

**HSBC USA INC.,
HSBC BANK USA, N.A.
and
HSBC TRUST COMPANY (DELAWARE), N.A.**

**Charter of the Audit Committee
(Adopted by the Boards of Directors at a meeting held on May7, 2009)**

I. Committee Purpose

The Audit Committee is appointed by the Boards of Directors of HSBC USA Inc. (the “Corporation”), HSBC Bank USA, N.A. (“HSBC Bank USA”), and HSBC Trust Company (Delaware), N.A. (“HSBC Trust Company”, and together with HSBC Bank USA the “Banks”) to assist the Boards in fulfilling their oversight responsibilities to: (1) monitor the integrity of the Corporation’s/Banks’ financial reporting processes and systems of internal controls regarding internal accounting and external financial reporting; (2) review the Corporation’s/Banks’ compliance with legal and regulatory requirements that may have a material impact on the Corporation’s/Banks’ financial statements; and (3) monitor the qualifications, independence and performance of the Corporation’s/Banks’ internal and independent auditors.

II. Committee Composition and Meetings

The Committee shall consist of not less than three members. The Chair and all other members of the Committee shall be independent non-executive directors. The members of the Committee shall be outside directors, the majority of whom shall be independent of management of the institution. An outside director is a director who is not, and within the preceding fiscal year has not been, an officer or employee of the institution or any affiliate of the institution. In determining whether an outside director is independent of management, the Board of Directors should consider all relevant information. This would include considering whether the director:

- (a) Has previously been an officer of the Corporation/Banks or any of their affiliates;
- (b) Serves or served as a consultant, advisor, promoter, underwriter, legal counsel, or trustee of or to the Corporation/Banks or any of their affiliates;
- (c) Is a relative of an officer or other employee of the Corporation/Banks or any of their affiliates;
- (d) Holds or controls, or has held or controlled, a direct or indirect financial interest in the Corporation/Banks or any of their affiliates; and
- (e) Has outstanding extensions of credit from the Corporation/Banks or any of their affiliates.

The Committee shall include members with banking or related financial management expertise, have access to its own outside counsel, and shall not include an individual who would be considered

a large customer of the Corporation/Banks.¹ All members shall be financially literate as determined by the Board. At least one member shall be an “audit committee financial expert” as defined by the Securities and Exchange Commission.

The Committee shall meet with such frequency as it may consider appropriate (but in any event not less than four times each year) and shall meet periodically with the senior internal auditing executive and the independent auditor in executive sessions. Each year, a schedule of matters to be considered by the Committee at its scheduled meetings will be prepared and such schedule shall be considered to be an appendix to this Charter. The Committee shall maintain minutes of all meetings and make regular reports to the Board on all its activities since its last report. A majority of the members shall constitute a quorum.

III. Committee Responsibilities

The Committee shall have the following responsibilities, powers, direction and authorities:

- 1) To review and discuss with management, internal audit staff and the independent auditors the critical accounting principles, policies and practices, significant judgments, financial reporting and internal accounting controls and the internal audit functions of the Corporation/Banks and their respective subsidiaries that could impact the integrity of the Corporation’s/Banks’ financial statements.
- 2) To review and discuss with management, internal audit staff and the independent auditors the annual audited financial statements, including critical accounting policies and disclosures made in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and to recommend to the Board whether the audited financial statements should be included in the Corporation’s Form 10-K.
- 3) To review and discuss with management, internal audit staff and the independent auditors the Corporation’s quarterly financial statements prior to the filing of its quarterly reports on Form 10-Q, including the results of the independent auditors’ reviews of the quarterly financial statements and disclosures made in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”
- 4) To provide half-yearly assurance to the Audit Committee of HSBC North America Holdings Inc. that the Committee has no reason to believe that the information contained in the Corporation’s financial statements included in Forms 10-K and 10-Q has not been fairly stated, and such other matters as may be agreed from time to time. The certification

¹ Any individual or entity (including a controlling person of a company) whose relationship with the bank (credit or otherwise, direct or indirect) is so significant that termination of the relationship would materially and adversely affect the bank’s financial condition or results of operations should be considered a “large customer.”

provided shall include a representation as to whether Committee members are considered to be independent.

