HSBC Bank USA, N.A.

Fixed to Floating Rate Interest Certificates of Deposit

Indicative Terms and Conditions
Deposit Highlights
October 26, 2017

GENERAL

- Certificates of deposit (the “CDs”) issued by HSBC Bank USA, National Association (the “Issuer”)
- Proceeds equal to at least the full Principal Amount payable by the Issuer if the CDs are held to maturity
- CDs are obligations of the Issuer and not its affiliates or agents, and amounts due under the CDs are subject to the Issuer’s creditworthiness, and FDIC insurance limits
- CDs are FDIC insured within the limits and to the extent described herein and in the Base Disclosure Statement dated March 1, 2011 under the section entitled “ FDIC Insurance”
- As described more fully herein, early withdrawals are permitted at par in the event of the death or adjudication of incompetence of the beneficial owner of the CDs

SUMMARY OF TERMS

Set forth in these Terms and Conditions is a summary of certain of the terms and conditions of the Fixed to Floating Rate Interest Certificates of Deposit maturing October 26, 2017. 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 Investors Service, Inc. and AA- by Standard & Poor’s Financial Services LLC, a subsidiary of the McGraw-Hill Companies, Inc. The credit ratings pertain only to the creditworthiness of the Issuer and are not indicative of the market risk associated with the CDs.
CDs:	Fixed to Floating Rate Interest Certificates of Deposit maturing October 26, 2017.
Book-Entry Form:	The CDs will be represented by one or more master CDs held by and registered in the name of Cede & Co., as nominee 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:	$5,000,000+
Minimum Deposit Amount:	$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 multiples of $1,000 Principal Amounts thereafter.
Principal Amount:	$1,000 for each CD
Issue Date:	October 26, 2012
Maturity Date:	October 26, 2017

Interest Payment Amount: On each Interest Payment Date, for each $1000 Principal Amount of CDs, an amount equal to the product of (a) $1,000 multiplied by (b) the relevant Interest Rate for the applicable Interest Period calculated on an actual/365 day count basis, unadjusted.

Interest Rate: For each Interest Period between the Issue Date and the first anniversary of the Issue Date (the "Fixed Rate Payment Period"), the Interest Rate will be a fixed rate of 0.75%, corresponding to an annual percentage yield ("APY") of 0.75% during that period. For each Interest Period following the Fixed Rate Payment Period ("Floating Rate Payment Period"), the Interest Rate will be equal to the lesser of (a) the 3-Month USD LIBOR on the applicable Interest Determination Date (as defined below) plus 0.15% per annum, subject to the Minimum Interest Rate (as defined below), and (b) the Cap. The Interest Rate with respect to each Floating Rate Payment Period will be reset on the applicable Interest Determination Date.

Minimum Interest Rate: 0.15% per annum (corresponding to an APY of 0.15%)

Cap 2.50% per annum (corresponding to an APY of 2.50%)

Interest Determination Date: With respect to any Floating Rate Payment Period, the date which is two London Banking Days immediately preceding such Floating Rate Payment Period.

3-Month USD LIBOR: The London Interbank Offered Rate (British Banker's Association) for deposits in U.S. dollars for a period of three months that appears on Reuters page "LIBOR01", as of 11:00 am London time, on the applicable Interest Determination Date, If 3-Month USD LIBOR does not appear on Reuters page LIBOR01 on such date, 3-Month USD LIBOR shall be determined by the Calculation Agent based on the rates at which deposits in U.S. dollars are offered by four major banks in the London interbank market ("Reference Banks") at 11:00 a.m., London time, on the day that is two London Business Days preceding the applicable date of determination to prime banks in the London interbank market for a period of three (3) months commencing on such date of determination and in a representative amount. The Calculation Agent will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, 3- Month USD LIBOR for the applicable date of determination will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, 3-Month USD LIBOR for the applicable date of determination will be the arithmetic mean of the rates quoted by major banks in New York city, selected by the Calculation Agent, at approximately 11:00 a.m., New York city time, on such date of determination for loans in U.S. dollars to leading European banks for a period of three (3) months commencing on such date of determination and in a representative amount. The Interest Rate for any day that is not a Business Day will be the Interest Rate for the immediately following Business Day.

