



HSBC Bank USA, N.A.

Callable Leveraged Steepener Certificates of Deposit

Indicative Terms and Conditions Deposit Highlights October 7, 2019

General

- Certificates of deposit (the "CDs") issued by HSBC Bank USA, National Association (the "Issuer")
- Full principal protection payable by the issuer if the CDs are held to maturity
- CDs are obligations of the Issuer and not its affiliates or agents.
- CDs are FDIC insured within the limits and to the extent described herein and in the Base Disclosure Statement under the section entitled "FDIC Insurance"
- As described more fully herein, early withdrawals are permitted at par in the event of death of the beneficial owner of the CDs

Key Terms

- 10 year 100% principal protected Callable Leveraged Steepener Certificates of Deposit linked to the spread between 10 Year Constant Maturity Swap Rate ("10 yr CMS") and 2 Year Constant Maturity Swap Rate ("2 yr CMS")
- Principal Amount: Minimum deposit amount of \$10,000 per depositor (except that each Agent may, in its discretion, impose a higher minimum deposit amount with respect to the CD sales to its customers) and then in additional increments of \$1,000. CDs will be issued in denominations of \$1,000.
- Trade Date: September 23, 2009
- Settlement Date: October 7, 2009
- Maturity Date: October 7, 2019
- Payment at Maturity: For each CD, the Maturity Redemption Amount
- Maturity Redemption Amount: 100% of the Principal Amount plus any accrued but unpaid Coupon
- Coupon Rate:

Year 1: 7.00% per annum (fixed)

Years 2-10 (the "Variable Interest Rate Period"): With respect to each Coupon Payment Date, a per annum rate equal to:

4 x Reference Rate, subject to the Coupon Cap Rate and the Coupon Floor Rate

Note: If the Reference Rate on the related Fixing Date is equal to or less than the zero, the Coupon Rate will be 0.00%.

- Reference Rate: (10 yr CMS minus 2 yr CMS), less the Strike Rate
For the purpose of determining the level of the Reference Rate applicable to any payment period during the Variable Interest Rate Period, the level of the Reference Rate will be determined two (2) U.S. Government Securities Business Days prior to the related Coupon Reset Date (each a "Fixing Date").
If 10 yr CMS or 2yr CMS is not displayed by 11:00 a.m. New York City time on the Reuters Screen ISDAFIX1 Page on any day on which the level of the Reference Rate must be determined, the rate for such day will be determined in accordance with the CMS Fallback Provisions.
- Strike Rate: 0.25%
- Coupon: For any Coupon Payment Date, an amount equal to: Principal Amount multiplied by the Coupon Rate, if any, for such Coupon Payment Date. (30/360 day count basis).
- Coupon Cap Rate: 8.00% per annum
- Coupon Floor Rate: 0% per annum
- Coupon Payment Dates: Quarterly on the 7th calendar day of each January, April, July and October, beginning January 7, 2010, as may be postponed or adjusted if such date is a non-Business Day, to the following Business Day.
- Coupon Reset Dates: Quarterly on the 7th calendar day of each January, April, July and October, beginning October 7, 2010. Coupon Reset Dates will not be adjusted to account for any date that is a non-Business Day.
- 10 yr CMS: The 10 year Constant Maturity Swap rate as published on Reuters page ISDAFIX1, or any successor page thereto, at 11:00 a.m. New York City time.
- 2 yr CMS: The 2 year Constant Maturity Swap rate as published on Reuters page ISDAFIX1, or any successor page thereto, at 11:00 a.m. New York City time.
- Call Right: The Issuer may, at its option, redeem the CDs in whole, but not in part, on each Call Date upon no less than 5 Business Days prior notice to DTC. If called, the Issuer shall pay with respect to each CD outstanding the Principal Amount plus accrued but unpaid interest up to, but excluding, the Call Date.
- Call Dates: October 7, 2011, October 7, 2013, October 7, 2015 and October 7, 2017.
- Business Day: Any day that is a business day in New York
- Form of CD: Book-entry
- Listing: The CDs will not be listed on any U.S. securities exchange or quotation system
- CUSIP: 40431AL59
- Comparable Yield (for tax purposes): [4.25%]
- Agents: Morgan Stanley & Co. Incorporated and HSBC Securities USA Inc.

Purchasing the CDs involves a number of risks. See “Risk Factors” beginning on page 8.

The CDs offered hereby are time deposit obligations of HSBC Bank USA, National Association, a national banking association organized under the laws of the United States, the deposits of which are insured by the Federal Deposit Insurance Corporation (the “FDIC”) within the limits and to the extent described in the Base Disclosure Statement under the section entitled “FDIC Insurance.” Since December 20, 2008, the Issuer’s designated main office is located in McLean, VA.

Our affiliate, HSBC Securities (USA) Inc. and other unaffiliated distributors of the CDs may use these terms and conditions and the accompanying Base Disclosure Statement in connection with offers and sales of the CDs after the date hereof. HSBC Securities (USA) Inc. may act as principal or agent in those transactions.

HSBC BANK USA, NATIONAL ASSOCIATION

Member FDIC

These Terms and Conditions were not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. These Terms and Conditions were written and provided by the Issuer, HSBC Securities (USA) Inc., and/or distributors of the CDs, in connection with the promotion or marketing by the Issuer and/or distributors of the CDs. Each depositor should seek advice based on its particular circumstances from an independent tax advisor.

Important information regarding the CDs is also contained in the Base Disclosure Statement for Certificates of Deposit, which forms a part of, and is incorporated by reference into, these Terms and Conditions. Therefore, these Terms and Conditions should be read in conjunction with the Base Disclosure Statement. A copy of the Base Disclosure Statement is available at www.us.hsbc.com/structuredcd or can be obtained from the Agent offering the CDs.

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SUMMARY OF TERMS

Set forth in these Terms and Conditions is a summary of certain of the terms and conditions of the Callable Leveraged Steepener Certificates of Deposit maturing October 7, 2019. The following summary of certain terms of the CDs is subject to the more detailed terms of the CDs included elsewhere in these Terms and Conditions and should be read in conjunction with the Base Disclosure Statement.

Issuer:	HSBC BANK USA, NATIONAL ASSOCIATION, acting through its New York Branch
Issuer Rating:	Senior unsecured deposit obligations of the Issuer are rated Aa3 by Moody's Investor Service, Inc. and AA by Standard & Poor's Rating Services. The credit ratings pertain only to the creditworthiness of the Issuer and are not indicative of the market risk associated with the CDs.
CDs:	Callable Leveraged Steepener Certificates of Deposit maturing October 7, 2019
Book-Entry Form:	The CDs will be represented by one or more master CDs held by and registered in the name of Depository Trust Company ("DTC"). Beneficial interests in the CDs will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants.
Aggregate Principal Amount:	10,000,000
Minimum Deposit Amount:	\$10,000 Principal Amount (except that each Agent may, in its discretion, impose a higher minimum deposit amount with respect to the CD sales to its customers) and multiples of \$1,000 Principal Amount thereafter.
Principal Amount:	\$1,000 for each CD
Trade Date:	September 23, 2009
Settlement Date:	October 7, 2009
Maturity Date:	October 7, 2019
Reference Rate:	(10 yr CMS minus 2 yr CMS), less the Strike Rate; where "10 yr CMS" is the 10-Year Constant Maturity Swap Rate, which is, on any day, the fixed rate of interest payable on an interest rate swap with a 10-year maturity as reported on Reuters Page ISDAFIX1 or any successor page thereto at 11:00 a.m. New York City time on that day. This rate is one of the market-accepted indicators of longer-term interest rates; and, "2 yr CMS" is the 2-Year Constant Maturity Swap Rate, which is, on any day, the fixed rate of interest payable on an interest rate swap with a 2-year maturity as reported on Reuters Page ISDAFIX1 or any successor page thereto at 11:00 a.m. New York City time on that day. This rate is one of the market-accepted indicators of shorter-term interest rates. For the purpose of determining the level of the Reference Rate applicable to any payment period during the Variable Interest Rate Period, the level of the Reference Rate will be determined two (2) U.S. Government Securities Business Days prior to the related Coupon Reset Date (each a "Fixing Date").

If 10 yr CMS or 2yr CMS is not displayed by 11:00 a.m. New York City time on the Reuters

Screen ISDAFIX1 Page on any day on which the level of the Reference Rate must be determined, the rate for such day will be determined in accordance with the CMS Fallback Provisions.

Strike Rate

0.25%

Coupon:

For any Coupon Payment Date, an amount equal to: Principal Amount multiplied by the Coupon Rate, if any, for such Coupon Payment Date (30/360 day count basis).

Coupon Rate:

Year 1 : 7.00% per annum (fixed)

Years 2-10 (the "Variable Interest Rate Period"): With respect to each Coupon Payment Date, a rate per annum equal to:

4 multiplied by the Reference Rate, subject to the Coupon Cap Rate and the Coupon Floor Rate

Note: If the Reference Rate on the related Fixing Date is equal to or less than the zero, The Coupon Rate will be 0.00%.

Coupon Cap Rate:

8.00% per annum

Coupon Floor Rate:

0% per annum

Coupon Payment Dates:

Quarterly on the 7th calendar day of each January, April, July and October, beginning January 7, 2010, as may be postponed or adjusted if such date is a non-Business Day to the following Business Day.

Coupon Reset Dates:

Quarterly on the 7th calendar day of each January, April, July and October, beginning October 7, 2010. Coupon Reset Dates will not be adjusted to account for any date that is a non-Business Day.

Business Days:

Any day that is a business day in New York

U.S. Government Securities

Business Day:

U.S. government securities business day means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

CMS Fallback Provisions:

If 10 yr CMS or 2yr CMS is not displayed by 11:00 a.m. New York City time on the Reuters Screen ISDAFIX1 Page on any day on which the level of the Reference Rate must be determined, the rate for such day will be determined on the basis of the mid-market semi-annual swap rate quotations to the Calculation Agent provided by five leading swap dealers in the New York City interbank market (the "Reference Banks") at approximately 11:00 a.m., New York City time, on such day, and, for this purpose, the mid-market semi-annual swap rate means the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. Dollar interest rate swap transaction with a term equal to the applicable 10 year or 2 year maturity commencing on such day and in a representative amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an actual/360 day count basis, is equivalent to USD-LIBOR-BBA with a designated maturity of three months. The Calculation Agent will request the principal New York City office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for that day will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If fewer than three quotations are provided as requested, the rate will be determined by the Calculation Agent in good faith and in a commercially reasonable manner.

Maturity Redemption Amount:	The Maturity Redemption Amount is the total amount due and payable on each CD on the Maturity Date. On the Maturity Date, the depositor of each CD will receive an amount equal to the Principal Amount, plus any accrued and unpaid Coupon.
Call Right:	The Issuer may, at its option, redeem the CDs in whole, but not in part, on each Call Date upon no less than 5 Business Days prior notice to DTC. If called, the Issuer shall pay with respect to each CD outstanding the Principal Amount plus accrued but unpaid interest up to, but excluding, the Call Date.
Calls Date:	October 7, 2011, October 7, 2013, October 7, 2015, October 7, 2017
Business Day Convention For Coupon Payment Dates and Call Dates:	Following Business Day; which means that if any Coupon Payment Date or Call Date is a non-Business Day, the payment due on such day, will be payable on the next succeeding Business Day with no adjustment to the amount payable on such succeeding Business Day.
Early Redemption upon the Death of a Depositor:	In the event of the death of any depositor of CDs, the full withdrawal of the Principal Amount of the CDs of that depositor will be permitted. In that event, the successor of that depositor shall give prior written notice of the proposed withdrawal to the Issuer, together with appropriate documentation to support the request, within 180 days of the death of such depositor. In that event, only a full withdrawal of the Principal Amount of the CDs will be permitted. In the event of such withdrawal, the Issuer shall pay any accrued but unpaid interest for the period up to, but excluding, the date of settlement for such withdrawal.
Calculation Agent:	HSBC Bank USA, National Association All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on the depositors of the CDs.
Listing:	None. See "Risk Factors" herein.
FDIC Insurance:	See "FDIC Insurance" herein and in the Base Disclosure Statement for details.
ERISA Plans:	See "Certain ERISA Considerations" in the Base Disclosure Statement for details.
Risk Factors:	The purchase of the CDs involves certain risks. See "Risk Factors" herein for a discussion of some of the factors which should be considered by prospective purchasers of the CDs.
Tax:	See "Certain U.S. Federal Income Tax Considerations" herein for a description of the tax treatment applicable to this instrument.
Governing Law:	New York

QUESTIONS AND ANSWERS

What Are the CDs?

The CDs are certificates of deposit issued by the Issuer. The CDs mature on the Maturity Date. Redemptions may also occur optionally upon the death of a depositor. See “Redemption upon the Death of a Depositor” in the Base Disclosure Statement.

Each CD represents an initial deposit by a depositor to the Issuer of \$1,000 Principal Amount (except that each Agent may, in its discretion, impose a higher minimum deposit amount with respect to the CD sales to its customers), and the CDs will be issued in integral multiples of \$1,000 Principal Amount in excess thereof. Depositors will not have the right to receive physical certificates evidencing their ownership of the CDs except under limited circumstances; instead the Issuer will issue the CDs in book-entry form. Persons acquiring beneficial ownership interests in the CDs will hold the CDs through DTC in the United States, if they are participants of DTC, or indirectly through organizations which are participants in DTC.

What interest will be paid on the CDs?

Interest on the CDs will be paid, with respect to year 1, at a rate per annum equal to 7.00%, and with respect to years 2-10, a rate per annum equal to the greater of (i) the Coupon Floor Rate and (ii) 4 x Reference Rate, subject to the Coupon Cap Rate.

What Amount Will Depositors Receive at Maturity in Respect of the CDs?

At the scheduled maturity, the amount depositors will receive for each CD will be equal to the Maturity Redemption Amount, which will equal the Principal Amount of the CD plus any accrued but unpaid Coupon, as described in the Summary of Terms above and the “Payment at Maturity” section in the Base Disclosure Statement. The annual percentage yield on the CD is only determinable at maturity.

For more information, see “Summary of Terms” above, together with the Base Disclosure Statement.

On what basis is the Coupon calculated?

Interest calculated on a 30/360 basis is determined as if each yearly period contained exactly 360 days and each monthly period contained exactly 30 days. The interest amount for a Coupon Payment Date depends upon the number of days from (and including) the preceding Coupon Payment Date to (but excluding) the Coupon Payment Date from which interest is being calculated, as follows:

$$\text{Interest} = \text{Principal} \times \text{Coupon Rate} \times (\text{Number of Days}/360)$$

where the Number of Days equals:

$$(\text{Number of twelve month periods} \times 360) + (\text{Number of additional monthly periods} \times 30) + (\text{Number of additional days})$$

A yearly or monthly period consists of the period from a particular calendar day in one calendar year or month, as applicable, to the numerically corresponding calendar day in the next calendar year or month, as applicable.

Can the CDs be Called for Redemption by the Issuer Prior to Maturity?

The Issuer may, at its option, redeem the CDs in whole, but not in part, on each Call Date upon no less than 5 Business Days prior notice to DTC. If called, the Issuer shall pay with respect to each CD outstanding the Principal Amount plus accrued but unpaid interest up to, but excluding, the Call Date.

Are the CDs FDIC Insured?

The payment of principal at maturity of this CD is insured by the FDIC up to the standard maximum deposit insurance amount in effect (generally up to \$250,000 in aggregate for individual depositors through December 31, 2013 and thereafter \$100,000, and up to \$250,000 in aggregate for certain retirement plans and accounts, including IRAs). Please see “FDIC Insurance” in the Base Disclosure Statement for more details.

