Share is not an indication of future performance.

The historical or pro forma performance of any Reference Share should not be taken as an indication of its respective future performance. It is impossible to predict whether the market price of each of the Reference Shares will fall or rise over the Term. The market price of each of the Reference Shares will be influenced by the complex and interrelated economic, financial, regulatory, geographic, judicial, political and other factors.

No Guaranteed Secondary Market for the Notes Exists / Possible illiquidity.

The Notes will not be listed on any exchange. There is no assurance that a secondary market will develop. As a result, there is no assurance that a Noteholder will be able to sell or transfer its Notes at any particular time. Although the Agent intends in normal market conditions, concurrently with HSBC Securities, and subject to certain conditions, to use reasonable efforts to provide daily a secondary market price for the Notes during the Term, it is not possible to predict how the Notes will trade in the secondary market or whether such market will be liquid or illiquid.

Noteholders who sell their Notes prior to maturity may receive a market price which is less than 100% of the Principal Amount.

The Notes are not designed to be short term trading instruments. Investors should be willing and able to hold any Notes purchased until the Maturity Date. 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 share prices of the Reference Shares have increased or decreased and their performance up to such time; (ii) the fact that the annual Coupon amount payable on any Coupon Payment Date will be a minimum of \$1.00 per Note in only year one and year two and a maximum of \$7.00 per Note throughout the Term; (iii) the proximity to a Coupon Payment Date; and (iv); the price performance of the Reference Shares are unpredictable; and (v) a number of other interrelated factors, including, without limitation, prevailing interest rates, 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 market 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, 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. 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.

The inclusion in the original issue price of the Agent's and selling group'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.

The original issue price of the Notes includes the 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 the Agent or 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.

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.

Market Disruption or Extraordinary Event.

If a Market Disruption Event occurs on a day on which the Closing Price of a Reference Share is to be determined for calculating a Coupon amount, the determination of that price (and possibly any subsequent payment of that Coupon, if any) may be delayed. Fluctuations in the Closing Price of the Reference Share may occur in the interim. In certain unusual circumstances, the Calculation Agent may estimate the Closing Price of a Reference Share, replace an existing Reference Share with a new share, or accelerate the payment of all remaining Coupon amounts in the case of an Extraordinary Event, in which case the amount of interest, if any, will be determined in an alternate manner by HSBC. However, in no event will the Principal Amount be paid prior to the Maturity Date.

Adjustments in Special Circumstances.

In certain circumstances, such as a Substitution Event or the merger, Nationalization or Insolvency of a Company, the Calculation Agent may replace the applicable Reference Share in the Portfolio with the security of another large issuer as chosen by the Calculation Agent. In other circumstances, such as a stock split or extraordinary dividend in respect of a Reference Share, the Calculation Agent may adjust any one or more of the Initial Price for such Reference Share, the formula for calculating the Reference Share Return of such Reference Share, or any other component or variable relevant to the determination of the Coupon for those circumstances. Adjustments made to a component or variable relevant to the determination of a Coupon or to the composition of the Portfolio may have a negative impact on the Reference Share Return of a Reference Share or on the Coupon amount payable.

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 Reference Shares or other derivative instruments with returns linked or related to changes in the performance of the Reference Shares, 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 market price level of the Reference Shares 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 Reference Shares and the Companies associated therewith. 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 market price of the Reference Shares 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 determination of the Reference Share Return and Coupon Rate, adjustments as a result of certain Special Circumstances and the determination of the occurrence of a Market Disruption Event. No independent calculation agent will be retained to make or confirm the determinations and calculations made by the Calculation Agent. In addition, as a result of its role in the secondary market, HSBC Securities, an affiliate of HSBC, will have economic interests that are adverse to Noteholders.

## **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 instructions to HSBC or the Agent through his or her investment advisor any time up to two 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.

### Acknowledgment Upon Subscription

Upon subscription for Notes offered pursuant to this Information Statement, a proposed Noteholder represents, warrants and acknowledges and will be deemed to have represented, warranted and acknowledged to the Bank that (i) the Noteholder has received and reviewed a copy of the Information Statement and the Noteholder has had an opportunity to ask and have answered any and all questions which it wished to ask or have answered with respect to the Notes by its investment, legal or tax advisors; (ii) the Notes are not securities and this is not a public offering of securities governed by the securities laws of any jurisdiction of Canada and therefore Noteholders have no rights under such securities laws; (iii) the Noteholder is capable of assessing the merits and risks of its proposed investment in the Notes as a result of the Noteholder's financial or investment experience, knowledge and sophistication or as a result of advice received from a registered broker, dealer or other registered professional investment adviser and is able to bear the economic loss of its investment; (iv) the Noteholder has not relied on any information other than the Information Statement and Oral Disclosure form in making its investment decision; and (v) the Noteholder acknowledges that the Notes are not deposits insured under the *Canada Deposit Insurance Corporation Act*.