Interest Period: The period beginning on and including the Issue date and ending on but excluding the first Interest Payment Date, and each successive period beginning on, and including, a Interest Payment Date to, but excluding, the following Interest Payment Date, provided that the final Interest Period shall end on, but exclude the Maturity Date.

Interest Payment Dates: The 26th calendar day of each January, April, July, and October, commencing on January 26, 2013, up to and including the Maturity Date, provided that if any such day is not a Business Day, the relevant Interest Payment Date shall be the next following Business Day. If any Interest Payment Date is adjusted by reason of the originally scheduled Interest Payment Date not being a Business Day, no interest will accrue in connection with such adjustment.

Payment at Maturity: For each CD, the Maturity Redemption Amount.

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 Interest Payment Amount due on the Maturity Date.

Interest Due:	Any accrued Interest Payment Amount due and owed to the depositor.
Early Redemption by Depositor:	Although not obligated to do so, and subject to regulatory constraints, the Bank or its affiliate is generally willing to repurchase or purchase the CDs from depositors at any time for so long as the CDs are outstanding. A depositor may request early redemption of the CDs in whole, but not in part, by notifying the Agent from whom he or she bought the CDs (who must then notify the Bank). All early redemption requests (whether written or oral) are irrevocable. In the event that a depositor were able to redeem the CDs prior to the Maturity Date, the depositor would receive the Early Redemption Amount (as defined below) and will not be entitled to an amount in respect of any further interest or any other return on his or her CDs. Further, the Early Redemption Amount will be adjusted by an Early Redemption Fee. As a result, the Early Redemption Amount may be substantially less than the Principal Amount of the CDs. Redemptions made pursuant to the Successor Option are calculated differently. See “Successor Option” herein.
Current Market Value:	The bid price of a CD, as determined by the Calculation Agent based on its financial models and objective market factors.
Early Redemption Amount:	The Early Redemption Amount means the full Principal Amount, plus any Interest Due, plus the Early Redemption Fee (which may be positive or negative). As described above, the Early Redemption Amount may be substantially less than the Principal Amount of the CDs. A depositor, through the Agent from whom he or she bought the CDs, may obtain from the Calculation Agent an estimate of the Early Redemption Amount which is provided for informational purposes only. Neither the Bank nor the Calculation Agent will be bound by the estimate.
Early Redemption Fee:	The Current Market Value, minus any Interest Due, and minus the Principal Amount of the CD.
Successor Option:	In the event of the death or adjudication of incompetence of the Initial Depositor (as defined herein) of the CDs, subject to certain conditions and limitations, the CDs may be redeemed pursuant to the exercise of the Successor Option. See “Successor Option” herein. CDs so redeemed will not be entitled to a return in respect of any further Interest Payment Amount or any other return on his or her CDs.
Redemption for Extraordinary Event:	If any early redemption by the Issuer occurs as described in the section entitled “Redemption for Extraordinary Event” in the Base Disclosure Statement, depositors shall receive at least the Principal Amount of their CDs, plus any Interest Due.
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.
Business Day:	Any day that is a business day in New York.
London Business Day:	Any day other than a (i) Saturday or Sunday or (ii) day on which banking institutions in the city of London, England are authorized or obligated by law or executive order to be closed.
Listing:	The CDs will not be listed on any U.S. securities exchange or quotation system. 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
CUSIP:	40431G3Q0

Purchasing the CDs involves a number of risks. See “Risk Factors” beginning on page 9.

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 section entitled “FDIC Insurance” herein and in the Base Disclosure Statement.

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. As used herein, references to the “Issuer”, “we”, “us” and “our” are to HSBC Bank USA, National Association.

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 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. In the event of any inconsistency between the Base Disclosure Statement and these Terms and Conditions, these Terms and Conditions will govern. 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.

QUESTIONS AND ANSWERS

What Are the CDs?

The CDs are certificates of deposit issued by the Issuer. The CDs mature on the Maturity Date. Although not obligated to do so, and subject to regulatory constraints, the Bank or its affiliate is generally willing to repurchase or purchase the CDs from depositors upon request as described herein and for so long as the CDs are outstanding. Redemptions may also occur optionally upon the death or adjudication of incompetence of a depositor. See the section entitled "Successor Option" below.