What Are the U.S. Federal Income Tax Consequences of Purchasing the CDs?

The Issuer intends to treat the CDs as “contingent payment debt instruments” for U.S. federal income tax purposes. U.S. Holders (as defined under “Certain U.S. Federal Income Tax Considerations”) will be required to include in their taxable income for each year an amount of ordinary income equal to the “original issue discount” (“OID”) on the CDs for that year. The OID is included in income and taxable at ordinary income rates. As a result, U.S. Holders may be required to include OID with respect to their CDs in income in each year in excess of actual payments received on their CDs.

The amount of the OID that must be taken into income in each year will be calculated on the basis of the “comparable yield” of the CDs, which is the yield at which the Issuer would issue a non-contingent fixed-rate debt instrument having terms and conditions similar to those of the CDs. The comparable yield is determined by the Issuer as of the issuance date solely for U.S. federal income tax purposes and is neither a prediction nor a guarantee of what the actual yield will be on the CDs.

The Issuer will prepare a “projected payment schedule” that produces the comparable yield. If the actual Coupon on any Coupon Payment Date or the Maturity Redemption Amount exceeds the corresponding amount on the projected payment schedule, the excess will be taxes as additional OID income to the U.S. Holder. Any gain recognized by a U.S. Holder on the sale, exchange or other disposition of a CD will constitute ordinary interest income.

Prospective depositors should see “Certain U.S. Federal Income Tax Considerations” below and consult their tax advisors regarding the tax consequences to them of a purchase of the CDs.

What about Liquidity?

There is currently no established secondary trading market for the CDs. There is no assurance that a secondary market for the CDs will develop, or if it develops, that it will continue. In the event that a depositor could find a buyer of his or her CD, it is likely that the price a buyer would be willing to pay would be net of the commissions paid or discount allowed to the Agents on the initial placement of the CDs. Prospective depositors should carefully consider all of the information set forth in these Terms and Conditions and the Base Disclosure Statement and, in particular, should evaluate the specific risk factors set forth under “Risk Factors”.

What about Fees?

The CDs will initially be distributed through an affiliate of the Issuer, HSBC Securities (USA) Inc. and certain other unaffiliated third party distributors (the “Agents”). Agents may receive a commission or be allowed a discount as compensation for their services. See “The Distribution” in the Base Disclosure Statement and below.

What about ERISA Eligibility?

The CDs are not eligible for purchase by, on behalf of or with the assets of, Plans (as defined in the Base Disclosure Statement) unless the purchase and holding of the CDs does not and will not constitute a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or Similar Law. In view of the fact that the CDs represent deposits with the Issuer, fiduciaries should take into account the prohibited transaction exemption described in ERISA Section 408(b)(4), relating to the investment of plan assets in deposits bearing a reasonable rate of interest in a financial institution supervised by the United States or a state, and/or Part IV of PTCE 81-8, relating to transactions involving short-term investments, specifically certificates of deposit. (See “Certain ERISA Considerations” in the Base Disclosure Statement.) Each initial purchaser of a CD and each transferee thereof shall be deemed to represent and covenant that, throughout the period that it holds CDs, either (a) it is not, and is not acquiring CDs with the assets of, a Plan, or (b) that its purchase, holding and disposition of the CDs will not constitute a non-exempt prohibited transaction under Section 406 of ERISA, section 4975 of the Code, or Similar Law.

RISK FACTORS

It is suggested that prospective depositors considering purchasing CDs reach a decision to purchase only after carefully considering, with their financial, legal, tax, accounting and other advisors, the suitability of the CDs in light of their particular circumstances and the risk factors set forth below and other information set forth in these Terms and Conditions and the accompanying Base Disclosure Statement.

As you review the “Risk Factors” in the accompanying Base Disclosure Statement, you should pay particular attention to the following sections:

- “— Risks Relating to All CD Issuances”; and
- “— Additional Risks Relating to CDs with a Reference Asset that is a Commodity or Currency or an Index Relating Thereto.”

You will be subject to certain risks not associated with conventional fixed-rate or floating-rate CDs or debt securities.

The CDs are not suitable for purchase by all people. No person should purchase the CDs unless he or she understands and is able to bear the associated market, liquidity and yield risks.

Because of the numerous factors that may affect the value of the CDs, no assurance can be given that depositors of the CDs will receive any return in excess of the Principal Amount.

Movements in interest rates may affect whether or not interest on the CDs will accrue, the amount of interest you will receive, and the market values of the CDs.

If on any given Fixing Date during the term of the CDs, the Reference Rate is negative or zero then the Coupon for the related Coupon Payment Date shall be equal to the Coupon Floor Rate, which may be zero. As a result the interest payable on a Coupon Payment Date could, under certain circumstances, equal zero. **The depositor should understand that during Years 2-10, the Coupon Rate on the CDs is based on the level of the Reference Rate, and if the 10 yr CMS minus 2 yr CMS is less than or equal to the Strike Rate on any Fixing Date, the Coupon Rate for that period will be 0.00%. As a result, the depositor may not receive a Coupon for any Coupon Payment Date during the term of the CDs beyond the first year.**

The Coupon Rate may not exceed the Coupon Cap Rate. As a result, the depositor may not benefit from all increases in the Reference Rate.

Market factors may influence the likelihood that the Issuer will exercise its Call Right and redeem the CDs prior to their stated maturity.

It is more likely that the Issuer will redeem the CDs prior to their stated Maturity Date when interest rates move lower and/or the yield curve steepens. At such a time, future coupon payments would be greater than interest payable on instruments of a comparable maturity and credit rating then trading in the market. If the CDs are called prior to their stated maturity, investments then available in the market may have terms less attractive to the investor than the terms of the CDs.

Original Issue Discount Consequences of the CDs; U.S. Federal Income Tax Consequences.

The Issuer intends to treat the CDs as “contingent payment debt instruments” for U.S. federal income tax purposes. U.S. Holders (as defined under “Certain U.S. Federal Income Tax Considerations”) will be required to include in their taxable income for each year an amount of ordinary income equal to the “original issue discount” (“OID”) on the CDs for that year. The OID is included in income and taxable at ordinary income rates. As a result, U.S. Holders may be required to include OID with respect to their CDs in income in each year in excess of actual payments received on their CDs.

The amount of the OID that must be taken into income in each year will be calculated on the basis of the “comparable yield” of the CDs, which is the yield at which the Issuer would issue a non-contingent fixed-rate debt instrument having terms and conditions similar to those of the CDs. The comparable yield is determined by the Issuer as of the issuance date solely for U.S. federal income tax purposes and is neither a prediction nor a guarantee of what the actual yield will be on the CDs.

The Issuer will prepare a “projected payment schedule” that produces the comparable yield. If the actual Coupon on any Coupon Payment Date or the Maturity Redemption Amount exceeds the corresponding amount on the projected payment schedule, the excess will be taxes as additional OID income to the U.S. Holder. Any gain recognized by a U.S. Holder on the sale, exchange or other disposition of a CD will constitute ordinary interest income.

Prospective depositors should see “Certain U.S. Federal Income Tax Considerations” below and consult their tax advisors regarding the tax consequences to them of a purchase of the CDs.

No Secondary Market for the CDs Exists. Sales in the secondary market and/or live unwind prices quoted for the CDs by the Issuer prior to maturity may result in losses.

It is currently the practice of the Issuer to quote on request a live price (determined by the Issuer in its sole discretion) which it would pay/charge for early termination of any CD of this type that it issues. The Issuer may under certain conditions such as a market disruption event affecting the markets generally or the Issuer specifically cease to provide live unwind prices. A live unwind price for a CD of this type on any day of its terms may be affected by then-current market conditions including liquidity. A live unwind price for a CD of this type can change significantly from day to day over the life of the CD. The Issuer is under no obligation to hold a price quoted for any length of time unless this is agreed at the time of giving the quote. **The amount that a depositor will receive upon any such early termination may be less (and may be substantially less) than such depositor's initial deposit.**

Adverse Economic Interests to Depositors.

HSBC Bank USA, National Association is the Calculation Agent and will be solely responsible for the determination and calculation of the CD's Maturity Redemption Amount and any other determinations and calculations in connection with the CDs. Because the Issuer is the Calculation Agent, it may have economic interests adverse to those of the depositors, including with respect to certain determinations and judgments that the Calculation Agent must make in determining, for example, the Maturity Redemption Amount, if any, or if a Market Disruption Event (as defined in the Base Disclosure Statement) has occurred. However, the Calculation Agent is obligated to carry out its duties and functions as calculation agent in good faith and using its reasonable judgment.

DESCRIPTION OF THE CERTIFICATES OF DEPOSIT

The following information is a summary of the CD and the manner in which interest payments on the CD are made. Prospective depositors should also carefully review the “Description of the CDs” section in the Base Disclosure Statement.

Adjustments to Coupon Payment Date

If any Interest Payment Date or the Maturity Date is not a Business Day, then the Coupon Payment Date will be the next day that is a Business Day. If any Coupon Payment Date is adjusted by reason of the originally scheduled Coupon Payment Date not being a Business Day, no interest will accrue in connection with such adjustment.

Maturity Redemption Amount and Coupon Rate

At the scheduled maturity (and not upon an Early Redemption upon the death of a depositor), the amount depositors will receive for each CD will be equal to the Maturity Redemption Amount, which will equal A) the Principal Amount of the CD plus B) any accrued but unpaid Coupon, as described in the Summary of Terms above and the “Payment at Maturity” section in the Base Disclosure Statement. The Coupon with respect to year 1 is 7.00% per annum, and with respect to years 2-10 will be a per annum rate that is equal to the greater of (i) the Coupon Floor Rate (ii) 4 x the Reference Rate on a per annum basis subject to the Coupon Cap Rate.

Apart from the Coupon, if any, no interest will be paid, either for periods prior to the Settlement Date, during the term of the CDs or at or after maturity.

For more information, see “Summary of Terms” above, together with the Base Disclosure Statement.

Redemption upon the Death of a Depositor

Please refer to the section herein entitled “Early Redemption Upon the Death of a Depositor” and the section entitled “Redemption upon the Death of a Depositor” in the Base Disclosure Statement.

Issuer Call for Redemption Prior to Maturity

The Issuer may, at its option, redeem the CDs in whole, but not in part, on each Call Date upon no less than 5 Business Days prior notice to DTC. If called, the Issuer shall pay with respect to each CD outstanding the Principal Amount plus accrued but unpaid interest up to, but excluding, the Call Date.

Ratings

The CDs will not be rated by any rating agency.

The Calculation Agent

The Issuer is the Calculation Agent with regard to the CDs and is solely responsible for the determination and calculation of the Maturity Redemption Amount (including the components thereof) and any other determinations and calculations with respect to any distributions of cash in connection with the CDs. All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will be conclusive for all purposes and binding on the Issuer and depositors of the CDs, absent manifest error and provided that the Calculation Agent shall be required to act in good faith in making any determination or calculation. If the Calculation Agent uses discretion to make a determination or calculation, the Calculation Agent will notify the Issuer, who will provide notice to the depositors in respect of the CDs. The Calculation Agent may have economic interests adverse to those of the depositors of the CDs, including with respect to certain determinations and judgments that the Calculation Agent must make in determining the Maturity Redemption Amount. The Calculation Agent is obligated to carry out its duties and functions in good faith and using its reasonable judgment. The Calculation Agent will not be liable for any loss, liability, cost, claim, action, demand or expense (including, without limitation, all costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) arising out of or in relation to or in connection with its appointment or the exercise of its functions, except such as may result from its own willful default or gross negligence or that of its officers or agents. Nothing shall prevent the Calculation Agent or its affiliates from dealing in the CDs or from entering into any related transactions, including any swap or hedging transactions, with any depositor of CDs. The Calculation Agent may resign at any time; however, resignation will not take effect until a successor Calculation Agent has been appointed.

Illustrative Example

The table below presents examples of hypothetical Coupon payments that would accrue on the CDs during the Variable Interest Rate Period. The actual Coupon payments during the Variable Interest Rate Period will depend on the actual level of the Reference Rate on each Fixing Date. The applicable Coupon Rate for each payment period will be determined on a per-annum basis but will apply only to that payment period. In addition, whether or not you would receive any payments during the Variable Interest Rate Period would depend on whether or not we determine to exercise our Call Right prior to the related payment period.

The following examples are provided for illustration purposes only, are hypothetical and do not purport to be representative of every possible scenario concerning increases or decreases in the return on the CDs. The assumptions we have made in connection with the illustrations set forth below may not reflect actual events. You should not take these examples as an indication or assurance of the expected performance of the CDs.

Assumptions:

Specified Denomination: U.S. \$10,000

Coupon Rate: Year 1: 7.00% (quarterly, 30/360 unadjusted)

Years 2-10: 4 x (10 yr CMS – 2 yr CMS) – 0.25%, subject to the Coupon Cap Rate and the Coupon Floor Rate

Coupon Cap Rate: 8.00%

Coupon Floor Rate: 0.00%

Example	10 yr CMS – 2 yr CMS	Hypothetical Reference Rate	Hypothetical Coupon Rate (per annum)	Hypothetical Quarterly Interest Payment
1	-2.550%	-2.800%	0.00%	\$0.00
2	-2.400%	-2.650%	0.00%	\$0.00
3	-2.250%	-2.500%	0.00%	\$0.00
4	-2.100%	-2.350%	0.00%	\$0.00
5	-1.950%	-2.200%	0.00%	\$0.00
6	-1.800%	-2.050%	0.00%	\$0.00
7	-1.650%	-1.900%	0.00%	\$0.00
8	-1.500%	-1.750%	0.00%	\$0.00
9	-1.350%	-1.600%	0.00%	\$0.00
10	-1.200%	-1.450%	0.00%	\$0.00
11	-1.050%	-1.300%	0.00%	\$0.00
12	-0.900%	-1.150%	0.00%	\$0.00
13	-0.750%	-1.000%	0.00%	\$0.00
14	-0.600%	-0.850%	0.00%	\$0.00
15	-0.450%	-0.700%	0.00%	\$0.00
16	-0.300%	-0.550%	0.00%	\$0.00
17	-0.150%	-0.400%	0.00%	\$0.00
18	0.00%	-0.250%	0.00%	\$0.00
19	0.150%	-0.100%	0.00%	\$0.00
20	0.300%	0.050%	0.20%	\$0.50
21	0.450%	0.200%	0.80%	\$2.00
22	0.600%	0.350%	1.40%	\$3.50
23	0.750%	0.500%	2.00%	\$5.00
24	0.900%	0.650%	2.60%	\$6.50
25	1.050%	0.800%	3.20%	\$8.00
26	1.200%	0.950%	3.80%	\$9.50
27	1.350%	1.100%	4.40%	\$11.00
28	1.500%	1.250%	5.00%	\$12.50
29	1.650%	1.400%	5.60%	\$14.00
30	1.800%	1.550%	6.20%	\$15.50
31	1.950%	1.700%	6.80%	\$17.00
32	2.100%	1.850%	7.40%	\$18.50
33	2.250%	2.000%	8.00%	\$20.00
34	2.400%	2.150%	8.00%	\$20.00
35	2.550%	2.300%	8.00%	\$20.00

Historical Information

The following graph sets forth the historical difference between the 10 Year swap rate and the 2 Year swap rate for the period from January 1, 1995 to September 17, 2009. The historical difference between the 10 Year swap rate and the 2 Year swap rate should not be taken as an indication of the future performance of the Reference Rate. The graph below does not reflect the return the CDs would have had during the periods presented because it does not take into account the leverage factor of 4, the Strike Rate or our Call Right. We cannot give you any assurance that the level of the Reference Rate will be will be positive on any Fixing Date during the Variable Interest Rate Period. We obtained the information in the graph below from Bloomberg Financial Markets (USSW), without independent verification.