- 5) To meet periodically with the Chief Compliance Officer to discuss the Corporation's/ Bank's major compliance exposures and the steps management has taken to monitor and control such exposures, including the manner in which the regulatory and legal requirements of pertinent jurisdictions are evaluated and addressed. The Chief Compliance Officer shall report on the process and procedures utilized to conform the Corporation's/Banks' compliance program to Group policies. Upon request of the Board, the Committee will provide the Board with negative assurance as to such regulatory and legal requirements as the Committee deems possible.
- 6) To meet periodically with the Chief Risk Officer to discuss the Corporation's/Banks' major credit and operations risks and the steps management has taken to monitor and control such risks.
- 7) To meet periodically with representatives of the Corporation's/Banks' Asset/Liability Management Committee to discuss the Corporation's/Banks' major financial risk exposures and the steps management has taken to monitor and control such exposures.
- 8) To review with senior management, including the General Counsel and representatives of the Corporation's Disclosure Committee, guidelines and policies to govern the process for assessing and managing other risk topics, including regulatory compliance risk, litigation risk, and reputational risk. The Committee will review materials as the Disclosure Committee may request, including reports and minutes of the Disclosure Committee.
- 9) To review reports from management of the steps it has taken to monitor and control exposures to other selected risks.
- 10) To review and discuss with management, the independent auditor and the internal audit staff, the adequacy and effectiveness of the Corporation's/Banks' internal controls and the Corporation's disclosure controls and procedures, and management reports thereon. In its review of adequacy and effectiveness of the Corporation's internal financial control system, the Committee will consider the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget. The Committee shall review management's quarterly representation letter to the independent auditor to determine that the independent auditor is advised of any significant deficiencies, as well as material weaknesses in internal controls of which the Committee is aware.
- 11) To review the terms of engagement of the independent auditor and to discuss with the independent auditor its audit plans and procedures, including the general approach, scope and timing of the audit of the Corporation/Banks and their subsidiaries.

- 12) To review and discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the annual audit.
- 13) To review the independent auditor's management letter, management's response, and the status of action taken in response to the findings of the independent auditor.
- 14) To review and monitor the qualifications, competence, objectivity and independence of the independent auditor, which review shall include review of a report from the independent auditor at least annually regarding: (a) the independent auditor's internal quality control procedures; (b) any material issues raised by its most recent quality control review, or a peer review of the auditor, or by any inquiry or investigation by government or professional authorities within the preceding five years with respect to one or more independent audits by the independent auditor; (c) any steps taken to deal with any such issues; and (d) all relationships between the independent auditor and the Corporation/Banks.
- 15) To appoint, re-appoint and remove the independent auditor, subject in each case to acknowledgment by the Board and ratification by the Corporation's/Banks' shareholder.
- 16) To oversee the rotation of the lead (or coordinating) audit partners having primary responsibility for the audit and the audit partner responsible for reviewing the audit, as required by law.
- 17) In accordance with procedures approved by the Committee, to approve all fees to be paid to the independent auditor and to approve in advance all auditing services and permissible non-audit services (including the fees and terms thereof) to be performed by the independent auditor. The Committee will employ standards for non-audit services that are no less restrictive than Group policies. Preapproval authority may be delegated to one or more members of the Committee. As part of the approval required by this paragraph, the Committee (or its delegate) shall require written assurance that such service and fees have been approved in accordance with the HSBC Guidelines for Services Performed by Independent Auditors as in effect from time to time.
- 18) To establish policies for the Corporation's/Banks' hiring of partners, directors and employees or former partners, directors and employees of the independent auditor and to review the quarterly reports provided by the Chief Financial Officer regarding any such persons hired by the Corporation/Banks or their respective subsidiaries pursuant to the Corporation's/Banks' Policy for Hiring Employees and Former Employees of the Independent Auditor. Such policies shall be at least as restrictive as Group policies.
- 19) To review the Corporation's/Banks' monitoring compliance with the Statement of Business Principles.

- 20) To review the budget, plan, changes in plan, activities, organization and qualifications of the internal audit department, as necessary or advisable in the Committee's judgment.
- 21) To review and monitor the effectiveness of the internal audit department, monitor coordination between the internal and independent auditors and obtain assurances that the internal audit function has appropriate standing within the Corporation/Banks and is free from management or other restrictions.
- 22) To consider findings of major internal investigations, including in respect of internal control matters, and management's response, and to receive reports regarding any fraud, regardless of materiality, that involves management or other employees who have a significant role in the Corporation's/Banks' internal controls over financial reporting.
- 23) To review the periodic reports from the internal audit department that include an assessment on the adequacy and effectiveness of the Corporation's/Banks' processes for controlling their respective activities and managing risks.
- 24) To approve the appointment and replacement of the senior internal auditing executive, and to approve the annual key objectives and performance review of that executive.
- 25) To review the composition, powers and responsibilities of audit committees of the Corporation's/Banks' subsidiaries and the minutes of meetings of those committees, as well as significant matters considered by such subsidiary audit committees
- 26) To establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- 27) In its discretion, to retain special counsel, advisors, accounting experts, or other consultants and to consider from time to time any other matters which the Committee believes are required of it in keeping with its responsibilities.
- 28) To engage in an annual self-assessment with the goal of continuing improvement, and to review and reassess the adequacy of this charter at least annually and recommend any proposed changes to the Board for approval.
- 29) To meet with examiners from the Office of the Comptroller of the Currency ("OCC") at least once each supervisory cycle to discuss findings of OCC reviews of the Banks, including the OCC's conclusions regarding the Banks' audit function.
- 30) To perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's/Banks' financial statements are complete and fairly presented in all material respects in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations or to otherwise assure compliance with laws and regulations and the Corporation's/Banks' Statement of Business Principles.

5/2009