

# Disclosure regarding our services for retirement accounts

March 12, 2019

## Introduction

You are receiving this disclosure (“Disclosure”) because you have opened one or more individual retirement accounts through HSBC Securities (USA) Inc. (“HSBC Securities”), the assets of which are subject to section 4975 of the Internal Revenue Code (“Code”) (collectively, “Retirement Accounts”). This Disclosure provides information to you, as a retirement investor, regarding our services and material conflicts of interest when we provide you with certain investment recommendations.

## Scope of Our Services

- ◆ HSBC Securities’ offering for Retirement Accounts includes the following:
- ◆ Managed accounts, which are subject to investment management agreements
- ◆ Retirement annuities (fixed and variable),
- ◆ Non-managed brokerage accounts that provide access to a variety of investment products and access to transactional recommendations from an assigned Representative upon request, and
- ◆ Non-managed “execution-only” brokerage accounts, supported centrally without access to an assigned Representative or transactional recommendations.

If, depending upon your circumstances, we provide you with an investment recommendation, that recommendation will reflect the beliefs, experiences and analysis of your Representative and HSBC Securities, and the information that you provide to us about your investment objectives, risk tolerance, financial circumstances, and investment needs. We will not be responsible for any information that you omit, fail to provide, or provide incorrectly, including changes thereto. Our recommendations and advice will be affected by any limitations that you impose on us, including through applicable investment restrictions and guidelines. You are responsible for updating us promptly if your investment objectives, risk tolerance, or financial circumstances change.

**No guarantees . . .** We do not guarantee the performance of any investment or that your investment objectives will be achieved. Investing involves the risk of loss that you should be prepared to bear. In addition, HSBC Securities or your Representative may provide recommendations and take actions in connection with accounts of other clients that may differ from the recommendations and services provided to you.

**Your choices matter . . .** HSBC Securities and your Representative will not be responsible for your decision to invest or transfer your assets in a manner that is different from, or inconsistent with, our recommendations or other advice and guidance, and you assume the risk of that decision. Nor will HSBC Securities or your Representative be responsible for your delay in making a selection and placing an order. None of HSBC Securities, your Representative, our affiliates, or product sponsors (as defined below) assumes responsibility for your decisions. In addition, you are responsible for exercising caution, good judgment and discretion in your investment decisions.

**Not monitoring (unless we all agree differently) . . .** Except as otherwise agreed to in writing under an investment management agreement, HSBC Securities and your Representative will not, and have no obligation to, monitor a recommendation on an on-going basis to determine whether the recommendation remains appropriate for you. We also have no obligation to update statements made, or information provided, with respect to a previous recommendation, unless we otherwise agree, in writing. If you choose to enroll in an investment advisory account with us, however, we will undertake certain ongoing commitments to you in accordance with applicable regulations and your investment advisory agreement with us.

**Not necessarily the lowest cost . . .** We are not required to offer our services at the lowest cost, or for the least compensation, in the marketplace, or to offer our services to you at the same or lower cost or compensation levels than we offer them to other clients, including similarly-situated clients. Certain clients may have negotiated lower fees and compensation for their accounts than those that apply to your account.

If you want us to change the services we make available to you, or have any concerns regarding the level of fees or our compensation, please contact us immediately at 1-888-809-3802. If you are calling from outside the United States or Canada, please call us at 847-876-1574.

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## Conflicts of Interest

HSBC Securities, your Representative and our affiliates are permitted to earn compensation that varies depending on our investment recommendations that you choose to implement. This variable compensation creates an incentive for us and your Representative to make recommendations that generate greater compensation for us. For example, because we may earn greater compensation when you purchase interests in an annuity as opposed to when you enroll in a mutual fund, we would have a financial incentive to recommend that you purchase interests in the annuity.

We have identified the additional potential conflicts of interest for us with respect to these incentives as discussed more fully below.