* The bold line in the graph indicates the Strike Rate of 0.25%

The historical performance shown above is not indicative of future performance. The level of the Reference Rate may be zero or negative on one or more specific Fixing Date dates during the Variable Interest Rate Period even if the level of the Reference Rate is generally positive and, moreover, the level of the Reference Rate has in the past been, and may in the future be, negative for extended periods of time. If the level of the Reference Rate is negative on any Fixing Date, you will not receive any Coupon for the related payment period.

In addition, whether you receive any coupon payments after October 7, 2011 depends on whether we elect to exercise our Call Right. It is more likely that we will call the CDs prior to their stated Maturity Date to the extent that the level of the Reference Rate is positive and results in an amount of interest payable that is greater than instruments of a comparable maturity and credit rating trading in the market. If the CDs are called prior to their stated Maturity Date, you will receive no further payments on the CDs. See "Description of Certificates of Deposit – Issuer Call for Redemption Prior to Maturity".

Source: Bloomberg L.P.

PAST PERFORMANCE IS NOT NECESSARILY A RELIABLE PREDICTOR OF FUTURE RESULTS.

THE DISTRIBUTION

Please refer to the section entitled "The Distribution" in the Base Disclosure Statement.

FDIC INSURANCE

The payment of principal at maturity of this CD is insured by the FDIC up to the standard maximum deposit insurance amount in effect (generally up to \$250,000 in aggregate for individual depositors through December 31, 2013 and thereafter \$100,000, and up to \$250,000 in aggregate for certain retirement plans and accounts, including IRAs). Please see "FDIC Insurance" in the Base Disclosure Statement for more details.

CERTAIN ERISA CONSIDERATIONS

Please refer to the section entitled "Certain ERISA Consideration" in the Base Disclosure Statement.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

Set forth below is a summary of certain U.S. federal income tax considerations relevant to the purchase, beneficial ownership, and disposition of a CD.

For purposes of this summary, a “U.S. Holder” is a beneficial owner of a CD that is:

- an individual who is a citizen or a resident of the United States for U.S. federal income tax purposes;
- a corporation (or other entity that is treated as a corporation for U.S. federal tax purposes) that is created or organized in or under the laws of the United States or any State thereof (including the District of Columbia);
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration, and one or more United States persons, as defined for U.S. federal income tax purposes, have the authority to control all of its substantial decisions.

For purposes of this summary, a “Non-U.S. Holder” is a beneficial owner of a CD that is:

- a nonresident alien individual for U.S. federal income tax purposes;
- a foreign corporation for U.S. federal income tax purposes;
- an estate, the income of which is not subject to U.S. federal income tax on a net income basis; or
- a trust if no court within the United States is able to exercise primary jurisdiction over its administration or if no United States persons, as defined for U.S. federal income tax purposes, have the authority to control all of its substantial decisions.

An individual may, subject to certain exceptions, be deemed to be a resident of the United States by reason of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year).

This summary is based on interpretations of the Internal Revenue Code of 1986, as amended (the “Code”), regulations issued there under, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such change may be applied retroactively and may adversely affect the U.S. federal income tax consequences described herein. This summary addresses only holders that purchase CDs at initial issuance and beneficially own such CDs as capital assets and not as part of a “straddle,” “hedge,” “synthetic security” or a “conversion transaction” for U.S. federal income tax purposes, or as part of some other integrated investment. This summary does not discuss all of the tax consequences that may be relevant to particular depositors or to depositors subject to special treatment under the U.S. federal income tax laws (such as banks, thrifts, or other financial institutions; insurance companies; securities dealers or brokers, or traders in securities electing mark-to-market treatment; mutual funds or real estate investment trusts; small business investment companies; S corporations; depositors that hold their CDs through a partnership or other entity treated as a partnership for U.S. federal tax purposes; depositors whose functional currency is not the U.S. dollar; certain former citizens or residents of the United States; persons subject to the alternative minimum tax; retirement plans or other tax-exempt entities, or persons holding the CDs in tax-deferred or tax-advantaged accounts; or “controlled foreign corporations” or a “passive foreign investment companies” for U.S. federal income tax purposes). This summary also does not address the tax consequences to shareholders, or other equity holders in, or beneficiaries of, a holder of CDs, or any state, local or foreign tax consequences of the purchase, ownership or disposition of the CDs.

The following summary was not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. The following summary was written in connection with the promotion or marketing by the Issuer, HSBC Securities (USA) Inc. and/or other distributors of the CDs. Each holder should seek advice based on its particular circumstances from an independent tax advisor.

PROSPECTIVE PURCHASERS OF CDS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF CDS.

In General

For U.S. federal income tax purposes, the Issuer intends to treat the CDs as contingent payment debt instruments (“CPDIs”) subject to taxation under the “noncontingent bond method” provided in the Treasury regulations. The remainder of this discussion assumes that the CDs will be subject to the noncontingent bond method, and the holders of the CDs will agree to treat the CDs in accordance with this treatment. The discussion that follows is based on that approach. Depositors should be aware, however, that the IRS is not bound by the Issuer’s characterization of the CDs, and the Internal Revenue Service (the “IRS”) could possibly take a different position as to the proper characterization of the CDs for U.S. federal income tax purposes. If the CDs are not in fact treated as CPDIs for U.S. federal income tax purposes, then the U.S. federal income tax treatment of owning and disposing of the CDs could differ from the treatment discussed below with the result that the timing and character of income, gain or loss recognized in respect of a CD could differ from the timing and character of income, gain or loss recognized in respect of the CD had the CD in fact been treated as CPDIs for U.S. federal income tax purposes.

Tax Treatment of U.S. Holders

Accruals of Original Issue Discount

Under the noncontingent bond method, U.S. Holders of the CDs will accrue original issue discount (“OID”) over the term of the CDs based on the CDs’ comparable yield. As a result, U.S. Holders may be required to include OID with respect to their CDs in income in each year in excess of the actual payments received on the CDs that year.

In general, the comparable yield of the CDs is equal to the yield at which the Issuer would issue a fixed rate debt instrument with terms and conditions similar to those of the CDs, including level of subordination, term, timing of payments, and general market conditions. Based on these factors, [the Issuer estimates that] the comparable yield on the CDs, solely for U.S. federal income tax purposes, is [4.25%] per annum (compounded annually). [However, the actual comparable yield may vary depending upon market conditions on the date the CDs are issued and will be reported in the Final Terms and Conditions.] The comparable yield is determined by the Issuer as of the issuance date solely for U.S. federal income tax purposes and is neither a prediction nor a guarantee of what the actual yield will be on the CDs.

Accordingly, U.S. Holders will generally accrue OID in respect of the CDs at a rate equal to the comparable yield. The amount of OID allocable to each annual accrual period will be the product of the “adjusted issue price” of the CDs at the beginning of each such accrual period and the comparable yield. If the CD provides for a noncontingent payment for any period in excess of the comparable yield, the Issuer intends to treat the excess amount as a nontaxable return of principal. The “adjusted issue price” of the CDs at the beginning of an accrual period will equal the issue price of the CDs plus the amount of OID previously includible in the gross income of the U.S. Holder determined without regard to any positive or negative adjustments (described below), less the projected amount of interest previously made on the CDs, without regard to actual interest paid, and less any amount previously received that was treated as a return on principal. The issue price of the CDs will be the first price at which a substantial amount of the CDs are sold. The balance of this summary assumes that the issue price of each CD is equal to its principal amount. The amount of OID includible in the income of each U.S. Holder for each taxable year will generally equal the sum of the “daily portions” of the total OID on the CDs allocable to each day during the taxable year on which a U.S. Holder held the CDs. Generally, the daily portion of the OID is determined by allocating to each day in any accrual period a ratable portion of the OID allocable to such accrual period. Such OID is included in income and taxed as ordinary income. Information returns indicating the amount of OID accrued on CDs held by persons of record other than corporations and certain other “exempt recipients” will be filed with the IRS and sent to such record holder.

Under the noncontingent bond method, the comparable yield of the CD is used to construct a projected payment schedule for the CDs (the “projected payment schedule”) based on estimates of the Coupon Rate and on the expected principal payment at maturity, that produces the comparable yield. Under the noncontingent bond method, the projected payment schedule is not revised to account for changes in circumstances that occur while the CDs are outstanding.

Based upon [the estimates of] the comparable yield and the projected payment schedule for the CDs, a U.S. Holder that pays taxes on a calendar year basis, buys a CD for \$1,000, and holds the CD until maturity, will be required to pay taxes on the following amounts of ordinary income in respect of the CDs for each coupon payment period: **[The actual projected payment schedule may vary depending upon market conditions on the date the CDs are issued and will be reported in the Final Terms and Conditions.]**

PROJECTED PAYMENT DATES	PROJECTED PAYMENTS	OID INCOME
1/7/2010	\$ 17.50	\$ 10.55
4/7/2010	\$ 17.50	\$ 10.24
7/7/2010	\$ 17.50	\$ 10.28
10/7/2010	\$ 17.50	\$ 10.32
1/7/2011	\$ 9.58	\$ 10.24
4/7/2011	\$ 9.37	\$ 10.03
7/7/2011	\$ 9.48	\$ 10.15
10/7/2011	\$ 9.58	\$ 10.27
1/9/2012	\$ 9.58	\$ 10.27
4/9/2012	\$ 9.48	\$ 10.17
7/9/2012	\$ 9.48	\$ 10.17
10/8/2012	\$ 9.58	\$ 10.29
1/7/2013	\$ 9.58	\$ 10.30
4/8/2013	\$ 9.37	\$ 10.08
7/8/2013	\$ 9.48	\$ 10.20
10/7/2013	\$ 9.58	\$ 10.32
1/7/2014	\$ 9.58	\$ 10.33
4/7/2014	\$ 9.37	\$ 10.11
7/7/2014	\$ 9.48	\$ 10.24
10/7/2014	\$ 9.58	\$ 10.36
1/7/2015	\$ 9.58	\$ 10.36
4/7/2015	\$ 9.37	\$ 10.15
7/7/2015	\$ 9.48	\$ 10.27
10/7/2015	\$ 9.58	\$ 10.39
1/7/2016	\$ 9.58	\$ 10.40
4/7/2016	\$ 9.48	\$ 10.29
7/7/2016	\$ 9.48	\$ 10.30
10/7/2016	\$ 9.58	\$ 10.42
1/9/2017	\$ 9.58	\$ 10.43
4/7/2017	\$ 9.37	\$ 10.21
7/7/2017	\$ 9.48	\$ 10.34
10/9/2017	\$ 9.58	\$ 10.46
1/8/2018	\$ 9.58	\$ 10.47
4/9/2018	\$ 9.37	\$ 10.25
7/9/2018	\$ 9.48	\$ 10.37
10/8/2018	\$ 9.58	\$ 10.50
1/7/2019	\$ 9.58	\$ 10.51
4/8/2019	\$ 9.37	\$ 10.29
7/8/2019	\$ 9.48	\$ 10.41

10/7/2019	\$ 1,009.58	\$ 10.54
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However, as described below in “—Adjustments for Differences between the Projected Coupon Payments and the Actual Coupon Payments,” for any year, the amount of ordinary income that a U.S. Holder will be required to pay taxes on from owning a CD may be greater or less than the amount specified in the projected payment schedule, depending upon the amount of the actual coupon paid and, if the coupon is less than the amount in the projected payment schedule for any year, a U.S. Holder could recognize a loss for that year.

A U.S. Holder is generally bound by the comparable yield and the projected payment schedule established by the Issuer for the CDs. However, if a U.S. Holder believes that the projected payment schedule is unreasonable, a U.S. Holder must set its own projected payment schedule and explicitly disclose the use of such schedule and the reason therefor on its timely filed U.S. federal income tax return for the taxable year in which it acquires the CDs.

The comparable yield and projected payment schedule are provided solely to comply with the applicable U.S. federal income tax regulations in order to determine the amount of OID to be accrued by U.S. Holders of the CDs solely for U.S. federal income tax purposes and do not constitute our assurances, representations, or expectations as to the actual yield or the Coupon Rate.

Adjustments for Differences between the Projected Coupon and the Actual Coupon Payments

If the actual amount of coupon paid in any taxable year (including upon maturity) differs from the corresponding amount in the projected payment schedule, adjustments to the U.S. Holder’s OID inclusions in respect of the CDs will be made for the difference. If the coupon paid in any taxable year exceeds the corresponding amount in the projected payment schedule, the excess will be a “positive adjustment,” which is treated as additional OID income. If the actual amount of coupon paid in any taxable year is less than the corresponding amount in the projected payment schedule, the deficiency will be a “negative adjustment” and will be applied first to reduce the OID accrued on the CD for the taxable year in which the coupon is paid, and any excess will be treated as an ordinary loss to the extent of the prior net OID inclusions of the U.S. Holder on the CD. Any such loss will not be subject to the limitations on the deductibility of miscellaneous deductions. Any remaining losses will be carried forward to future taxable years. Any negative adjustment carryforward on a CD for the taxable year in which the CD is sold, exchanged or retired will reduce the U.S. Holder's amount realized on the sale, exchange or retirement.

Sale, Exchange, Retirement, Redemption, or Other Disposition of the CDs

A U.S. Holder of a CD will recognize gain or loss on the sale, exchange, retirement, redemption or other disposition of the CD, to the extent that the amount realized is more or less than its purchase price, increased by the OID previously accrued by the owner on the CD determined without regard to any positive or negative adjustments, less the projected amount of any coupon previously made on the CDs as reflected in the projected payment schedule, without regard to the actual coupon amount paid. In general, any gain realized by a U.S. Holder on the sale, exchange, retirement, redemption or other disposition of a CD will be treated as ordinary interest income. Any loss recognized on the sale, exchange, retirement, redemption or other disposition of a CD will generally first offset any OID inclusion for the year of the disposition and thereafter treated as an ordinary loss to the extent of the OID previously accrued by such U.S. Holder on the CD (taking into account the adjustments described above) that would not be subject to the limitations on the deductibility of miscellaneous deductions. Any loss in excess of such accrued OID would be treated as a capital loss. The deductibility of capital losses by U.S. Holders is subject to limitations.

Tax Treatment of Non-U.S. Holders

Taxation of Interest and Disposition of the CDs

In general, Non-U.S. Holders will not be subject to any U.S. federal income or withholding tax on any interest income from a CD so long as the income or gain is not effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States. Additionally, Non-U.S. Holders will not be subject to any U.S. federal income or withholding tax on any gain on the sale, early withdrawal, maturity or other dispositions of a CD so long as the income or gain is not effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States and the Non-U.S. Holder is not an individual present in the United States for 183 days or more in the taxable year in which the gain is recognized.

U.S. Federal Estate Tax Treatment of Non-U.S. Holders

CDs held (or treated as held) by an individual who is a Non-U.S. Holder at the time of his or her death will not be subject to U.S. federal estate tax, provided that the individual would not be subject to any U.S. federal income or withholding tax with respect to income or gain on the CDs.