### Notification

HSBC or the Agent will take reasonable steps to effect such notice directly to Noteholders (or indirectly through dealers and financial advisors who sold the Notes in certain cases) to the extent required by applicable regulations. 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

Fax: (416) 868-3088

with a mandatory copy to:

Associate General Counsel  
HSBC Derivative Products Group  
70 York Street, 8th Floor  
Toronto, ON  
M5J 1S9

## DEFINITIONS

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

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

“**Agent**” means Fiera Capital Inc.

“**Agency Agreement**” means the agency agreement between HSBC Bank Canada and the Agent relating to this offering of the Notes.

“**Bid Price**” has the meaning ascribed to thereto under "*FundSERV – Sale through FundSERV*".

“**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.

“**Closing Price**” means, in respect of a Reference Share, the official closing price for that Reference Share as announced by the Exchange, provided that, if on or after the Issue Date such Exchange materially changes the time of day at which such official closing price is determined or no longer announces such official closing price, the Calculation Agent may thereafter deem the Closing Price to be the price of that Reference Share as of the time of day used by such Exchange to determine the official closing price prior to such change or failure to announce.

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

“**Coupon Payment Dates**” means the 30<sup>th</sup> day of each January from, and including, January 30<sup>th</sup>, 2010 (first Coupon Payment Date) to, and including the Maturity Date (last Coupon Payment Date), provided that if a day that would otherwise have been a Coupon Payment Date is not a Business Day, the payment of a Coupon, if any, shall be made on the following Business Day, and no further interest or other compensation will be made in respect of such delay.

“**Coupon Rate**” has the meaning ascribed thereto under "*Summary of the Offering*".

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

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

“**Exchange**” means, in respect of a Reference Share, the exchange or trading system identified under "*The Portfolio*" under the heading "*Summary of the Offering*", provided that if such exchange or trading system is no longer the primary exchange for the trading of that Reference Share, as the Calculation Agent may determine, the Calculation Agent may designate another exchange or trading system as the relevant Exchange for such Reference Share.

“**Exchange Day**” means, in respect of a Reference Share, any day on which the Exchange and each Related Exchange for that Reference Share are scheduled to be open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

“**Extraordinary Event**” has the meaning ascribed to that term under "*Special Circumstances- Extraordinary Event*".

“**FundSERV**” means the facility maintained and operated by FundSERV Inc. for electronic communication with participating companies, including the receiving of orders, order match, contracting, registrations, settlement of orders, transmission of confirmation of purchases, and the redemption of investments or instruments.

“**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.

“**Initial Price**” means, in respect of a Reference Share, the Closing Price of that Reference Share on the Reference Share Set Date, provided that, if such date is not an Exchange Day in respect of that Reference Share, then the Initial Price in respect of that Reference Share means the Closing Price of that Reference Share for the following Exchange Day, and subject further to the provisions set out under the heading "*Special Circumstances*".

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

“**Reference Shares**” means collectively, the common shares of the Companies notionally held from time to time in the Portfolio and each is a “Reference Share”, subject to the provisions set out under the heading “*Special Circumstances*”.

“**Reference Share Return**” has the meaning ascribed thereto under “*Summary of the Offering*”.

“**Reference Share Set Date**” has the meaning ascribed thereto under “*Summary of the Offering*”.

“**Related Exchange**” means, in respect of a Reference Share, any exchange or trading system on which futures or options on that Reference Share are listed from time to time and as may be selected from time to time by the Calculation Agent.

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

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

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

“**Valuation Dates**” means, the 23<sup>rd</sup> of January in each year during the Term of the Note (each such date, a “**Valuation Date**”), provided that, if such day is not an Exchange Day in respect of that Reference Share, then the Valuation Date in respect of that Reference Share will be the following Exchange Day for that Reference Share, subject to the provisions set out under the heading “*Special Circumstances*”.

“**Valuation Price**” means, in respect of a Reference Share and the determination of the relevant Coupon Rate for a Coupon Payment Date, the Closing Price of that Reference Share on the Valuation Date corresponding to such Coupon Payment Date, subject to the provisions set out under the heading “*Special Circumstances*”.

