



March 19, 2015

**Conditional Approval #1122
April 2015**

Mr. William Kuhn, IV
Senior Vice President and Deputy General Counsel
HSBC Bank USA, National Association
452 Fifth Avenue – 7th Floor
New York, New York 10018-2706

Re: Notice of Preferred Stock Terms and Application to Prepay Subordinated Debt filed by
HSBC Bank USA, National Association, McLean, VA
OCC Control Nos.: 2015-Capital&Div-141890 and 141891 Charter No.: 24522

Dear Mr. Kuhn:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the notice of preferred stock terms filed by HSBC Bank USA, National Association, McLean, VA (HBUS) and approves the application to prepay subordinated debt filed by HBUS (collectively, the Application). The notice of preferred stock terms was filed pursuant to 12 CFR 5.46(g)(2) and pertains to the planned issuance to HSBC USA Inc., the immediate holding company of HBUS, of 250,000 shares of HBUS Series A Preferred Stock (par value \$.01 per share) for \$2.5 billion in cash (\$10 million per share). The application to prepay subordinated debt was filed pursuant to 12 CFR 5.47(f) and pertains to the planned prepayment of the following outstanding subordinated debt issuances totaling \$900 million:

- \$300 million floating rate subordinated loan due August 2022;
- \$250 million 7.2% subordinated debt due July 2097;
- \$200 million 7.53% subordinated debt due December 2026; and
- \$150 million 7.75% subordinated debt due November 2026.

The source of funds to prepay the subordinated debt will come from \$900 million in cash that HBUS will receive from HSBC USA Inc. in exchange for the issuance of 1 share of common stock immediately prior to the prepayment of the subordinated debt. HBUS also plans to issue an additional \$1.5 billion of common stock, in addition to the aforementioned \$2.5 billion of preferred stock, to HSBC USA Inc. in exchange for cash.

OCC approval of the notice of preferred stock terms is subject to the following condition:

- The pricing of the preferred stock must be consistent with the eligibility criteria for an additional tier 1 capital instrument. Specifically, the change of the dividend from a fixed-rate to a floating rate basis on [date, 2020] must not result in any increase in the credit spread paid by HBUS.

This condition of approval is a condition “imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request” within the meaning of 12 USC 1818. As such, this condition is enforceable under 12 USC 1818.

This approval is granted based on a thorough review of all information available, including commitments and representations made in the Application, and those of your representatives. Please be reminded that HBUS will be required to file a notice pursuant to 12 CFR 5.46(i)(3) regarding the increase in permanent capital that will occur as a result of the subject transactions.

This approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable law and regulations. Our approval is based on the bank’s representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend, or rescind this approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

We have enclosed a letter requesting your feedback on how we handled the Application. We would appreciate your response so we may improve our service. All correspondence regarding this application should reference the OCC control numbers.

If you have any questions, please contact Thomas B. Smith, Senior Licensing Analyst, at (212) 790-4063 or by email at smithtb@occ.treas.gov.

Sincerely,

signed

Marva V. Cummings
Acting Director for District Licensing

Enclosure: Survey Letter