Information Reporting and Backup Withholding

Under certain circumstances, the Code requires “information reporting” annually to the IRS and to each holder of the CDs, and “backup withholding” with respect to certain payments made on or with respect to the CDs. Information reporting and backup withholding generally will not apply to U.S. Holders that are corporations or certain other “exempt recipients” if the U.S. Holder provides the Issuer with a properly completed IRS Form W-9, and will not apply to a Non-U.S. Holder if the Non-U.S. Holder provides the Issuer with a properly completed Form W-8BEN. Interest paid to a Non-U.S. Holder who is an individual who resides in Canada will be reported on IRS Form 1042S that is filed with the IRS and sent to the Non-U.S. Holder.

Backup withholding is not an additional tax and may be refunded (or credited against a depositor’s U.S. federal income tax liability, if any), if certain required information is furnished.

The preceding discussion is only a summary of certain of the tax implications of purchasing the CDs. Prospective depositors are urged to consult with their own tax advisors prior to purchasing to determine the tax implications of a purchase in light of that depositor’s particular circumstances.

AVAILABLE INFORMATION

The Bank submits to the FDIC certain reports entitled "Consolidated Reports of Condition and Income for a Bank with domestic and Foreign Offices" (each, a "Call Report" and collectively, the "Call Reports"). Each Call Report consists of a balance sheet, income statement, changes in equity capital and other supporting schedules as of the end of the period to which the Call Report relates. The Bank's Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council. While the Call Reports are supervisory and regulatory documents and do not provide a complete range of financial disclosure about the Bank, the Call Reports nevertheless provide important information concerning the Bank's financial condition. The publicly available portions of the Bank's Call Reports, and any amendment or Terms and Conditions thereto, for the quarterly periods in the years 2006, 2005, 2004 and 2003, and for any quarterly period subsequent to December 31, 2006, are incorporated herein by reference. The publicly available portions of the Bank's Call Reports are on file with, and publicly available at, the FDIC, 550 17th Street, N.W., Washington, D.C. 20429. The FDIC also maintains a website at <http://www.fdic.gov> that contains the publicly available portions of the Bank's Call Reports.

The Bank is a direct wholly owned subsidiary of HSBC USA Inc. ("HSBC USA"), a Maryland corporation and a registered bank holding company. HSBC USA is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the "Commission"). All such reports and other information may be inspected and copied at the Commission's public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The Commission also maintains a website at <http://www.sec.gov> that contains reports and other information regarding registrants that file electronically with the Commission, including HSBC USA. HSBC USA also maintains a website at <http://www.us.hsbc.com> where information about HSBC USA and the Bank can be obtained. The information included on or linked from the website of HSBC USA has not been incorporated by reference into this Base Disclosure Statement, and you should not consider it to be part of this Base Disclosure Statement.

HSBC USA's Annual Report on Form 10-K for the year ended December 31, 2006, its Quarterly Reports on Form 10 Q and its Current Reports on Form 8 K are incorporated by reference in this Base Disclosure Statement and made a part hereof. Each document or report filed by HSBC USA with the Commission pursuant to Section 13 or 15(d) of the Exchange Act subsequent to the date of this Base Disclosure Statement and prior to the termination of the offering of CDs is incorporated herein by reference. The CDs are not obligations of HSBC USA or any other affiliate of the Bank.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Base Disclosure Statement to the extent that a statement contained herein or in any other subsequently filed document that is also incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Base Disclosure Statement.

Each person to whom a copy of this Base Disclosure Statement is delivered may request a copy of any or all of the documents incorporated by reference herein, at no cost, by writing or telephoning at the following address:

HSBC Bank USA, National Association

Legal Dept.

Attn: Frank Weigand

452 Fifth Avenue, Tower 7

New York, NY 10018

HSBC Bank USA, National Association

The Bank is chartered as a national banking association under the laws of the United States and, as such, is regulated primarily by the Office of the Comptroller of the Currency. The Bank's deposits are insured by the FDIC up to applicable limits. The CDs are deposits of the Bank and are insured by the FDIC as and to the extent described herein and in the related Terms and Conditions.

The Bank's domestic operations are primarily in New York State. The Bank also has a network of branches in Florida and California, as well as one branch each in Delaware, Pennsylvania, Washington State, Washington D.C. and Oregon. [In addition to its domestic offices, the Bank maintains foreign branch offices, subsidiaries and/or representative offices in the Caribbean, Europe, Panama, Asia, Latin America, Australia and Canada.]

As of December 31, 2006, the Bank represented approximately 98% of the consolidated assets of HSBC USA and had total assets of approximately \$166 billion. The Bank had outstanding approximately \$154 billion of total liabilities, including deposits totalling approximately \$107 billion and approximately \$26 billion of long-term debt. The Bank's principal offices are located at 1105 N. Market Street, Suite 1, Wilmington, Delaware 19801, and the telephone number at these offices is (302) 652-4673.

HSBC USA Inc.

HSBC USA, incorporated under the laws of Maryland, is a New York State based bank holding company registered under the Bank Holding Company Act of 1956, as amended. HSBC USA's origin was in Buffalo, New York in 1850 as The Marine Trust Company, which later became Marine Midland Banks, Inc. ("Marine"). The Hongkong and Shanghai Banking Corporation acquired 51% of the common stock of Marine in 1980 and the remaining 49% of common stock in 1987. The HSBC Group, which consists of HSBC USA and its affiliates organized under HSBC Holdings plc as the parent holding company, is one of the largest banking and financial services organizations in the world.

The principal offices of HSBC USA are located at 452 Fifth Avenue, New York, New York, 10018, and the telephone number at these offices is (212) 525-5000. As of December 31, 2006, HSBC USA had assets of approximately \$169 billion and approximately 12,000 full and part time employees. HSBC USA is among the 15 largest U.S. bank holding companies ranked by assets.

The CDs are solely obligations of the Bank and are neither obligations of, nor guaranteed by, HSBC USA or HSBC Holdings plc.

DESCRIPTION OF THE CDS

Payment at Maturity

At maturity, the CDs will pay the principal amount plus an interest payment (the “Variable Amount”), if any, which, as will be described in the applicable Terms and Conditions, will be linked to the price of a specified equity security or the prices of specified equity securities (each, a “Share”) or the level or levels of an index or indices based on the prices of securities, an index or indices based on the prices of commodities or futures or options thereon or any other measure of economic or financial performance (each, an “Index” and collectively, “Indices”) over the term of the CDs (determined as described in the applicable Terms and Conditions) and which may be subject to a minimum return as described in the applicable Terms and Conditions. The Bank will be obligated to repay the principal amount of the CDs at maturity regardless of any changes in a relevant Share or Index. If provided in the applicable Terms and Conditions, the CDs may also pay interest at a fixed or floating interest rate as described in the applicable Terms and Conditions. The Variable Amount (which may, depending on the performance of the relevant Share or Index, equal zero) will be paid at the stated maturity date of the CDs, together with the principal amount of the CDs, unless otherwise described in the applicable Terms and Conditions. Fixed rate or floating rate interest, if any, will be accrued, compounded and paid as described in the applicable Terms and Conditions. Information relating to any relevant Share, the Index, the calculation of the Variable Amount and other transaction specific data, including any special tax considerations or special risk factors, will be described in the applicable Terms and Conditions.

On the stated maturity date the depositor will receive the principal amount of its CD plus the Variable Amount, if any; however, there will be no other payment of interest, periodic or otherwise, unless otherwise provided in the applicable Terms and Conditions for a particular CD.

Prospective depositors should compare the features of the CDs to other available investments before deciding to purchase a CD. Due to the uncertainty as to whether the CDs will earn an Variable Amount or whether CDs subject to the Bank’s early redemption right will be called prior to their stated maturity date, the returns which may be received with respect to the CDs may be higher or lower than the returns available on other deposits available at the Bank or other banks or through other investments. It is suggested that you reach a decision to purchase CDs only after carefully considering the suitability of a deposit in the CDs in light of your particular circumstances.

Information with Respect to the Indices and Shares

Each potential depositor of a CD should review the reports and other information which have been filed with the Commission, posted on a website or otherwise made publicly available by the sponsors of the Indices (the “Reference Index Sponsors”) and the issuers of the Shares (the “Reference Issuers”; the Reference Index Sponsors and the Reference Issuers hereinafter referred to collectively as the “Reference Firms”). Depositors are hereby informed that the reports and other information on file with the Commission, posted on a website or that is otherwise publicly available to which depositors are referred are not and will not be “incorporated by reference” herein or in the Terms and Conditions. Neither the Bank nor any of its affiliates will undertake to review the financial condition or affairs of the Reference Firms during the life of the CDs, nor to review the calculation methodology, publication procedures or any other aspect of the Reference Index Sponsors’ actions with respect to any Index, nor to advise any depositor or potential depositor in the CDs of any information coming to the attention of the Bank or any affiliate thereof.

Minimum Denominations and Issue Price

Unless otherwise provided in the related Terms and Conditions, each CD will be issued in minimum denominations of \$1,000 principal amount, or such greater minimum deposit amount as may be required by the Agent offering that CD, and in integral multiples of \$1,000 principal amount in excess thereof. Unless otherwise provided in the related Terms and Conditions, the issue price for the CDs will be 100% of the principal amount.

Early Redemptions

Depositor Redemption. If so provided in the applicable Terms and Conditions, the Bank may permit the depositor to redeem the CDs on a specified date or dates (the “Early Redemption Dates”; any such CD a “Redeemable CD”). In such case, unless the applicable Terms and Conditions otherwise provides, no later than 10 business days prior to any Early Redemption Date depositors may request from an Agent a quote of an initial Early Redemption Price prepared by the Calculation Agent (as defined herein). The initial Early Redemption Price is provided for informational purposes only and neither the Agents nor the Bank will be bound by the initial Early Redemption Price and depositors will be entitled solely to the final Early Redemption Price as calculated by the Bank. Unless otherwise provided in the

applicable Terms and Conditions, depositors of Redeemable CDs will be entitled to request early redemption by notifying the Agent no later than 3:00 p.m. (EST) 5 business days prior to the Early Redemption Date. Redeemable CDs may be redeemed in whole, but not in part. All early redemption requests (whether oral or written) by depositors are irrevocable. The final Early Redemption Price will be determined in the manner and on the date described in the applicable Terms and Conditions. The Bank will make final payment of the Early Redemption Price on the third business day after the Early Redemption Date, without accrual of any interest on the Early Redemption Price for the period following the Early Redemption Date.

No redemption of the CDs may be made by a depositor prior to the Maturity Date other than on an Early Redemption Date, except that redemption of the entire principal amount of the CDs, without interest and without any of the return from the Variable Amount, will be permitted without penalty prior to maturity in the case of the death of the owner of the CDs.

Bank Redemption. If so provided in the applicable Terms and Conditions, the Bank may be entitled to redeem (i.e., “call”) the CDs prior to the Maturity Date. The Bank will be entitled to effect such redemption upon such notice, on such date or dates, upon such conditions and for payment of such Early Redemption Price as may be described in the applicable Terms and Conditions.

Redemption for Extraordinary Event. Unless otherwise provided in the applicable Terms and Conditions, in the event that the Calculation Agent determines in good faith that the Bank would incur an increased amount of tax, duty, expense, cost or fee (other than brokerage commissions) to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the index price risk of entering into and performing its obligations under the CDs, then the Bank may, having given not more than 45 nor less than 2 days’ notice to the depositors of CDs (which notice will be irrevocable), redeem the CDs on the date indicated in such notice, in whole, but not in part, and each depositor of a CD shall receive an amount equal to the Early Redemption Price, calculated as described in the applicable Terms and Conditions and specified in such notice. Payment shall be made by the Bank to the depositors of the CDs on the date specified in the notice to depositors.

Redemption in Respect of Merger, Tender Offer, Nationalization, Delisting or Insolvency. Under certain circumstances involving a Reference Issuer or Shares, the CDs may be subject to early redemption, as described in more detail below.

Market Disruption Events

Unless otherwise provided in the applicable Terms and Conditions, if a Market Disruption Event occurs with respect to a Share or an Index on a date on which the price or level thereof would otherwise be scheduled to be determined for purposes of calculating the Variable Amount or any other purpose (any such date an “Observation Date”), then the Observation Date for such Index or Share shall be the first succeeding Scheduled Trading Day on which there is no Market Disruption Event. If the Observation Date has not occurred as of the fifth Scheduled Trading Day immediately following the original date that, but for the occurrence of the Market Disruption Event, would have been the Observation Date, then that fifth Scheduled Trading Day shall be the Observation Date. The Calculation Agent shall determine a related Index level based on the level of each Index in accordance with the formula for and method of calculating the relevant Index last in effect prior to the commencement of the Market Disruption Event using the exchange traded price that would have prevailed but for that suspension or limitation on that fifth Scheduled Trading Day of each security, futures contract or other financial instrument or measure comprised in the Index (or if trading in a relevant security, futures contract or other financial instrument or measure has been materially suspended or materially limited, the Calculation Agent’s good faith estimate of the exchange-traded price of such security, futures contract or other financial instrument or measure) as of the Valuation Time (as specified in the applicable Terms and Conditions for determination of the value of such Share) on that Scheduled Trading Day. The Calculation Agent shall determine the value of each Share using its good faith estimate of the exchange traded price for the relevant Share that would have prevailed but for that Market Disruption Event as of the Valuation Time on that Scheduled Trading Day. No interest or other sum shall accrue to the depositors in the event that a payment is postponed pursuant to the foregoing.

‘Market Disruption Event’ means for purposes hereof:

- (a) with respect to an Index and any date, the occurrence or existence of any of the following conditions which the Calculation Agent determines is material: (i) any suspension of or limitation imposed on trading by the Relevant Exchange or any Related Exchange or otherwise, and whether by reason of movements in price exceeding limits permitted by the Relevant Exchange or any Related Exchanges or otherwise, (A) relating to the constituents of such Index or any Successor Index or (B) in any futures or options contracts relating to an Index or Successor Index, as the case may be, on any relevant Related Exchange; (ii) any event (other than an event described in (iii) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the constituents of such Index or any Successor Index or (B) to effect transactions in, or obtain market values for, any futures or options contracts relating to such Index or any Successor Index, as the case may be, on any relevant Related Exchange; (iii) the closure on any Scheduled

Trading Day of the Relevant Exchange relating to the constituents of such Index or any Successor Index or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by the Relevant Exchange or such Related Exchange at least one hour prior to the actual closing time for the regular trading session on the Relevant Exchange or such Related Exchange on such Scheduled Trading Day; or (iv) the Relevant Exchange or Related Exchange for such Index or Successor Index fails to open for trading during its regular trading session; and

- (b) with respect to a Share and any date, the occurrence or existence of any of the following conditions which the Calculation Agent determines is material: (i) any suspension of or limitation imposed on trading by the Relevant Exchange or any Related Exchange or otherwise, and whether by reason of movements in price exceeding limits permitted by the Relevant Exchange or any Related Exchanges or otherwise, (A) relating to the Share or (B) in any futures or options contracts relating to the Share; (ii) any event (other than an event described in (iii) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the Share or (B) to effect transactions in, or obtain market values for, any futures or options contracts relating to the Share; (iii) the closure on any Scheduled Trading Day of the Relevant Exchange relating to the Share or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by the Relevant Exchange or such Related Exchange at least one hour prior to the actual closing time for the regular trading session on the Relevant Exchange or such Related Exchange on such Scheduled Trading Day; or (iv) the Relevant Exchange or Related Exchange for the Share fails to open for trading during its regular trading session.

“Relevant Exchange” means with respect to any Index, the primary exchanges for each share, futures contract, or other financial instrument or measure which is a component of such Index and, with respect to any Share, the primary exchange for such Share.