### **Receiving compensation as a provider of products and services:**

HSBC Securities, when acting as broker, earns revenue based on the products and services provided to customers. Such revenue includes the receipt of commissions generated in connection with your transactions in equities and fixed income and certain other instruments and revenue from products and programs recommended to you. For example, HSBC Securities earns revenue based on sales loads, commissions, or concessions in connection with offering various packaged products such as mutual funds or 529 College Savings Plans. Some types of products (including different share classes of mutual funds) pay greater compensation than others.

When acting in the capacity as an investment adviser and/or sponsor of a Managed Account program, pursuant to an investment management agreement with you, HSBC Securities receives management fees, and its affiliate, HSBC Global Asset Management (USA) Inc., receives fees for services in connection with the Managed Account program (which fee may be paid out of the management fee). Similarly, as an insurance agent, HSBC Securities earns compensation from the sale of annuity products based on what you purchase.

HSBC Securities or its affiliates may also receive funds from third parties, such as brokers, who provide services to my account, including reimbursement for the costs of recognition or educational programs or seminars.

### Compensation for Managed Account Programs

The program fees that you pay to HSBC Securities when you enroll in an investment advisory program creates a material conflict of interest for HSBC Securities and your Representative to provide you with a recommendation to enroll in an HSBC Securities advisory program because your enrollment and aggregate investment through an HSBC Securities advisory program will result in compensation to us. Moreover, because HSBC Securities' program offerings and fees vary among advisory programs, and such fees may be greater than what HSBC Securities would receive if the client paid separately for investment advice, brokerage, and other services, a conflict of interest exists for HSBC Securities to provide you with a recommendation to enroll in an HSBC Securities advisory program for which we receive greater compensation. Because the amount of your investment, income to HSBC, and the fact that you made an investment are among factors considered when determining your Representative's discretionary bonus award (see below), your Representative also has a conflict of interest to recommend that you enroll in an HSBC Securities advisory program.

You are under no obligation to purchase or sell securities products and services through HSBC Securities or to participate in the HSBC Securities advisory program; however, if you choose to do so, HSBC Securities Representatives and other associated persons may receive additional compensation that creates a conflict of interest.

Please see our Form ADV Part 2 (available at <https://www.adviserinfo.sec.gov/>) for a detailed discussion of our material conflicts of interest when we provide you with investment advice and management services through our advisory programs.

### Compensation for Brokerage transactions.

The fees that you pay to HSBC Securities when you engage in transactions within your brokerage account creates a material conflict of interest for HSBC Securities and your Representative to provide you with a recommendation, where applicable, to engage in such transactions because these transactions will result in compensation to us. Moreover, because HSBC Securities' compensation earned from your transactions varies by product, a conflict of interest exists for HSBC Securities to recommend a product for which we earn greater compensation. For example, the structured products offered through our brokerage accounts are underwritten by HSBC Securities, and as such, we earn greater compensation when you purchase interests in a structured product as compared to products underwritten by third parties, so we would have a financial incentive to recommend that you purchase interests in an HSBC structured product. Because the amount of your investment, the income to HSBC, and the fact that you made an investment are among factors considered when determining your Representative's discretionary bonus award (see below), your Representative also has a conflict of interest to recommend that you open an account and make trades within that account.

As noted above, HSBC Securities brokerage accounts are subject to fees and commissions as detailed in our Commission and Fee Schedule. The Commission and Fee Schedule differs, depending upon the manner in which clients choose to engage HSBC Securities. With respect to executing unsolicited trades based on their own decision-making, clients have three ways to engage HSBC Securities: (i) through their Representative, (ii) through our Wealth Services Desk, and (iii) online through the Wealth Management portal on Personal Internet Banking. Clients should be aware that HSBC Securities' practice, as a broker-dealer, of accepting such fees creates a conflict of interest.

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## Compensation for Annuities

HSBC Securities currently recommends single premium fixed immediate annuities, fixed deferred annuities, and variable annuities with a living benefit rider. HSBC Securities offers recommendations of annuities from a number of insurance carriers. HSBC Securities earns a commission for the sale of the annuities offered, which creates a conflict of interest for HSBC Securities to provide you with a recommendation to purchase an annuity. The commission received by HSBC Securities is a percentage of the premium that you pay for your annuity contract, and varies depending on which product and rider(s) you select, how much you invest, and other factors. Because the amount of your investment, the income to HSBC, and the fact that you made an investment are among factors considered when determining your Representative's discretionary bonus award (see below), your Representative also has a conflict of interest to recommend that you purchase an annuity.