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 will be paid quarterly on each Interest Payment Date and will be equal to the product of (a) $1,000 multiplied by (b) the relevant Interest Rate for the applicable Interest Period. For each Interest Period between the Issue Date and the first anniversary of the Issue Date (the "Fixed Rate Payment Period"), the Interest Rate will be a fixed rate of 0.75% (corresponding to an APY of 0.75%). For each Interest Period following the Fixed Rate Payment Period ("Floating Rate Payment Period"), the Interest Rate will equal to the lesser of (a) the 3-Month USD LIBOR on the applicable Interest Determination Date (as defined below) plus 0.15% per annum, subject to the Minimum Interest Rate, and (b) the Cap. The Interest Rate with respect to each Floating Rate Payment Period will be reset on the applicable Interest Determination Date.

On what basis is the Interest Payment Amount calculated?

The Interest Payment Amount is calculated on an actual/365 unadjusted basis.

What amount will depositors receive at maturity in respect of the CDs?

At the scheduled maturity (and not upon an early redemption by the depositor), 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 and unpaid Interest Payment Amount due on the Maturity Date, as described in the Summary of Terms above and the "Payment at Maturity" section in the Base Disclosure Statement.

For more information, see "Summary of Terms" above and "Sensitivity Analysis" below, together with the Base Disclosure Statement.

What amount will depositors receive if they are able to sell their CDs prior to maturity through an early redemption?

Historically, it has been a practice of the Bank or its affiliate to repurchase or purchase from depositors the certificates of deposit issued by the Bank on terms described in this paragraph. Although not obligated to do so, and subject to regulatory constraints, the Bank or its affiliate is generally willing to repurchase or purchase the CDs from depositors at any time for so long as the CDs are outstanding. The redemption proceeds paid by the Issuer upon an early redemption will be the Early Redemption Amount. Because of the Early Redemption Fee component of the Early Redemption Amount, there is no guarantee that a depositor who redeems a CD early, other than as a result of the exercise of the Successor Option, which may be subject to a Successor Option Limit Amount (as described herein), will receive his or her full Principal Amount or any return on his or her CD, after deducting such fee. See "Early Redemption by Depositor" above in the Summary of Terms.

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. In general, deposits held by an individual depositor in the same ownership capacity at the same depository institution are insured by the FDIC up to $250,000. 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?

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?

Although not obligated to do so, historically it has been a practice of the Bank or its affiliate to repurchase or purchase from depositors the certificates of deposit issued by the Bank on terms described herein (see "—What amount will depositors receive if they are able to sell their CDs prior to maturity?"). 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 the depositor would receive would be net of fees, commissions and/or discounts payable in connection with the sale of the CD prior to its maturity in the secondary market. 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. The actual compensation paid may vary depending upon various factors including market conditions and the duration of the CD.

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 section entitled "— Risks Relating to All CD Issuances."

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

The CDs are subject to the credit risk of HSBC.

The CDs are deposit obligations of HSBC and are not, either directly or indirectly, an obligation of any third party. Any Principal Amount of a CD, together with any other deposits held in the same right and capacity at HSBC, that exceeds the applicable FDIC insurance limits, as well as any amounts payable under the CDs that are not insured by FDIC insurance, are subject to the creditworthiness of HSBC, as Issuer of the CDs. As a result, the actual and perceived creditworthiness of HSBC may affect the market value of the CDs and, in the event HSBC were to default on its obligations, you may not receive any of the amounts owed to you under the terms of the CDs in excess of the amounts covered by the applicable FDIC insurance.

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.

You may receive a lesser interest in the future.

Because the Interest Rate depositors receive during the term of the CDs will, in part, be based on 3-Month USD LIBOR, and because 3-Month USD LIBOR is a floating rate, there will be significant risks not associated with a conventional fixed-rate debt security. These risks include fluctuation of the applicable interest rate and the possibility that, in the future, you will receive an Interest Payment Amount representing a lesser amount of interest than might have been earned at the interest rate in effect at the time you purchase the CDs. We have no control over a number of matters that may affect interest rates, including economic, financial and political events that are important in determining the existence, magnitude and longevity of these risks and their results.

The Interest Rate as of any Interest Determination Date may be less than the Interest Rate as of any other day during the term of the CDs.

Because the Interest Rate during Year 2 through Year 5 will be based on 3-Month USD LIBOR which will be determined on the relevant Interest Determination Date, the Interest Rate will not be considered on any other dates during the term of the CDs. Therefore, even if the Interest Rate as of any day during the term of the CDs that is not the Interest Determination Date is higher than the Interest Rate as of such date, the amount of Interest payment that a depositor receives on the corresponding Interest Payment Date will not take into account that higher level.