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

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

“Scheduled Trading Day” means (a) with respect to a Share, any day on which the Relevant Exchange and each Related Exchange are scheduled to be open for trading for such Share and (b) with respect to an Index, any day on which all of the Relevant Exchanges and Related Exchanges are scheduled to be open for trading for each security then included in the Index.

The Calculation Agent will notify the depositors of the existence of a Market Disruption Event on any day that but for the occurrence or existence of a Market Disruption Event would have been an Observation Date.

Discontinuance or Modification of an Index

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

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

If an Index is discontinued or if a Reference Index Sponsor fails to publish the Index and the Calculation Agent determines that no Successor Index is available at such time, then the Calculation Agent will determine the level of such Index that is to be used for such trading day using the same general methodology previously used by the Reference Index Sponsor. The Calculation Agent shall continue to make such a determination until the earlier of (i) the final Observation Date or (ii) a determination by the Calculation Agent that the Index or a Successor Index is available. In such case, the Calculation Agent will cause written notice thereof to be furnished to the Bank and to the depositors.

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

Notwithstanding these alternative arrangements, discontinuance of the publication of any Index to which a CD is linked may adversely affect the value of, and trading in, the CDs.

Merger Event and Tender Offer

A Merger Event, shall mean, in respect of any Share any (i) reclassification or change of such Share that results in a transfer of or an irrevocable commitment to transfer all shares of the relevant Shares outstanding, (ii) consolidation, amalgamation or merger of the relevant Reference Issuer with or into another entity (other than a consolidation, amalgamation or merger of the relevant Reference Issuer with or into another entity and which does not result in any such reclassification or change of all of such shares of the relevant Shares outstanding), (iii) a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding shares of the relevant Reference Issuer that results in a transfer of or an irrevocable commitment to transfer all such shares (other than such shares owned or controlled by the offeror), or (iv) consolidation, amalgamation, merger or binding share exchange of the Reference Issuer or its subsidiaries with or into another entity in which the Reference Issuer is the continuing entity and which does not result in a reclassification or change of the Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event, in each case if the Merger Date is on or before an Observation Date.

A Tender Offer shall mean, in respect of any Share, any takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, not less than 10% of the outstanding voting shares of the Reference Issuer 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.

If a Merger Event or Tender Offer occurs and the Shares are exchanged for new shares (with no distributions of property in respect of the Shares), and the Shares are still publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Relevant Exchange for the Shares, then the Calculation Agent shall adjust such terms and conditions of the CDs as the Calculation Agent determines appropriate to account for such event and such new shares shall be deemed Shares.

If a Merger Event or Tender Offer occurs and any distributions of property (other than the publicly quoted new shares referred to above) are made on the Shares, in whole or in part, then the Calculation Agent shall accelerate the Maturity Date of the CDs to the day which is five business days after the Approval Date (as defined below). On the Maturity Date, the Bank shall pay to each depositor in respect of a CD the principal amount plus the Variable Amount, if any, provided however that for purposes of calculation of the Variable Amount, the final share price will be the value of all consideration received (or that would be received) in respect of such event and the final Observation Date will be the Approval Date. In addition, the Calculation Agent shall adjust the Variable Amount, if any, (but not below zero) for the value of the imbedded options that would preserve the economic equivalent of any remaining payment obligations with respect to the CDs hereunder. The "Approval Date" is the closing date of a Merger Event, or, in the case of a Tender Offer, the date on which the person or entity making the Tender Offer acquires or acquires the right to obtain the relevant percentage of the voting shares of the Reference Issuer, or if such date is not a Scheduled Trading Day, the immediately preceding Scheduled Trading Day. In the case of an acceleration of the maturity of the CDs, interest, if any, will be paid on the CDs through and excluding the related date of accelerated payment.

Notwithstanding these alternative arrangements, a Merger Event or Tender Offer may affect Shares to which a CD is linked in a manner that adversely affects the value of, and trading in, the CDs. Similarly, an adjustment or acceleration resulting from a Merger Event or a Tender Offer may adversely affect the value of, or the trading in, the CDs.

Share Delisting, Nationalization, Insolvency

A Share Delisting shall be deemed to have occurred if at any time during the period from and including the issuance date to and including any Observation Date a Share ceases to be listed on the Related Exchange for any reason and is not immediately re-listed on a successor exchange which is another well recognized exchange in the same jurisdiction of the Related Exchange for such Share (a "Successor Exchange"). If the Share is immediately re-listed on a Successor Exchange, then the Share shall continue to be deemed to be the Share.

A Nationalization shall be deemed to have occurred if, at any time during the period from and including the issuance date to and including any Observation Date, all or substantially all of the assets of a Reference Issuer are nationalized, expropriated, or are otherwise required to be transferred to any governmental agency, authority or entity.

An Insolvency shall be deemed to have occurred if, at any time during the period from and including the issuance date to and including any Observation Date, by reason of voluntary or involuntary liquidation, bankruptcy or insolvency or any analogous proceeding involving the Reference Issuer (i) any of the Shares are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of any of the Shares become legally prohibited from transferring the Shares.

If a Nationalization, Insolvency or Delisting Event occurs, the Calculation Agent shall accelerate the Maturity Date to the day which is five business days after the Announcement Date (as defined below). On the accelerated Maturity Date, the Bank shall pay to each depositor the principal amount plus the Variable Amount, if any, provided however that for the purposes of calculating the Variable Amount, the final share price will be deemed to be the closing price of the Shares on the Relevant Exchange on the Scheduled Trading Day immediately prior to the Announcement Date. In addition, the Calculation Agent shall adjust the Variable Amount, if any, (but not below zero) for the value of the imbedded options that would preserve the economic equivalent of any remaining payment obligations with respect to the CDs hereunder. The "Announcement Date" means (i) in the case of a Nationalization, the day of the first public announcement by the relevant government authority that all or substantially all of the assets of the Reference Issuer are to be nationalized, expropriated or otherwise transferred to any governmental agency, authority or entity, (ii) in the case of a Delisting Event, the day of the first public announcement by the Relevant Exchange that the Shares will cease to trade or be publicly quoted on such Relevant Exchange, or (iii) in the case of an Insolvency, the day of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to an Insolvency with respect to the Reference Issuer. In the case of an acceleration of the maturity of the CDs interest, if any, will be paid on the CDs through and excluding the related date of accelerated payment.

Adjustments

Following the declaration by any Reference Issuer of the terms of any Potential Adjustment Event (as defined below), the Calculation Agent will determine whether such a Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Share and, if so, will make such calculations and adjustments to the terms of the CD as, in the good faith judgment of the Calculation Agent, may be necessary in order to account for the economic effect of such event.

For purposes hereof, "Potential Adjustment Event" means the occurrence of any of the following after the issuance date of the CDs:

- (i) A subdivision, consolidation or reclassification of any Share (unless a Merger Event), or, a free distribution or dividend of any such Share to existing holders by way of bonus, capitalization or similar issue;
- (ii) A distribution or dividend to existing holders of the relevant Shares of (A) such Shares, or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the relevant Reference Issuer equally or proportionately with such payments to holders of such Shares, or (C) and other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Calculation Agent;
- (iii) An extraordinary dividend;
- (iv) A call by the relevant Reference Issuer in respect of the relevant Shares that are not fully paid;
- (v) A repurchase by the relevant Reference Issuer of the relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (vi) Any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

Redemption upon the Death of a Depositor

In the event of the death of any beneficial owner of a CD, the full withdrawal of the principal amount of the CDs of that beneficial owner will be permitted. In that event: (a) prior written notice of the proposed withdrawal must be given to the depositor's Agent and the Bank, together with appropriate documentation to support the request, each within 180 days of the death of such depositor; and (b) only a full withdrawal of the principal amount of those CDs will be permitted. The CDs so redeemed will not be entitled to any interest, Variable Amount or amount in respect of a minimum return upon such redemption.

Ratings

The CDs will not be rated by any rating agency.

The Calculation Agent

The Calculation Agent will be the Bank. All determinations made by the Calculation Agent will be in its sole discretion and will, in the absence of manifest error, be conclusive for all purposes and be binding on the CDs and the depositors. Because the Calculation Agent is the Bank, potential conflicts of interest may exist between the Calculation Agent and the depositors owning the CDs, including with respect to certain determinations and judgments that the Calculation Agent must make in arriving at amounts due to depositors in respect of the CDs. The Calculation Agent will carry out its duties and functions in good faith and using its reasonable judgment. The Calculation Agent will not be liable for any loss, liability, cost, claim, action, demand or expense (including, without limitation, all costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) arising out of or in relation to or in connection with its appointment or the exercise of its functions, except such as may result from its own wilful default or gross negligence or that of its officers or agents. Nothing shall prevent the Calculation Agent or its affiliates from dealing in the CDs or from entering into any related transactions, including any swap or hedging transactions, with the Bank or any depositors in respect of CDs. The Calculation Agent may resign at any time upon written notice to the Bank, and the Bank may remove the Calculation Agent at any time upon written notice to the Calculation Agent. Neither resignation nor removal of the Calculation Agent will take effect until a successor Calculation Agent has been appointed.

RISK FACTORS

You will be subject to risks not associated with conventional fixed-rate or floating-rate CDs or debt securities. Prospective purchasers of the CDs should understand the risks of purchasing the CDs and should reach their own decision to purchase CDs, only after careful consideration, with their advisors, of the suitability of the CDs in light of their particular financial circumstances, the following risk factors and the other information included or incorporated by reference in the applicable Terms and Conditions and this Base Disclosure Statement. Please note that this Risk Factors section has various subcomponents addressing certain additional risk factors relating to specific categories of Share and Indices (collectively the "Reference Assets"). For example, certain additional risk factors relating to Reference Assets comprised of one or more equity securities can be found in the section "—Additional Risks Relating to CDs with an Equity Security or Equity Index as the Reference Asset." We have no control over a number of matters, including economic, financial, regulatory, geographic, judicial and political events, that are important in determining the existence, magnitude, and longevity of these risks and their influence on the value of, or the payments made on, the CDs. You should not purchase the CDs unless you understand and can bear these risks.

RISKS RELATING TO ALL CD ISSUANCES

Depositors holding to maturity may receive no Variable Amount

While a depositor of a CD who holds the CD to maturity is entitled to repayment of at least the Principal Amount plus the minimum return, if any, at maturity, the CDs do not bear interest, and there can be no assurance of the receipt of any Variable Amount. The Variable Amount is based on changes in the levels of the Reference Assets, which fluctuate. Changes in the levels of the Reference Assets cannot be predicted. Although historical data with respect to the Reference Assets are available, the historical performance of the Reference Assets should not be taken as an indication of future performance. In the event that, based upon the performance of the Reference Assets, the Variable Amount does not exceed zero or, if the CDs provide for a minimum return, in the event that the Variable Amount does not exceed the minimum return, the depositors of the CDs who hold the CD to maturity will receive only the Principal Amount of their CDs plus the minimum return, if any, at maturity. It is possible that the performance of one Reference Asset that would

otherwise increase the Variable Amount may be offset by the performance of another Reference Asset and, depending on the extent of such offset, it is possible that no Variable Amount would be payable.

Reference Firms have no obligations relating to the CDs

The Reference Firms have no affiliation with the Bank and no obligations relating to the CDs or amounts to be paid to depositors or any obligation to take the needs of depositors into consideration for any reason.

Hedging transactions by the Bank

The Bank will Hedge (as defined below) its exposure to the CDs. As part of the Hedge, the Bank or an affiliate of the Bank will be making investments, directly or indirectly, in financial instruments associated with the Reference Assets or in funds that track the performance of the Reference Assets. As used herein, "Hedge" means (A) any transactions executed by the Bank or any other affiliate of the Bank to (i) acquire, establish, reestablish, substitute, maintain, unwind, redeem or dispose of any transaction(s) or asset(s) the Bank or such affiliate deems necessary to hedge the risk of entering into and performing its obligations with respect to the CDs or (ii) realize, recover or remit the proceeds of any such transaction(s) or asset(s) or (B) to enter into any such transactions. In addition, the Bank or its affiliate is likely to modify its Hedge position throughout the life of the CDs. Although the Bank does not believe that such activities will have a material impact on the prices of such instruments it uses to Hedge its exposure or on the performance of the Reference Assets, there can be no assurance that the Bank or its affiliates will not affect such Reference Assets as a result of such activities.

Passive investments

The Indices are not actively managed. The Indices may be affected by a general decline in the U.S. or foreign markets or market segments relating to such Indices. Each Index is comprised of the securities, futures contracts or other assets included in, or representative of, its specific Index on the basis of its selection protocol regardless of their investment merit. The Bank and the Reference Index Sponsors do not attempt to take defensive positions in declining markets.

There may not be any secondary market for your CDs

Upon issuance, the CDs will not have an established trading market. We cannot assure you that a trading market for the CDs will develop or, if one develops, that it will be maintained. Although we may apply to list certain issuances of CDs on a national securities exchange or the Nasdaq Stock Market, we are under no obligation to do so. In addition, in the event that we apply for a listing, we may not meet the requirements for listing. We do not expect to announce, prior to the pricing of the CDs, whether we will meet such requirements. Even if there is a secondary market, it may not provide significant liquidity. You therefore must be willing and able to hold the CDs until maturity.

You may be required to pay fees in connection with your purchase of the CDs

You may be required to pay an additional amount per CD (as specified in the applicable Terms and Conditions) as a commission for services rendered by any of our Agents in connection with your initial purchase of the CDs. In addition, to the extent you request that any Agent execute a secondary market making transaction for any of your CDs (and the Agent agrees to do so), we and our Agents may receive a fee in connection with such secondary market making transaction in addition to any bid-ask spread. To the extent that the applicable Terms and Conditions allows you to redeem the CDs prior to maturity, you may be required to pay a fee in connection with your early redemption of the CDs. As a consequence of these fees, you may receive, whether holding to maturity, selling in a secondary market transaction or exercising an early redemption, less than the full performance of the Reference Asset.

Depositors' yield may be lower than the yield on a standard CD or debt security of comparable maturity

Payments of interest on the CDs, if any, may be lower than the interest payments you would receive by purchasing a conventional fixed-rate or floating-rate CD or debt security having the same maturity date and issuance date as the CDs. The effective yield to maturity of the CDs may be less than that which would be payable on such a conventional fixed-rate or floating-rate CD or debt security. Even considering a guaranteed minimum return, if specified in the applicable Terms and Conditions, or principal protection, any such return at maturity may not compensate the holder for any opportunity cost implied by inflation and other factors relating to the time value of money.

Price or other movements in the instrument or instruments comprising the Reference Asset are unpredictable

Price or other movements in the instrument or instruments comprising the Reference Asset are unpredictable and volatile, and are influenced by complex and interrelated political, economic, financial, regulatory, geographic, judicial and other factors that can affect the

markets in which the relevant instrument or instruments are traded and/or the particular instrument or instruments. As a result, it is impossible to predict whether the prices or levels of the instrument or instruments comprising the Reference Asset will rise or fall during the term of the CDs. During the term of the CDs, the price of the instrument or instruments comprising the Reference Asset may increase or decrease relative to the initial level. We cannot guarantee that the price of the instrument or instruments comprising the Reference Asset will rise or fall over the life of the CDs or, if the price of the instrument or instruments comprising the Reference Asset does rise or fall, what the price will be on any subsequent date.