**Please note that the compensation amounts and structures differ from the compensation HSBC Securities receives if we recommend, and you enroll in, a managed account, or make any individual investments within your brokerage account as applicable, or purchase an annuity.**

## Compensation from product sponsors

HSBC Securities, and its Representatives, employees, and agents receive additional compensation from third party product sponsors (i.e. mutual fund companies, annuity providers), such as gifts and awards, an occasional meal or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing/advertising initiatives, including services for seminars for clients and prospective clients. Product sponsors also pay, or reimburse, HSBC Securities and its Representatives for the costs associated with education or training events that are attended, or sponsored, by HSBC Securities employees, agents, and representatives, and for HSBC Securities-sponsored conferences and events. The amount of these payments are not directly related to the level of assets you, or any other of our clients, invest in or with the product sponsor. Based on historic trends, HSBC Securities does not expect to receive gifts (and other non-cash compensation) in excess of the de minimis thresholds under the Department of Labor regulations with respect to a Retirement Account.

The receipts of these payments are not connected, in whole or in part, with any specific or particular client transaction. Third party support for education programs and seminars is approved and accepted on occasion; however, it is HSBC's current practice not to accept third party financial support for internal HSBC employee recognition programs.

## Your Representative's Compensation

HSBC Securities aims to mitigate conflicts and align its Representative's compensation to the interests of our customers through a compensation framework that includes no automatic reward based on products sold. Our Representatives aim to serve the interests of our clients and build long lasting, mutually valuable client relationships. To be more consistent with that aim, our representatives do not receive a commission (a set percentage of the revenue received by HSBC Securities from the execution of a transaction) on the products they sell. Your Representative is paid a salary, with the opportunity to receive additional incentives through a fully discretionary bonus (see below). A Representative's personal performance against established key performance indicators and balanced scorecard objectives are considered in determining whether and how much to award the Representative on a discretionary basis. Individual variable pay decisions for HSBC Securities associated persons and agents, including your Representative, will consider non-financial factors, such as the effective management of risk, compliance, quality and values, their activities in meeting with you and fulfilling your financial needs, as well as financial factors, including the accumulation of assets (including assets gathered and retained in managed accounts and investments in annuities recommended by the Representative), the generation of income to HSBC Securities resulting from your investments (including recurring fees from managed accounts), and the funding of HSBC's discretionary compensation plan. Accordingly, certain of these factors create a conflict as your Representative has an interest in recommending products and services offered by HSBC Securities and its affiliates, including brokerage accounts, managed accounts, transactions effected for brokerage accounts, and annuities. HSBC Securities, your HSBC Securities representative and our affiliates are permitted to earn compensation that varies depending on our investment recommendations that you choose to implement. This variable compensation creates an incentive for HSBC Securities and your Representative to make recommendations that generate greater compensation for us.

In addition, HSBC Securities' Representatives and other agents are eligible to receive other benefits, which may be based on the Representative's personal performance. Your Representative may participate in HSBC recognition programs involving travel and entertainment, and your Representative is also permitted by law and by HSBC Securities policy to receive certain forms of compensation from third parties (including mutual fund and annuity product providers) such as meals, occasional tickets to events, and gifts of a nominal value as permitted by industry regulations. Also, a mutual fund or annuity provider may sponsor events for educational purposes to which individual representatives may be invited. Such benefits also include transportation related to the above, and access to certain industry-related conferences. Participation in recognition programs is based upon personal performance, which is also impacted by the factors noted above including the accumulation of assets and income to HSBC Securities, and therefore, your Representative has further incentives to recommend that you invest assets with HSBC Securities, including enrolling in managed accounts, or investing in any products within your advised brokerage account, or purchasing annuities.

HSBC Securities reserves the right, at its discretion and without prior notice, to change the methods by which it compensates its sales professionals.