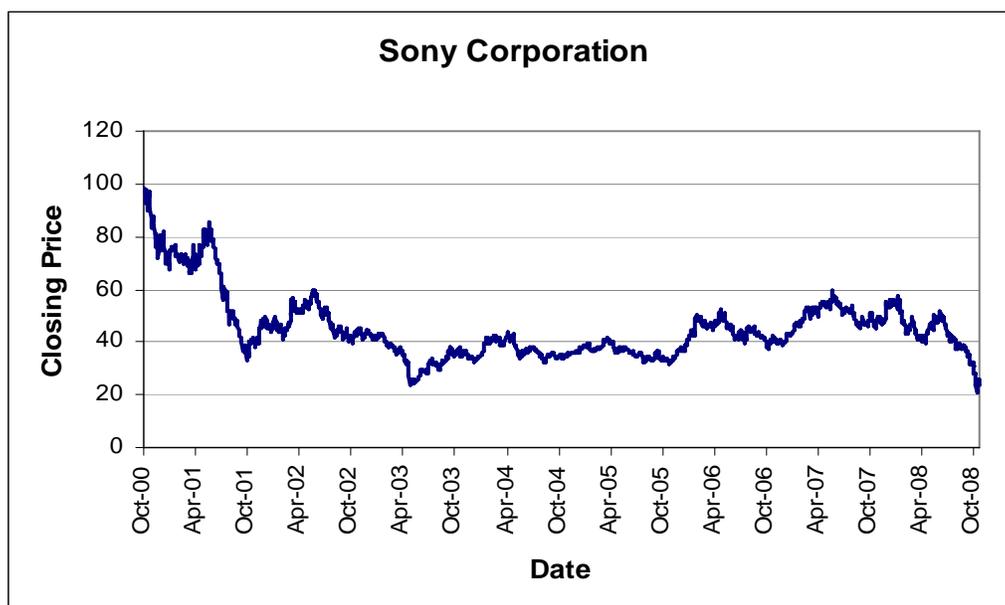
## ANNEX A - THE REFERENCE SHARES

All information in this Information Statement relating to the Reference Shares and the Companies associated therewith has been taken from publicly available sources, including Bloomberg Financial Markets and the Companies' Internet web pages, on or before the date of the Information Statement and is presented herein in summary form. **Neither HSBC nor the Agent have confirmed that the facts stated in this Information Statement in relation to such Companies are true and accurate. As such, HSBC, the Calculation Agent and the Agent assume no responsibility for the accuracy or completeness of such information. Prospective investors are advised to make their own independent investigation as to the financial affairs and condition of the Reference Shares and the Companies associated therewith. HSBC, the Calculation Agent and the Agent have no obligation to review the financial condition or affairs of the Companies or to advise of any information coming to its attention relating to such Companies or itself. There can be no guarantee that the Companies will maintain their current level of capitalization, continue to be listed on the securities exchanges listed or continue to operate their businesses with emphasis in the areas as indicated.**

The following are brief descriptions of the businesses of the Companies and the Reference Shares associated therewith. The chart accompanying each description shows the historical price performance of the Reference Shares of each Company from in or about October 2000 to in or about October 2008. **Historical price performance of the Reference Shares is not an indication of future performance.**

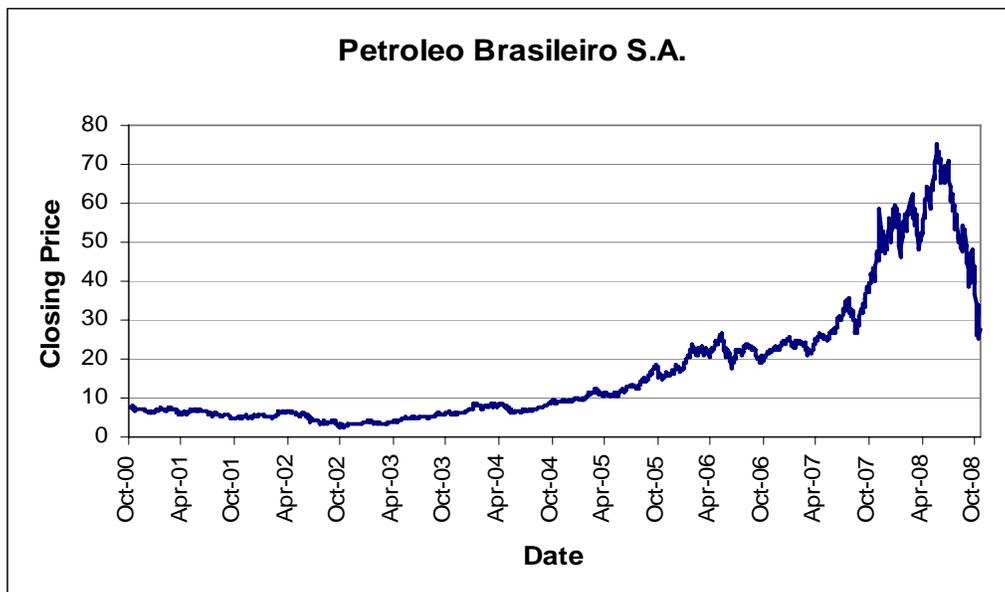
### Sony Corporation (SNE)