The historical or pro forma performance of the Reference Asset is not an indication of future performance

The historical or pro forma performance of the instrument or instruments comprising the Reference Asset, which may be included in the applicable Terms and Conditions, should not be taken as an indication of the future performance of the instrument or instruments comprising the Reference Asset. It is impossible to predict whether the price or level of the Reference Asset will fall or rise over the term of the CDs. The price or level of the Reference Asset will be influenced by the complex and interrelated economic, financial, regulatory, geographic, judicial, political and other factors that can affect the trading markets on which the instrument or instruments comprising the Reference Asset are traded and/or the value of the CDs.

You must rely on your own evaluation of the merits of a purchase of the CDs

In connection with your purchase of the CDs, we urge you to consult your own financial, tax and legal advisors as to the risks entailed by a purchase of CDs and to investigate the Reference Asset and not rely on our views in any respect. You should make such investigation as you deem appropriate as to the merits of a purchase of the CDs.

The price at which you will be able to sell your CDs prior to maturity will depend on a number of factors, and may be substantially less than the amount you had originally deposited

If you wish to liquidate your deposit in the CDs prior to maturity, your only alternative would be to sell the CDs. At that time, there may be an illiquid market for your CDs or no market at all. Even if you were able to sell your CDs, there are many factors outside of our control that may affect the value that you could realize from such a sale. We believe that the value of your CDs will be affected by the value and volatility of the instrument or instruments comprising the Reference Asset, whether or not the trading level or price of the Reference Asset is greater than, less than or equal to the initial price or level, changes in interest rates, the supply of and demand for the CDs and a number of other factors. Some of these factors are interrelated in complex ways; as a result, the effect of any one factor may be offset or magnified by the effect of another factor. The price, if any, at which you will be able to sell your CDs prior to maturity may be substantially less than the amount you originally deposited if, at such time, the trading level or price of the Reference Asset is less than, equal to or not sufficiently above the initial price or level. The following paragraphs describe the manner in which we expect the trading value of the CDs will be affected in the event of a change in a specific factor, assuming all other conditions remain constant.

- *Reference Asset performance.* We expect that the value of the CDs prior to maturity will depend substantially on the relationship between the trading level or price of the Reference Asset and its initial level. If you decide to sell your CDs when the trading level or price differs from the initial level, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that trading level or price because of expectations that the trading level will continue to fluctuate until the final observation date
- *Volatility of the Reference Asset.* Volatility is the term used to describe the size and frequency of market fluctuations. If the volatility of the Reference Asset increases or decreases, the trading value of the CDs may be adversely affected
- *Interest rates.* We expect that the trading value of the CDs will be affected by changes in interest rates. In general, if interest rates increase, the value of the CDs may decrease, and if interest rates decrease, the value of the CDs may increase. Interest rates also may affect the economy and, in turn, the value of the Reference Asset, which would affect the value of the CDs
- *Our credit ratings, financial condition and results of operations.* Actual or anticipated changes in our current credit ratings, currently Aa2 by Moody's Investor Service, Inc. and AA by Standard & Poor's Rating Services, as well as our financial condition or results of operations may significantly affect the trading value of the CDs. However, because the return on the CDs is dependent upon factors in addition to our ability to pay our obligations under the CDs, such as the trading level or price of the Reference Asset, an improvement in our credit ratings, financial condition or results of operations is not expected to have a positive effect on the trading value of the CDs

- *Time remaining to maturity.* A “time premium” results from expectations concerning the value of the Reference Asset during the period prior to the maturity of the CDs. As the time remaining to the maturity of the CDs decreases, this time premium will likely decrease, potentially adversely affecting the trading value of the CDs. As the time remaining to maturity decreases, the trading value of the CDs may be less sensitive to the price volatility of the instrument or instruments comprising the Reference Asset
- *Dividend yield, if any.* The value of the CDs also may be affected by the dividend yields, if any, on the instrument or instruments comprising the Reference Asset. In general, because the payment at maturity does not incorporate the value of dividend payments, an increase in dividend yields is likely to reduce the trading value of the CDs. Conversely, a decrease in dividend yields is likely to increase the trading value of the CDs
- *Events affecting or involving the Reference Asset.* Economic, financial, regulatory, geographic, judicial, political and other developments that affect the level of the instruments comprising the Reference Asset, and real or anticipated changes in those factors, also may affect the trading value of the CDs. For example, earnings results of the instrument or instruments comprising a Reference Asset that is or relates to one or more equity securities, and real or anticipated changes in those conditions or results, may affect the trading value of the CDs. Reference Assets relating to equity securities also may be affected by mergers and acquisitions, which can contribute to volatility of the Reference Asset. As a result of a merger or acquisition involving the Reference Asset, the Reference Asset may be replaced with a surviving or acquiring entity’s securities. The surviving or acquiring entity’s securities may not have the same characteristics as the company or companies previously comprising the Reference Asset
- *Agent’s compensation and cost of hedging.* The original issue price of the CDs includes the Agent’s compensation and the cost of hedging our obligations under the CDs. Such cost includes our affiliates’ expected cost of providing such hedge and the profit our affiliate expects 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 will be willing to purchase CDs from you in secondary market transactions will likely be lower than the original issue price. In addition, any such prices may differ from values determined by pricing models used by the agent as a result of such compensation or other transaction costs

We want you to understand that the effect of one of the factors specified above, such as an increase in interest rates, may offset some or all of any change in the value of the CDs attributable to another factor, such as an increase in the value of the Reference Asset.

The repayment of principal of the CDs is insured by the FDIC within the limits and to the extent described in this Base Disclosure Statement; to the extent payments under the CDs are not insured by the FDIC, you can depend only on our creditworthiness for payment on the CDs

The CDs will be solely our obligations, except to the extent of FDIC insurance, and no other entity will have any obligation, contingent or otherwise, to make any payments in respect of the CDs. Our affiliates will have no obligation to pay any amount in respect of the CDs or to make any funds available for payment of the CDs. Accordingly, we will be dependent on our assets and earnings to generate the funds necessary to meet our obligations with respect to the CDs, including the payment of principal and any interest. If our assets and earnings are not adequate, we may be unable to make payments of principal or interest, if any, in respect of the CDs and you could lose that part of your deposit, if any, that is not covered by FDIC insurance.

The instrument or instruments comprising the Reference Asset may trade more frequently than the CDs trade in a secondary market, if any

The hours of trading for the CDs, if any, may not conform to the hours during which the instrument or instruments comprising the Reference Asset are traded. To the extent that U.S. markets are closed while foreign markets remain open, significant movements may take place in the levels of the instrument or instruments comprising the Reference Asset that will not be reflected immediately in the price of the CDs. In addition, there may not be any systematic reporting of last-sale or similar information for the Reference Asset. The absence of last-sale or similar information and the limited availability of quotations would make it difficult for many depositors to obtain timely, accurate data about the state of the market for the Reference Asset.

The Calculation Agent may postpone the determination of the amount you receive during the term of the CDs or at maturity if a Market Disruption Event occurs on any observation date or on any interest determination date, if applicable

Any observation date or interest determination date may be postponed if the Calculation Agent determines that a Market Disruption Event has occurred or is continuing on such date. If a postponement occurs, the Calculation Agent will follow the procedures prescribed in the applicable Terms and Conditions. You will not be entitled to compensation from us or the Calculation Agent for any loss suffered

as a result of the occurrence of a Market Disruption Event or any resulting delay in payment or any change in the level of the Reference Asset after the originally-scheduled observation date or interest determination date.

The Calculation Agent could be us or one of our affiliates, and the Calculation Agent may have an adverse economic interest

The Calculation Agent will make certain determinations and judgments in connection with various calculations in connection with the CDs and determining whether a Market Disruption Event has occurred. You should refer to “Description of CDs” in this Base Disclosure Statement and in the relevant Terms and Conditions. Because the Calculation Agent could be us or one of our affiliates, the Calculation Agent may have economic interests that are adverse to the interests of the depositors of the CDs. The Calculation Agent is obligated to carry out its duties and functions as Calculation Agent in good faith and using its reasonable judgment.

Trading and other transactions by us or our affiliates could affect the trading level or price and/or level of the Reference Asset, the trading value of the CDs or the amount you may receive at maturity

In connection with our normal business practices or in connection with hedging our obligations under the CDs, we and our affiliates may from time to time buy or sell the instrument or instruments comprising a Reference Asset, similar instruments, other securities of an issuer of an instrument comprising a Reference Asset or derivative instruments relating to such an instrument or instruments. These trading activities may occur in our proprietary accounts, in facilitating transactions, including block trades, for our other customers and in accounts under our management. These trading activities also could affect the price of an instrument comprising any Reference Asset in a manner that would decrease the trading value of the CDs prior to maturity or the amount you would receive at maturity. To the extent that we or any of our affiliates have a hedge position in an instrument or instruments comprising the Reference Asset, or in a derivative or synthetic instrument related to such an instrument, we or any of our affiliates may liquidate a portion of such holdings at or about the time of the maturity of the CDs. This liquidation activity may affect the amount payable at maturity in a manner that would be adverse to your deposit in the CDs. Depending on, among other things, future market conditions, the aggregate amount and the composition of such hedge positions are likely to vary over time.

In addition, we or any of our affiliates may purchase or otherwise acquire a long or short position in the CDs. We or any of our affiliates may hold or resell any such position in the CDs.

Research reports and other transactions may create conflicts of interest between you and us

We or one or more of our affiliates have published, and may in the future publish, research reports relating to the instrument or instruments comprising certain Reference Assets or to the issuers of certain such instruments. The views expressed in 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 CDs. Any of these activities may affect the trading level or price of an instrument comprising the Reference Asset and, therefore, the value of the CDs. Moreover, other professionals who deal in these markets may at any time have views that differ significantly from ours. In connection with your purchase of the CDs, you should investigate the Reference Asset and not rely on our views with respect to future movements in the Reference Asset.

We or any of our affiliates also may issue, underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments with returns indexed to the instrument or instruments comprising the Reference Asset. By introducing competing products into the marketplace in this manner, we or our affiliates could adversely affect the value of the CDs.

We and our affiliates, at present or in the future, may engage in business relating to the sponsor or issuer of any instrument or instruments comprising the Reference Asset, including making loans to, equity investments in, or providing investment banking, asset management or other advisory services to such a sponsor or issuer. In connection with these activities, we may receive information pertinent to the Reference Asset that we will not divulge to you.

We cannot control actions by the Reference Index Sponsors of the Reference Index or Indices or actions by the Reference Issuers of the instrument or instruments comprising the Reference Asset.

Actions by any Reference Index Sponsor of the Reference Index or Indices or by any Reference Issuer of any instrument or instruments comprising the Reference Asset may have an adverse effect on the trading level or price of any instrument comprising the Reference Asset and therefore on the value of the CDs. No Reference Index Sponsor or Reference Issuer will be involved with the administration, marketing or trading of the CDs and no Reference Index Sponsor or Reference Issuer will have any obligations with respect to the amounts to be paid to you on any applicable interest payment date or on the maturity date, or to consider your interests as an owner of CDs when it takes any actions that might affect the value of the CDs. No sponsor or issuer will receive any of the proceeds of any CD

offering and no sponsor or issuer will be responsible for, or have participated in, the determination of the timing of, prices for, or quantities of, the CDs to be issued.

We will not be affiliated with any Reference Index Sponsor of any Reference Index or Indices or Reference Issuer of any instrument or instruments comprising the Reference Asset (except for the licensing arrangements, if any, discussed in the applicable Terms and Conditions), and we have no ability to control or predict their actions, including any errors in information disclosed by them or any discontinuance by them of such disclosure. However, we may currently, or in the future, engage in business with such sponsors or issuers. Neither we, nor any of our affiliates, including the agent, assumes any responsibility for the adequacy or accuracy of any publicly available information about the sponsor or issuer of any instrument or instruments comprising the Reference Asset, whether such information is contained in the Terms and Conditions or otherwise. You should make your own investigation into the Reference Asset and the Reference Index Sponsor of any Reference Index or Indices and the Reference Issuer of any instrument or instruments comprising the Reference Asset.

You have no recourse to the Reference Index Sponsor of any Reference Index or Indices or Reference Issuer of any instrument or instruments comprising the Reference Asset

Your purchase of the CDs will not give you any rights against any sponsor or issuer, including any sponsor or issuer that may determine or publish the level of any index, instrument or instruments comprising the Reference Asset. The CDs are not sponsored, endorsed, sold or promoted by the sponsor or issuer of any instrument or instruments comprising the Reference Asset.

Changes in methodology of the sponsor or issuer of certain Reference Assets or changes in laws or regulations, may affect the value of and payment, if any, on the CDs prior to maturity and the amount you receive at maturity

The sponsor or issuer of certain Reference Assets may have the ability from time to time to change any of its rules or bylaws or historical practices and procedures or take emergency action under its rules, any of which could affect the trading level or price of the instrument or instruments comprising the Reference Asset. Any such change which causes a decrease in such trading level or price could adversely affect the level or price of the Reference Asset and the value of the CDs.

In addition, the level or price of a Reference Asset could be adversely affected by the promulgation of new laws or regulations or by the reinterpretation of existing laws or regulations (including, without limitation, those relating to taxes and duties on any Reference Asset) by one or more governments, governmental agencies or instrumentalities, courts or other official bodies. Any such event could adversely affect the level of the Reference Asset and, correspondingly, could adversely affect the value of the CDs.

The Reference Index Sponsor of a Reference Index may change the instruments comprising the Reference Index in a way that adversely affects the Reference Asset level and consequently the value of the CDs

The Reference Index Sponsor of a Reference Index or Indices can add, delete or substitute the instruments comprising the Reference Index or Indices or make other methodological changes that could adversely change the level of the Reference Asset and the value of the CDs. You should realize that changes in the instrument or instruments comprising the Reference Asset may affect the Reference Asset, as a newly added instrument or instruments may perform significantly better or worse than the instrument or instruments it replaces.

Any discontinuance or suspension of calculation or publication of the trading levels or prices of the instrument or instruments comprising the Reference Asset may adversely affect the trading value of the CDs and the amount you will receive at maturity

If the calculation or publication of the trading levels or prices of the instrument or instruments comprising the Reference Asset is discontinued or suspended, it may become difficult to determine the trading value of the CDs or, if such discontinuance or suspension is continuing on the observation date, the amount you will receive at maturity.

Reference Assets comprised of an instrument or instruments traded in a foreign market may contain additional risks

The prices and performance of instruments or securities traded in foreign markets may be affected by political, economic, financial, social or other factors in the relevant foreign market. In addition, recent or future changes in governmental, economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions, and possible fluctuations in the rate of exchange between currencies, are factors that could adversely affect the foreign securities markets. Moreover, the relevant foreign economy may differ favorably or unfavorably from that of the United States.

Time differences between the domestic and foreign markets and New York City may create discrepancies in the trading level or price of the CDs if the Reference Assets are comprised of instruments that primarily trade on foreign markets

In the event that the instrument or instruments comprising a Reference Asset trade primarily on a foreign market, time differences between the domestic and foreign markets may result in discrepancies between the level of the instrument or instruments comprising the Reference Asset and the value of the CDs. To the extent that U.S. markets are closed while markets for the instrument or instruments comprising the Reference Asset remain open, significant price or rate movements may take place in the instrument or instruments comprising the Reference Asset that will not be reflected immediately in the value of the CDs. In addition, there may be periods when the relevant foreign markets are closed for trading, causing the level of the Reference Asset to remain unchanged for multiple trading days in New York City.