General Conflicts Associated with Operating as Part of a Global Financial Institution. HSBC Securities is a leading global investment banking firm and a registered broker-dealer, investment adviser and futures commission merchant. Accordingly, HSBC Securities may have interests in client transactions. HSBC Securities, through its subsidiaries and affiliates, provides broker-dealer, investment banking, financing, wealth management, advisory, asset management, insurance, lending and related products and services on a global basis. These products and services include securities brokerage, trading and underwriting; investment banking, strategic advisory services (including mergers and acquisitions) and other corporate finance activities; wealth management products and services including financial, retirement and generational planning; asset management and investment advisory and related record-keeping services; origination, brokerage, dealer and related activities in swaps, options, forwards, exchange-traded futures, other derivatives, commodities and foreign exchange products; securities clearance, settlement financing services and prime brokerage; private equity and other principal investing activities; proprietary trading of securities, derivatives and loans; banking, trust and lending services, including deposit-taking, consumer and commercial lending, including mortgage loans, and related services, and insurance and annuities sales and research across numerous disciplines, including: global equity strategy and economics, global fixed-income and equity-linked research, global fundamental equity research, and global wealth management strategy. HSBC Securities has entered into an agreement with HSBC Global Asset Management (USA) Inc. to perform certain services, for compensation, in our managed account programs. HSBC Global Asset Management (USA) Inc. serves as a service provider and advisory affiliate to HSBC Securities. Please see our Form ADV for additional information related to general conflicts.

Limitations on our Recommendations. HSBC Securities and our Representatives do not offer every advisory program, structured note, fixed income product, mutual fund, or annuity available in the marketplace. You may be able to obtain the same or similar investment products and services from another financial institution at lower cost.

Offering Proprietary Products

HSBC Securities receives compensation when accounts invest in products, including products managed by HSBC Securities’ affiliates, such as mutual funds, or other alternative investments. For example, certain mutual funds are advised by our affiliate, HSBC Global Asset Management (USA) Inc., which may receive a fee from the fund as set forth in the fund’s prospectus. Additionally, HSBC Securities may sell and be compensated for other proprietary products, including the sale of structured products issued by HSBC affiliates as well as money market mutual funds. Affiliates earn revenue as described in the applicable offering documents. The present and future activities of HSBC Securities and its affiliates may give rise to additional conflicts of interest with me. HSBC Securities, in its sole discretion, may refrain from recommending or effecting transactions for any reason including due to (a) regulatory requirements, (b) HSBC Securities’ internal policies and procedures, and (c) its determinations regarding actual or potential conflicts of interest or the appearance of such conflicts. HSBC Securities may determine to recommend or effect transactions notwithstanding the existence of such conflicts.

Additional information about our conflicts disclosure. You acknowledge that we may rely in good faith on information we obtain from third parties and provide to you as long as we do not know the information is incomplete or inaccurate. We may change the information contained in our disclosures without prior notice. You should also refer to your brokerage Customer Agreement and the offering documents/prospectuses for each product as applicable; your investment advisory agreement and our Form ADV with respect to our managed account programs; the offering documents, prospectuses and/or contracts for annuities, as applicable, which describe each offering, including potential risks and costs.

**To speak with HSBC Securities Representative regarding any questions that you may have, please contact us at 1-888-809-3802.**

**Investment and certain insurance products, including annuities, are offered by HSBC Securities (USA) Inc. (HSI), member NYSE/FINRA/SIPC. In California, HSI conducts insurance business as HSBC Securities Insurance Services. License #: OE67746. HSI is an affiliate of HSBC Bank USA, N.A. Whole life, universal life, term life, and other types of insurance are provided by unaffiliated third parties and offered through HSBC Insurance Agency (USA) Inc., a wholly owned subsidiary of HSBC Bank USA, N.A. Products and services may vary by state and are not available in all states. California license #: OD36843.**

**Investment Products:**

Are not a bank deposit or obligation of the bank or any of its affiliates	Are not FDIC insured	Are not insured by any Federal Government Agency	Are not guaranteed by the bank or any of its affiliates	May lose value
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**All decisions regarding the tax implications of your investment(s) should be made in consultation with your independent tax advisor.**