Sony Corporation manufactures audio, video, game, communications, key device and information technology products for the consumer and professional markets. The Company's other businesses include music, pictures, computer entertainment, and online businesses. As of October 20, 2008, the market capitalization was approximately US \$26.72 billion. The Exchange for the applicable Reference Share is the New York Stock Exchange under the symbol SNE.



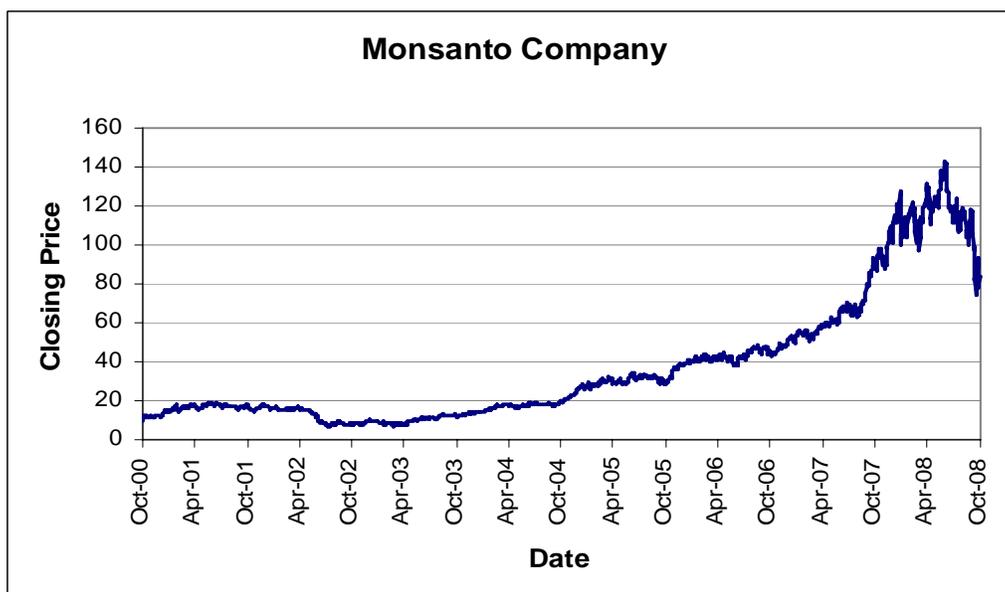
### Petroleo Brasileiro S.A. (PBR)

Petroleo Brasileiro S.A. - Petrobras explores for and produces oil and natural gas. The Company refines, markets, and supplies oil products. The Company operates oil tankers, distribution pipelines, marine, river and lake terminals, thermal power plants, fertilizer plants, and petrochemical units. The Company operates in South America and elsewhere around the world. As of October 20, 2008, the market capitalization was approximately US \$126.93 billion. The Exchange for the applicable Reference Share is the New York Stock Exchange under the symbol PBR.



### Monsanto Company (MON)

Monsanto Company provides technology-based solutions and agricultural products for growers and downstream customers in the agricultural markets. The Company's herbicides, seeds, and related genetic trait products provide growers with integrated solutions to produce crops at higher yields, while controlling weeds, insects, and diseases. As of October 20, 2008, the market capitalization was approximately US \$49.01 billion. The Exchange for the applicable Reference Share is the New York Stock Exchange under the symbol MON.