ADDITIONAL RISKS RELATING TO CDS WITH AN EQUITY SECURITY OR EQUITY INDEX AS THE REFERENCE ASSET

Equity market risks may affect the trading value of the CDs and the amount you will receive at maturity

If the Reference Asset is an equity security or an equity index, we expect that the Reference Asset will fluctuate in accordance with changes in the financial condition of the relevant issuer(s), the value of common stocks generally and other factors. The financial condition of the issuer(s) of the Reference Asset may become impaired or the general condition of the equity market may deteriorate, either of which may affect the value of the Reference Asset and thereby affect the value of the CDs. Common stocks are susceptible to general equity market fluctuations and to volatile increases and decreases in value, as market confidence in and perceptions regarding the instrument or instruments comprising a Reference Asset change. Investor perceptions regarding the issuer of a security comprising a Reference Asset are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic, and banking crises. The value of the Reference Asset may be expected to fluctuate until the maturity date.

You have no rights in the property, nor shareholder rights in any securities of any Reference Issuer of the instrument or instruments comprising the Reference Asset

Purchasing the CDs will not make you a holder of the instrument or instruments comprising the Reference Asset. Neither you nor any other holder or owner of the CDs will have any voting rights, any right to receive dividends or other distributions or any other rights with respect to any property or securities of the Reference Issuer or Issuers of the instrument or instruments comprising the Reference Asset.

The CDs may be affected by certain corporate events and you will have limited antidilution protection

Following certain corporate events relating to the underlying Reference Asset, such as a stock-for-stock merger where the underlying company is not the surviving entity, you may receive at maturity, cash or a number of shares of the common stock of a successor corporation to the underlying company, based on the closing price of such successor's common stock. The occurrence of such corporate events and the consequent adjustments may materially and adversely affect the value of the CDs. We describe the specific corporate events that can lead to these adjustments in the applicable Terms and Conditions. The Calculation Agent for the CDs may adjust the amount payable at maturity by adjusting the initial level of the Reference Asset for certain events affecting the Reference Asset, such as stock splits and stock dividends and certain other corporate events involving an underlying company. However, the Calculation Agent is not required to make an adjustment for every corporate event that can affect the Reference Asset. If an event occurs that is perceived by the market to dilute or concentrate the Reference Asset but that does not require the Calculation Agent to adjust the amount of the Reference Asset payable at maturity, the value of the CDs and the amount payable at maturity may be materially and adversely affected. You should refer to "Description of the CDs—Calculation Agent" in this Base Disclosure Statement and the relevant Terms and Conditions for a description of the items that the Calculation Agent is responsible for determining.

Payments at maturity will not reflect dividends on the Reference Asset

Payments at maturity do not reflect the payment of dividends on the instrument or instruments comprising the Reference Asset. Therefore, the yield derived from the CDs will not be the same as if you had purchased the instrument or instruments comprising the Reference Asset and held it or them for a similar period.

We obtained the information about the sponsor or issuers of the Reference Asset from public filings

We have derived all information in the applicable Terms and Conditions about the sponsor or issuers of the instrument or instruments comprising the Reference Asset from publicly available documents. We have not participated and will not participate in the preparation of any of those documents. Nor have we made or will we make any “due diligence” investigation or any inquiry with respect to the sponsor or issuers of the instrument or instruments comprising the Reference Asset in connection with the offering of the CDs. We do not make any representation that any publicly available document or any other publicly available information about the sponsor or issuers of the instrument or instruments comprising the Reference Asset is accurate or complete. Furthermore, we do not know whether all events occurring before the date of the applicable Terms and Conditions, including events that would affect the accuracy or completeness of the publicly available documents referred to above or the trading level of the instruments comprising the Reference Asset, have been publicly disclosed. Subsequent disclosure of any events of this kind or the disclosure of or failure to disclose material future events concerning the sponsor or issuers of the instrument or instruments comprising the Reference Asset could affect the value you will receive at maturity and, therefore, the market value of the CDs.

Your return may be affected by factors affecting foreign securities markets

The Reference Asset may be a security or securities issued by foreign companies (or an index relating to such securities) and may be denominated in a foreign currency. Depositors should be aware that investments in Reference Assets linked to the value of foreign securities (or an index relating to such securities) might involve particular risks. The foreign securities comprising or relating to a Reference Asset may have less liquidity and could be more volatile than many of the securities traded in U.S. or other longer-established securities markets. Direct or indirect government intervention to stabilize the relevant foreign securities markets, as well as cross shareholdings in foreign companies, may affect trading levels or prices and volumes in those markets. Also, there is generally less publicly available information about foreign companies than about those U.S. companies that are subject to the reporting requirements of the Commission; and foreign companies often are subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies. The other special risks associated with foreign securities may include, but are not necessarily limited to: less liquidity and smaller market capitalizations; less rigorous regulation of securities markets; different accounting and disclosure standards; governmental interference; currency fluctuations; higher inflation; and social, economic and political uncertainties.

These factors may adversely affect the performance of the Reference Asset and, as a result, the trading value of the CDs and the amount you will receive at maturity.

The Reference Asset may not be a recognized market index and may not accurately reflect global market performance

The Reference Asset may not be a recognized market index and may be created solely for purposes of the offering of the CDs and calculated solely during the term of the CDs. In such an instance, the level of the Reference Asset and, therefore, its performance will not be published as a separate index during the term of the CDs.

ADDITIONAL RISKS RELATING TO CDS WITH A REFERENCE ASSET THAT IS A COMMODITY OR CURRENCY OR AN INDEX RELATING THERETO

Prices of commodities are highly volatile

Commodities prices are highly volatile and are affected by numerous factors in addition to economic activity. These include political events, weather, labor activity, direct government intervention, such as embargos, and supply disruptions in major producing or consuming regions. Such events tend to affect prices worldwide, regardless of the location of the event. Market expectations about these events and speculative activity also cause prices to fluctuate.

Certain rapidly developing countries are oversized users of commodities

The price of any instrument or instruments comprising the Reference Asset can fluctuate widely due to supply and demand disruptions in major producing or consuming regions. In particular, recent growth in industrial production and gross domestic product has made China, India and other rapidly developing countries oversized users of commodities and has increased the extent to which the price of commodities relies on the Chinese, Indian and certain other markets. Political, economic and other developments that affect China, India and other developing countries will affect the value of each instrument or instruments comprising the Reference Asset and, thus, the value of the CDs. Because the commodities represented by the instrument or instruments comprising the Reference Asset are produced

in a limited number of countries and are controlled by a small number of producers, political, economic and supply related events in such countries could have a disproportionate impact on the prices of the instrument or instruments comprising the Reference Asset.

Suspensions or disruptions of market trading in the commodity markets and related futures may adversely affect the amount you will receive at maturity and/or the market value of the CDs

The commodity markets are subject to temporary distortions or other disruptions due to various factors, including a lack of liquidity in the markets, the participation of speculators and potential government regulation and intervention. In addition, U.S. futures exchanges and some international futures exchanges have regulations that limit the amount of fluctuation in futures contract prices that may occur during a single business day. These limits are generally referred to as “daily price fluctuation limits” and the maximum or minimum price of a contract on any given day as a result of these limits is referred to as a “limit price.” Once the limit price has been reached in a particular contract, no trades may be made at a different price. Limit prices may have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices.

You will not have any rights to receive the Reference Asset

Purchasing the CDs will not make you a holder of any commodity, currency or futures contract relating to a Reference Asset. The CDs will be paid in U.S. dollars, and you will have no right to receive delivery of any commodity, currency or futures contract relating to a Reference Asset.

Lack of regulation

The net proceeds to be received by us from the sale of CDs relating to one or more commodities (or an index thereon) will not be used to purchase or sell any commodity futures contracts or options on futures contracts for your benefit. A purchase of the CDs thus does not constitute either an investment in futures contracts, options on futures contracts or in a collective investment vehicle that trades in these futures contracts (i.e., the CDs will not constitute a direct or indirect investment by you in the futures contracts), and you will not benefit from the regulatory protections of the Commodity Futures Trading Commission. We are not registered with the Commodity Futures Trading Commission as a futures commission merchant and you will not benefit from the Commodity Futures Trading Commission's or any other non United States regulatory authority's regulatory protections afforded to persons who trade in futures contracts on a regulated futures exchange through a registered futures commission merchant. Unlike a deposit in the CDs, an investment in a collective investment vehicle that invests in futures contracts on behalf of its participants may be subject to regulation as a commodity pool and its operator may be required to be registered with and regulated by the Commodity Futures Trading Commission as a commodity pool operator, or qualify for an exemption from the registration requirement. Because the CDs will not be interests in a commodity pool, the CDs will not be regulated by the Commodity Futures Trading Commission as a commodity pool, we will not be registered with the Commodity Futures Trading Commission as a commodity pool operator, and you will not benefit from the Commodity Futures Trading Commission's or any non U.S. regulatory authority's regulatory protections afforded to persons who invest in regulated commodity pools.

Risks relating to trading of the instrument or instruments comprising a Reference Asset on foreign futures exchanges

Certain foreign futures exchanges operate in a manner more closely analogous to the over-the-counter physical commodity markets than to the regulated futures markets, and certain features of U.S. futures markets are not present. For example, there may not be any daily price limits which would otherwise restrict the extent of daily fluctuations in the prices of the respective contracts. In a declining market, therefore, it is possible that prices would continue to decline without limitation within a trading day or over a period of trading days.

If the Reference Asset is comprised of one or more foreign currencies (or an index thereon), the CDs relating thereto may be subject to foreign exchange risk

The price relationship between two different currencies may be highly volatile and varies based on a number of interrelated factors, including the supply and demand for each currency, political, economic, legal, financial, accounting and tax matters and other actions that we cannot control. Relevant factors include, among other things, the possibility that exchange controls could be imposed or modified, the possible imposition of other regulatory controls or taxes, the overall growth and performance of the local economies, the trade and current account balance between the relevant countries, market interventions by the central banks, inflation, interest rate levels, the performance of the global stock markets, the stability of the relevant governments and banking systems, wars, major natural disasters and other foreseeable and unforeseeable events. In addition, the value of a currency may be affected by the operation of, and the identity of persons and entities trading on, interbank and interdealer foreign exchange markets.

The liquidity, trading value and amount you receive at maturity could be affected by the actions of the relevant sovereign governments

Exchange rates of most economically developed nations are “floating,” meaning the rate is permitted to fluctuate in value. However, governments, from time to time, may not allow their currencies to float freely in response to economic forces. Moreover, governments, including that of the United States, use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments also may issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing CDs relating to one or more foreign currencies is that their liquidity, their trading value and the amount you will receive at maturity could be affected by the actions of sovereign governments which could change or interfere with currency valuation and the movement of currencies across borders. There will be no adjustment or change in the terms of such CDs in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of the issuance of a replacement currency or in the event of any other development affecting the relevant currencies.

ADDITIONAL RISKS RELATING TO CERTAIN CDS WITH MORE THAN ONE INSTRUMENT COMPRISING THE REFERENCE ASSET

Risks associated with the Reference Asset may adversely affect the market price of the CDs

Because the CDs may be linked to changes in the values of a limited number of instruments, the Reference Assets may be less diversified than funds or portfolios investing in broader markets and, therefore, could experience greater volatility. A purchase of such CDs may carry risks similar to a concentrated investment in a limited number of industries or sectors.

The instruments comprising the Reference Asset may not move in tandem; and gains in one such instrument may be offset by declines in another such instrument

Price movements in the instruments comprising the Reference Assets may not move in tandem with each other. At a time when the price of one or more of such instruments increases, the price of one or more of the other such instruments may decrease. Therefore, increases in the value of one or more of the instruments comprising the Reference Asset may be moderated, or wholly offset, by lesser increases or decreases in the value of one or more of the other instruments comprising the Reference Asset.

The Reference Asset may be highly concentrated in one or more industries or economic sectors.

The CDs are subject to the risk of an investment in the Reference Asset, which may be highly concentrated in securities or other instruments representing a particular economic sector. These include the risks of movements in the prices or levels of assets in these sectors, including the prices or levels of securities or other instruments comprising the Reference Asset. If the Reference Asset is concentrated in an industry or group of industries or a particular economic sector, the value of the CDs will be impacted by price movements in that sector.

Please note, this Base Disclosure Statement and the applicable Terms and Conditions do not describe all the risks of a purchase of the CDs. We urge you to consult your own financial and legal advisors as to the risks entailed by a purchase of the CDs.

REFERENCE FIRMS AND REFERENCE ASSETS

The CDs have not been passed on by the Reference Index Sponsors or Reference Issuers of the Reference Indices or Shares or by any sponsor or issuer of any instrument or instruments underlying the Reference Asset as to their legality or suitability. The CDs are not issued by and are not financial or legal obligations of the Reference Index Sponsors or Reference Issuers of the Reference Indices or Shares or of any sponsor or issuer of the instrument or instruments underlying the Reference Asset. The Reference Index Sponsors and Reference Issuers of the Reference Indices and Shares and any sponsor or issuer of the instrument or instruments underlying the Reference Asset make no warranties and bear no liabilities with respect to the CDs. This Base Disclosure Statement relates only to the CDs offered by the applicable Terms and Conditions and does not relate to any security of an underlying issuer.

If the Reference Asset is one or more U.S. equity securities, note that companies with securities registered under the Exchange Act are required to file periodically certain financial and other information specified by the Commission. Information provided to or filed with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at Room 1580, 100 F Street, N.E., Washington, D.C. 20549, and copies of such material can be obtained from the Public Reference Section of the Commission, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the public reference room by calling the Commission at 1-800-SEC-0330. In addition, information provided to or filed with the Commission electronically can be accessed through a website maintained by the Commission. The address of the Commission's website is <http://www.sec.gov>. Information provided to or filed with the Commission pursuant to the Exchange Act by a company issuing a Reference Asset can be located by reference to the Commission file number provided in the applicable pricing supplement. In addition, information regarding such a company 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.

We do not make any representation or warranty as to the accuracy or completeness of any materials referred to above, including any filings made by the issuer of the Reference Asset with the Commission. In connection with any issuance of CDs under this Base Disclosure Statement, neither we nor the agent has participated in the preparation of the above-described documents or made any due diligence inquiry with respect to the sponsors or issuers of the Reference Asset. Neither we nor any affiliate makes any representation that such publicly available documents or any other publicly available information regarding the sponsor or issuer of the Reference Asset is accurate or complete. Furthermore, we cannot give any assurance that all events occurring prior to the date hereof (including events that would affect the accuracy or completeness of the publicly available documents described herein) that would affect the trading level or price of the Reference Asset (and therefore the price of such Reference Asset at the time we price the CDs) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning the sponsor or issuer of the Reference Asset could affect the value received at maturity with respect to the CDs and therefore the price of the CDs.

USE OF PROCEEDS AND HEDGING

The net proceeds we receive from the sale of the CDs will be used for general corporate purposes and, in part, in connection with hedging our obligations under the CDs through one or more of our affiliates. The original issue price of the CDs includes the Agent's commissions (as disclosed in the applicable pricing supplement) paid with respect to the CDs and the cost of hedging our obligations thereunder. The cost of hedging includes the projected profit that our affiliates expect to realize in consideration for assuming the risks inherent in managing the hedging transactions. Because hedging our obligations entails risk and may be influenced by market forces beyond our or our affiliates' control, such hedging may result in a profit that is more or less than initially projected, or could result in a loss.