Depositors will be subject to an Early Redemption Fee if they choose to redeem the CDs early, and therefore they may not receive proceeds equal to the full Principal Amount of their CDs upon an early redemption

The CDs are designed so that if, and only if, they are held to maturity, the depositor will receive no less than the Principal Amount of his or her CDs. Unless the redemption is the result of the exercise of the Successor Option and the principal amount of such redemption does not exceed the Successor Option Withdrawal Limit (as described further herein), if a depositor chooses to redeem the CDs early, and is able to do so, such depositor will not be entitled to any further Interest Payment Amount or any other return on his or her CDs. In addition, the proceeds received by such a depositor, though based on the full Principal Amount, will be adjusted by an Early Redemption

Fee (see “Summary of Terms-Early Redemption Amount”). As a result, the proceeds payable upon an early redemption may be less (and may be substantially less) than the Principal Amount of the CDs.

U.S. federal income tax consequences.

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.

There is no current secondary market for the CDs.

The CDs will not be listed on any securities exchange or quotation system, and as a result, it is unlikely that a secondary market for the CDs will develop. Even if there is a secondary market, it may not provide enough liquidity to allow you to sell the CDs easily, and you may only be able to sell your CDs, if at all, at a price less than the Principal Amount of your CDs. These CDs are designed to be held to maturity.

Cap.

Payment of the interest for each Interest Period during the Floating Rate Payment Period is subject to the Cap of 2.50%. Therefore, the Interest Rate for each applicable year will be limited to such Cap.

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 Interest Rate, Maturity Redemption Amount (including the components thereof in connection with the Interest Payment 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, Interest Payment Amount, if any on any Interest Payment Date 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 Interest Payment Dates and Maturity Date

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

Maturity Redemption Amount

The Maturity Redemption Amount will be the total amount due and payable on each CD on the Maturity Date. The amount a depositor receives will be equal to their Principal Amount per CD, plus any accrued and unpaid Interest Payment Amount due on the Maturity Date, as described in the Summary of Terms above and the "Payment at Maturity" section in the Base Disclosure Statement.

Apart from the Interest Payment Amount, no interest will be paid 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.

Successor Option

Notwithstanding anything to the contrary in the Base Disclosure Statement, in the event of the death or adjudication of incompetence of any depositor of a CD, the redemption of the principal amount of the CDs, plus any Interest Due, of that depositor will be permitted, without any Early Redemption Fee, subject to the limits and restrictions described herein (such right to redeem the deposit shall be referred to as the "Successor Option"). In such circumstances, a written notice of the proposed redemption 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 or adjudication of incompetence of the depositor. Such depositor (i) must have owned the CDs being submitted for early redemption at the time of his or her death or adjudication of incompetence and (ii) must have been the initial depositor of the CDs (excluding any Agents) (such depositor, the "Initial Depositor"). If the foregoing conditions are not met, redemptions of any principal amount of CDs prior to maturity will be subject to the terms of the section in these Terms and Conditions entitled "Early Redemption by Depositor" and the terms of the section in the Base Disclosure Statement entitled "Depositor Redemption". CDs that are redeemed early will not be entitled to any future interest, amounts in respect of a minimum return, or other sum that would otherwise have been due and payable after the date of redemption of the CDs if the Successor Option had not been exercised.

These CDs are Limited Successor Option CDs (as defined below). As such, the redemption of the aggregate principal amount under the Successor Option provision across all Limited Successor Option CDs held by an Initial Depositor may not exceed the Successor Option Limit Amount (as defined below). Any redemption request in excess of this amount shall be subject to the terms of the section in these Terms and Conditions entitled "Early Redemption by Depositor" and the terms of the section in the Base Disclosure Statement entitled "Depositor Redemption". In addition, if redemption is requested from more than one issuance or by more than one beneficiary of Limited Successor Option CDs, the Successor Option Limit Amount will be applied to the aggregate of all such multiple redemption requests, and shall be applied to such redemption requests in the order received by the Bank.