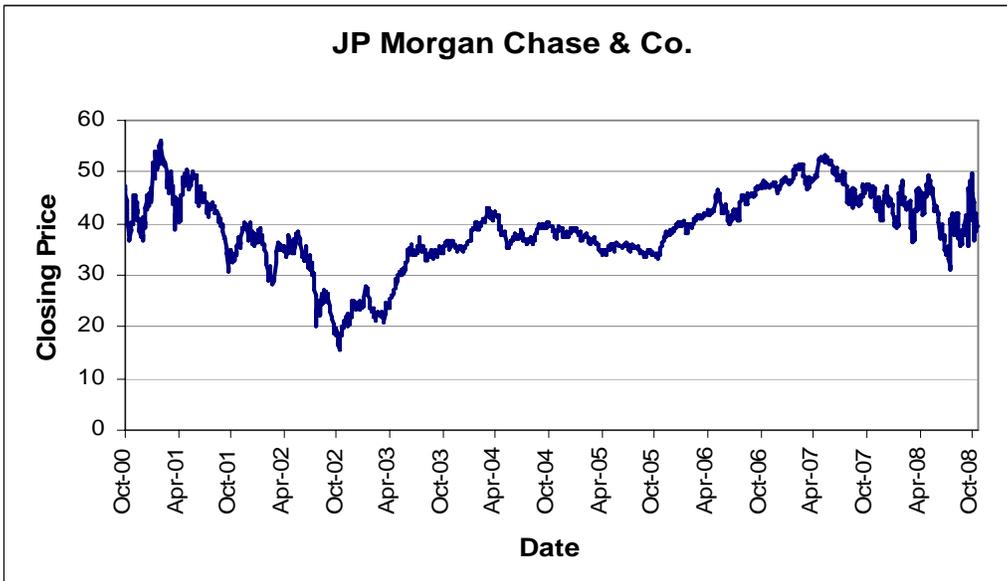
### Research In Motion Limited (RIMM)

Research In Motion Limited designs, manufactures, and markets wireless solutions for the worldwide mobile communications market. The Company provides platforms and solutions for access to email, phone, SMS messaging, Internet, and Intranet-based applications. As of October, 2008, the market capitalization was approximately US \$30.49 billion. The Exchange for the applicable Reference Share is the NASDAQ under the symbol RIMM.



### JP Morgan Chase & Co. (JPM)

JPMorgan Chase & Co. provides global financial services under the JP Morgan brand and retail banking under the Chase brand. The Company provides services such as investment banking, treasury and securities services, asset management, private banking, cardmember services, commercial banking, and home finance. JP Morgan Chase serves business enterprises, institutions, and individuals. As of October 20, 2008, the market capitalization was approximately US \$151.76 billion. The Exchange for the applicable Reference Share is the New York Stock Exchange under the symbol JPM.



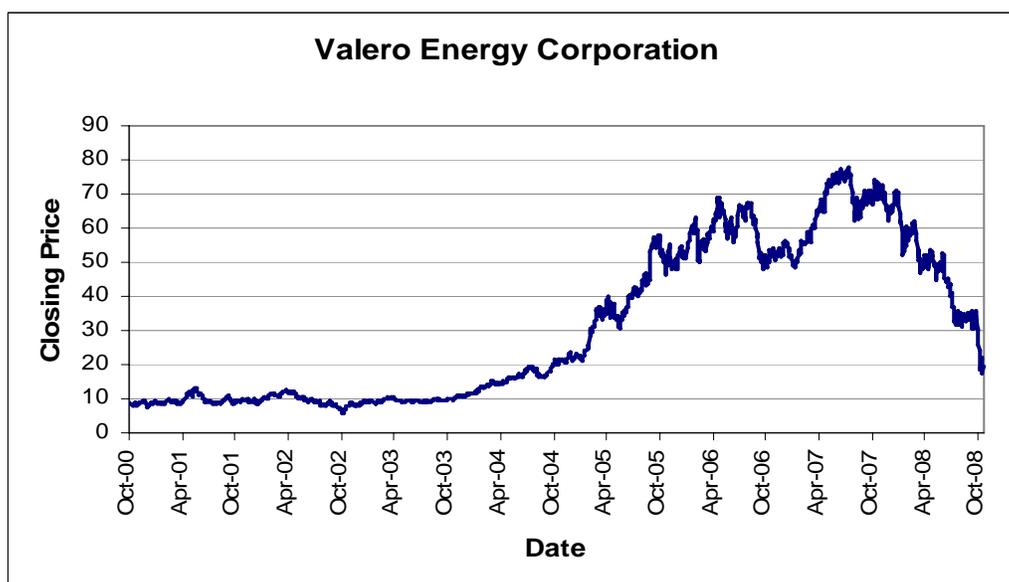
### Wal-Mart Stores Inc. (WMT)

Wal-Mart Stores Inc. operates discount stores and supercenters. The Company's discount stores and supercenters offer merchandise such as apparel, housewares, small appliances, electronics, and hardware. Wal-Mart operates in the United States, Canada, Argentina, Brazil, Mexico, United Kingdom, and Puerto Rico. As of October 20, 2008, the market capitalization was approximately US \$214.13 billion. The Exchange for the applicable Reference Share is the New York Stock Exchange under the symbol WMT.