On or prior to the pricing date, we, through our affiliates or others, expect to hedge our anticipated exposure in connection with the CDs by taking positions in the instrument or instruments comprising the Reference Asset, in option or futures contracts relating to such instrument or instruments listed on major securities or futures markets, in other types of derivative instruments relating to such instrument or instruments, or in any other available securities, commodities or instruments that we may wish to use in connection with such hedging. Such purchase activity could increase the initial level of the Reference Asset, and, accordingly, the level at which the Reference Asset must close to surpass the initial level. In addition, through our affiliates, we are likely to modify our hedge position throughout the life of the CDs, by purchasing and selling the instrument or instruments comprising the Reference Asset, options or futures contracts relating to such instrument or instruments listed on major securities or futures markets, other types of derivative instruments relating to such instrument or instruments or positions in any other available securities, commodities or instruments that we may wish to use in connection with such hedging activities. We cannot give any assurance that our hedging activities will not affect the price of the instrument or instruments comprising the Reference Asset and, therefore, adversely affect the value of the CDs or the payment that you will receive at maturity or upon any acceleration of the CDs.

FDIC INSURANCE

The CDs are insured by the FDIC, an independent agency of the federal government, generally up to the standard maximum deposit insurance amount in effect. The standard maximum deposit insurance amount in effect (as of April 1, 2006) is \$100,000 (including principal and interest) for all deposits held in the same capacity with the Bank and up to \$250,000 in aggregate for certain retirement plans and accounts, including IRAs. Beginning April 1, 2010 and every succeeding five years, the standard maximum deposit insurance amount may be adjusted by the FDIC for inflation. Any account or deposit that a depositor may maintain with the Bank, directly or indirectly through another intermediary, in the same capacity in which such depositor maintains the CD would be aggregated with the CD for purposes of the standard maximum deposit insurance limit. In the event the Bank fails, interest-bearing CDs are insured, up to the standard maximum deposit insurance limit for principal and interest accrued to the date of the Bank's closure.

Each depositor is responsible for monitoring the total amount of deposits that it holds with the Bank in order to determine the extent of deposit insurance coverage available to such depositor on its deposits, including the CDs. The Agents are not responsible for any insured or uninsured portion of the CDs or any other deposits.

If a depositor's CDs or other deposits at the Bank are assumed by another depository institution pursuant to a merger or consolidation, such CDs or deposits will continue to be separately insured from the deposits that such depositor might have established with the acquirer until (i) the maturity date of the CDs or other time deposits which were assumed, or (ii) with respect to deposits which are not time deposits, the expiration of a six month period from the date of the acquisition. Thereafter, any assumed deposits will be aggregated with such depositor's existing deposits with the acquirer held in the same capacity for purposes of federal deposit insurance. Any deposit opened at the acquired institution after the acquisition will be aggregated with deposits established with the acquirer for purposes of federal deposit insurance.

Under certain circumstances, if a depositor (the "surviving depositor") become the owner of CDs or other deposits at the Bank because another depositor dies, beginning six months after the death of the depositor the FDIC will aggregate those deposits for purposes of the standard maximum deposit insurance limit, currently \$100,000, with any other CDs or deposits that the surviving depositor owns in the same capacity at the Bank. Examples of accounts that may be subject to this FDIC policy include joint accounts, "payable on death" accounts and certain trust accounts. The FDIC provides the six month "grace period" to permit a surviving depositor to restructure its deposits to obtain the maximum amount of deposit insurance for which it is eligible.

The application of the standard maximum deposit insurance amount, currently \$100,000, is illustrated by several common factual situations discussed below.

Individual Customer Accounts. Funds owned by an individual and held in an account in the name of an agent or nominee of such individual (such as the CDs held in a Broker account) are not treated as owned by the agent or nominee, but are added to other deposits of such individual held in the same capacity (including funds held in a sole proprietorship) and are insured up to the standard maximum deposit insurance amount, currently \$100,000, in the aggregate.

Custodial Accounts. Funds in accounts held by a custodian (for example, under the Uniform Gifts to Minors Act) are not treated as owned by the custodian, but are added to other deposits of the minor or other beneficiary held in the same capacity and are insured up to the standard maximum deposit insurance amount, currently \$100,000, in the aggregate.

Corporate, Partnership and Unincorporated Association Accounts. Funds in accounts owned by corporations (including Subchapter S corporations, partnerships and unincorporated associations), operated for a purpose other than to increase deposit insurance, are added together with other deposits owned by such corporation, partnership and unincorporated association, respectively, and are insured up to the standard maximum deposit insurance amount, currently \$100,000, in the aggregate.

Joint Accounts. An individual's interest in funds in all accounts held under any form of joint ownership valid under applicable state law may be insured up to the standard maximum deposit insurance amount, currently \$100,000, in the aggregate, separately and in addition to the standard maximum deposit insurance amount, currently \$100,000, allowed on other deposits individually owned by any of the co-owners of such accounts (hereinafter referred to as a "Joint Account"). For example, a Joint Account owned by two persons currently would be eligible for insurance coverage of up to \$200,000 (\$100,000 for each person), subject to aggregation with each owner's interests in other Joint Accounts at the same depository institution. Joint Accounts will be insured separately from individually owned

accounts only if each of the co-owners is an individual person, has signed an account agreement with the Broker and has a right of withdrawal on the same basis as the other co-owners.

Revocable Trust Accounts.

General Rule. Funds in a “Totten trust” account, “payable upon death” account or other types of revocable trust accounts (as determined under applicable state law) will be aggregated with other funds of the grantor of the trust held in an individual capacity at the Bank and insured up to the standard maximum deposit insurance amount, currently \$100,000.

Special Rule. Revocable trust accounts will be insured as to each named beneficiary, separately from another account of the grantor or the beneficiary, provided that: (i) the trust document and the Broker’s account records evidence an intention that upon the death of the grantor the funds will belong to the grantor’s parents, siblings, spouse, or to one or more children or grandchildren and (ii) the beneficiaries of the revocable trust are specifically named in the Broker’s account records. However, a revocable trust account established by a husband and wife that names the husband and wife as sole beneficiaries will be treated as a joint account, and will be aggregated with other joint accounts subject to the rules described above under “Joint Accounts.”

Irrevocable Trust Accounts. Funds in an account for an irrevocable trust (as determined under applicable state law) will be insured for up to the standard maximum deposit insurance amount, currently \$100,000, for the interest of each beneficiary provided that the beneficiary’s interest in the account is non-contingent (i.e., capable of determination without evaluation of contingencies). The deposit insurance of each beneficiary’s interest is separate from the coverage provided for other accounts maintained by the beneficiary, the grantor, the trustee or other beneficiaries. The interest of a beneficiary in irrevocable trust accounts at the Bank created by the same grantor will be aggregated and insured up to the standard maximum deposit insurance amount, currently \$100,000.

Deposit Insurance for CDs Purchased by Retirement Plans and Accounts.

Retirement Plans and Accounts – Generally. A depositor may have interests in various retirement plans and accounts that are holding the CDs of the Bank. The amount of deposit insurance such depositor will be entitled to, including whether CDs held by the plan or account will be considered separately or aggregated with the CDs of the Bank held by other plans or accounts, will vary depending on the type of plan or account. It is therefore important to understand the type of plan or account holding the CD. The Federal Deposit Insurance Reform Act of 2005 and regulations adopted by the FDIC to implement this law have made changes to the deposit insurance coverage of deposits held in retirement plans and accounts. The following sections entitled “Individual Retirement Accounts,” “Pass-Through Deposit Insurance for Employee Benefit Plan Deposits” and “Aggregation of Retirement Plan and Account Deposits” generally discuss the rules that apply to deposits of retirement plans and accounts.

Individual Retirement Accounts. The CDs of the Bank held in an individual retirement account (an “IRA”) are insured up to \$250,000 in the aggregate, subject to inflation adjustments. Thus, the owner of an IRA will only be entitled to insurance of \$250,000 for CDs of the Bank held in plans and accounts that are subject to aggregation.

Pass-Through Deposit Insurance for Employee Benefit Plan Deposits. Subject to the limitations discussed below, under FDIC regulations an individual’s non-contingent interests of up to \$250,000 in the deposits of the Bank held by many types of plans are eligible for insurance on a “pass-through” basis. This means that instead of an employee benefit plan’s deposits at the Bank being entitled to only \$250,000 of insurance in total, each participant in the employee benefit plan is entitled to insurance of his or her interest in the employee benefit plan’s deposits of up to \$250,000 (subject to the aggregation of the participant’s interests in different plans, as discussed below). The pass-through insurance provided to an individual as an employee benefit plan participant is in addition to the deposit insurance allowed on other deposits held by an individual with the Bank.

A deposit held by an employee benefit plan that is eligible for pass-through insurance is not insured for an amount equal to the number of plan participants multiplied by \$250,000. For example, an employee benefit plan owns \$300,000 in CDs at one depository institution. The employee benefit plan has two participants, one with a vested non-contingent interest of \$270,000 and one with a vested non-contingent interest of \$30,000. In this case, the employee benefit plan’s deposit would be insured up to only \$280,000; the individual with the \$270,000 interest would be insured up to the \$250,000 limit and the individual with the \$30,000 interest would be insured up to the full value of such interest.

The contingent interests of employees in an employee benefit plan and over-funded amounts attributed to any employee benefit plan are not insured on a pass-through basis. Contingent interests of an employee in an employee benefit plan deposit are interests that are not capable of evaluation in accordance with FDIC rules, and are aggregated and insured up to the standard maximum deposit insurance amount, currently \$100,000. Similarly, over-funded amounts are insured, in the aggregate for all participants, up to the standard

maximum deposit insurance amount, currently \$100,000, separately from the insurance provided for any other funds owned by or attributable to the employer or an employee benefit plan participant.

Types of Employee Benefit Plans. Under federal law, whether an employee benefit plan deposit is entitled to pass-through deposit insurance coverage is based, in part, on the type of employee benefit plan involved. The types of plans for which deposits may receive “pass-through” treatment are employee benefit plans, as defined in Section 3(3) of ERISA (including “Keogh Plans” of owner-employees described in Section 401(d) of the Internal Revenue Code of 1986, as amended (the “Code”) whether or not they are technically “employee benefit plans” under ERISA) (“ERISA Plans”) and deferred compensation plans for certain employees of state or local governments or tax-exempt organizations (“Section 457 Plans”). (Collectively, ERISA Plans and Section 457 Plans are referred to herein as “Plans.”) Plans eligible for pass-through treatment include a tax-qualified pension, profit-sharing or stock bonus plan, a governmental plan or a church plan.

Aggregation of Plan and Account Deposits. Under FDIC regulations, an individual's interests in Plans maintained by the same employer or employee organization (e.g., a union) which are holding deposits of the same depository institution will be insured for \$250,000 in the aggregate. In addition, under FDIC regulations an individual's interest in the CDs of one depository institution held by (i) IRAs, (ii) Section 457 Plans, (iii) self-directed Keogh Plans and (iv) self-directed defined contribution plans will be insured for \$250,000 in the aggregate whether or not maintained by the same employer or employee organization.

If a prospective depositor has questions about basic FDIC insurance coverage, it should contact its financial consultant or advisor. A prospective depositor may wish to seek advice from its own attorney concerning FDIC insurance coverage of deposits held in more than one capacity. A prospective depositor may also obtain information by contacting the FDIC, Office of Consumer Affairs, by letter (550 17th Street, N.W., Washington, D.C. 20429), by phone (877-275-3342, 800-925-4618 (TDD) or 202-942-3100) or by e-mail (dcainternet@fdic.gov) or visiting the FDIC website at www.fdic.gov.

CERTAIN ERISA CONSIDERATIONS

Section 4975 of the Code prohibits the borrowing of money, the sale of property and certain other transactions involving the assets of plans that are qualified under the Code (“Qualified Plans”) or individual retirement accounts (“IRAs”) and persons who have certain specified relationships to them. Section 406 of ERISA prohibits similar transactions involving employee benefit plans that are subject to ERISA (“ERISA Plans”). Certain governmental and other plans may be subject to provisions materially similar to the foregoing provisions of ERISA and the Code (“Similar Law”) (such plans are referred to as “Similar Law Plans”). Qualified Plans, IRAs and ERISA Plans are referred to as “Plans”.

Persons who have such specified relationships are referred to as “parties in interest” under ERISA and as “disqualified persons” under the Code. “Parties in interest” and “disqualified persons” encompass a wide range of persons, including any fiduciary (for example, investment manager, trustee or custodian), any person providing services (for example, a broker), the Plan sponsor, an employee organization any of whose members are covered by the Plan, and certain persons related to or affiliated with any of the foregoing.

The purchase and/or holding of the CDs by a Plan with respect to which HSBC is a fiduciary and/or a service provider (or otherwise is a “party in interest” or “disqualified person”) might constitute or result in a prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless such CDs are acquired or held pursuant to and in accordance with an applicable statutory or administrative exemption. HSBC and several of its affiliates are each considered to be a “disqualified person” under the Code or a “party in interest” under ERISA with respect to many Plans.

Applicable exemptions may include certain prohibited transaction class exemptions (for example, Prohibited Transaction Class Exemption (“PTCE”) 84-14 relating to qualified professional asset managers, PTCE 96-23 relating to certain in-house asset managers, PTCE 91-38 relating to bank collective investment funds, PTCE 90-1 relating to insurance company separate accounts and PTCE 95-60 relating to insurance company general accounts). In view of the fact that the CDs represent deposits with the Bank, fiduciaries should take into account the prohibited transaction exemption described in ERISA Section 408(b)(4), relating to the investment of plan assets in deposits bearing a reasonable rate of interest in a financial institution supervised by the United States or a state, and/or Part IV of PTCE 81-8, relating to transactions involving short-term investments, specifically certificates of deposit. A fiduciary of a Plan or a Similar Law Plan purchasing the CDs, or in the case of certain IRAs, the grantor or other person directing the purchase of the CDs for the IRA, shall

be deemed to represent that its purchase, holding, and disposition of the CDs will not constitute a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or Similar Law.

A fiduciary who causes an ERISA Plan to engage in a non-exempt prohibited transaction may be subject to civil liability and a penalty under ERISA. Code Section 4975 generally imposes an excise tax on disqualified persons who engage, directly or indirectly, in similar types of transactions with the assets of Plans subject to such Section.

In accordance with ERISA's general fiduciary requirement or any applicable general fiduciary requirement under Similar Law, a fiduciary with respect to any ERISA Plan or Similar Law Plan who is considering the purchase of the CDs on behalf of such plan should determine whether such purchase is permitted under the governing plan document and is prudent and appropriate for the ERISA Plan or Similar Law Plan in view of its overall investment policy and the composition and diversification of its portfolio. Plans established with, or for which services are provided by, HSBC should consult with counsel prior to making any such acquisition.

The sale of any CD to a Plan or a Similar Plan is in no respect a representation by HSBC or any of its affiliates that such a deposit meets all relevant legal requirements with respect to investments by Plans or Similar Plans generally or any particular Plan or Similar Plan, or that such a deposit is appropriate for a Plan or Similar Plan generally or any particular Plan or Similar Plan.

THE DISTRIBUTION

The CDs will initially be distributed through the Agents. The Agents will receive a fee up to 6% of the aggregate principal amount of the CDs being sold by the Bank as a result of the services of the Agents. Please note that the information about the issue date, pricing date and other terms of the CDs set forth in the related Terms and Conditions will only relate to such initial distribution. The Bank does not expect a secondary market to exist for the CDs.

If a secondary market were to develop for the CDs in the future, an Agent might redeem and resell the CDs in market-making transactions, with resales being made at prices related to prevailing market prices at the time of resale or at negotiated prices. However, the Agents will have no obligation to make a market or to purchase a CD at any price.