### Valero Energy Corporation (VLO)

Valero Energy Corporation is an independent petroleum refining and marketing company that owns and operates refineries in the United States and Canada. The Company markets branded and unbranded refined products on a wholesale basis in the United States and Canada as well as refined products through a network of retail and wholesale branded outlets in the United States, Canada, and Aruba. As of October 20, 2008, the market capitalization was approximately US \$10.38 billion. The Exchange for the applicable Reference Share is the New York Stock Exchange under the symbol VLO.



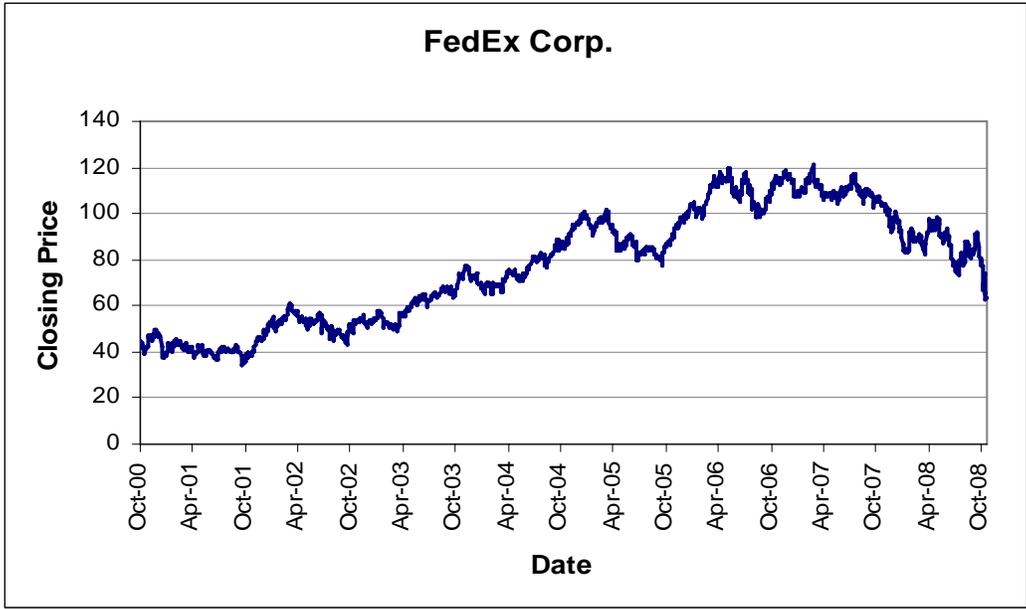
### Amgen Inc. (AMGN)

Amgen Inc. discovers, develops, manufactures, and markets human therapeutics based on cellular and molecular biology. The Company focuses its research on secreted protein and small molecule therapeutics, with particular emphasis on neuroscience and cancer. Amgen concentrates on the areas of hematology, cancer, infectious disease, endocrinology, neurobiology, and inflammation. As of October 20, 2008, the market capitalization was approximately US \$56.53 billion. The Exchange for the applicable Reference Share is the NASDAQ under the symbol AMGN.



### FedEx Corp. (FDX)

FedEx Corp. is comprised of a family of companies, providing transportation, e-commerce, and supply chain management services for customers. The Company provides worldwide express delivery, ground small-parcel delivery, less-than-truckload freight delivery, supply chain management services, customs brokerage services, and trade facilitation and electronic commerce solutions. As of October 20, 2008, the market capitalization was approximately US \$19.97 billion. The Exchange for the applicable Reference Share is the New York Stock Exchange under the symbol FDX.



### International Business Machine Corp. (IBM)

International Business Machines Corp. (IBM) provides computer solutions through the use of advanced information technology. The Company's solutions include technologies, systems, products, services, software, and financing. IBM offers its products through its global sales and distribution organization, as well as through a variety of third party distributors and resellers. The Exchange for the applicable Reference Share is the New York Stock Exchange under the symbol IBM. As of October 20, 2008, the market capitalization was approximately US \$124.28 billion.