"Limited Successor Option CDs" are any certificates of deposit designated as such in the applicable Terms and Conditions. The "Successor Option Limit Amount" is $1,000,000. In the event the Initial Depositor has purchased Limited Successor Option CDs with different Successor Option Limit Amounts, the Successor Option Limit Amount applicable to the aggregate amount of such CDs being simultaneously redeemed will be the highest Successor Option Limit Amount applicable to any of such Limited Successor Option CDs.

Early Redemptions by Depositor

Although not obligated to do so, and subject to regulatory constraints, the Bank or its affiliate is generally willing to repurchase or purchase the CDs from depositors upon request as described herein and for so long as the CDs are outstanding. Please refer to the section herein entitled “Summary of Terms—Early Redemption by Depositor” and the “Early Redemptions” section of the Base Disclosure Statement.

Redemption upon the death or adjudication of incompetence of a of a depositor

Please refer to the section herein “Summary of Terms – Successor Option” and the section entitled “Redemption upon the Death or Adjudication of a Depositor” in the Base Disclosure Statement.

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 Interest Rate, Maturity Redemption Amount (including the components thereof), the Interest Payment Amounts, if any, payable on corresponding Interest Payment Dates, 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 DTC 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 Interest Payment Amounts, if any, payable on corresponding Interest Payment Dates and in determining whether a Market Disruption Event has occurred. 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 following example is provided for illustration purposes only and is hypothetical; it does 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.

Example of Return on Certificate of Deposit

Assumptions:

Specified Denomination: U.S. $1,000,000

Interest Rate: Year 1: 0.75% per annum (act/365 unadjusted) (corresponding to an APY of 0.75%)
Year 2-5: 3mL + 0.15% per annum (act/365 unadjusted), subject to 2.50% Cap

YEAR	INTEREST RATE (3ML + 0.15% =)	INTEREST PAYMENT AMOUNT	CUMULATIVE APY
1	0.75%	$7,500	0.75%
2	1.00%	$10,000	0.87%
3	1.50%	$15,000	1.08%
4	2.00%	$20,000	1.31%
5	2.50%	$25,000	1.55%

The above example assumes that the Interest Rate is capped at 2.50% in the last year (corresponding to an APY of 2.50%).

THE DISTRIBUTION

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

FDIC INSURANCE

The following disclosures are intended to supplement and, where conflicting, supersede the disclosures regarding deposit insurance herein and in the accompanying Base Disclosure Statement dated March 1, 2011, including the section entitled FDIC Insurance included therein.

The CDs are protected by federal deposit insurance provided by the Deposit Insurance Fund (the “DIF”), which is administered by the FDIC and backed by the full faith and credit of the U.S. Government, up to a maximum amount for all deposits held in the same ownership capacity per depository institution (the “Maximum Insured Amount”), which in general, is $250,000. The maximum amount of deposit insurance available in the case of deposits in certain retirement accounts (the “Maximum Retirement Account Amount”) also is $250,000 per participant per insured depository institution. The Maximum Insured Amount and the Maximum Retirement Account Amount may be adjusted for inflation beginning April 1, 2010 and each fifth year thereafter. Accordingly, holders of CDs whose Principal Amounts plus accrued Interest Payment Amount, if any, that exceed the applicable federal deposit insurance limit will not be insured by the FDIC for the Principal Amount plus accrued Interest Payment Amount, if any, exceeding such limits. Any accounts or deposits a holder maintains directly with the Issuer in the same ownership capacity as such holder maintains its CDs would be aggregated with such CDs for purposes of the Maximum Insured Amount or the Maximum Retirement Account Amount, as applicable.

All funds in a “noninterest-bearing transaction account” are insured in full by the FDIC from December 31, 2010, through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least $250,000 available to depositors under the FDIC’s general deposit insurance rules. The term “noninterest-bearing transaction account” includes a traditional checking account or demand deposit account on which the insured depository institution pays no interest and Interest on Lawyers Trust Accounts (IOLTAs). It does not include other accounts, such as traditional checking or demand deposit accounts that may earn interest, NOW accounts and money-market deposit accounts. For more information about temporary FDIC insurance coverage of transaction accounts, visit www.fdic.gov.

You should not rely on the availability of FDIC insurance to the extent the Principal Amount of CDs and any unpaid return in excess of the Principal Amount which, together with any other deposits that you maintain with us in the same ownership capacity, is in excess of the applicable FDIC insurance limits. The FDIC has taken the position that any secondary market premium paid by you in excess of the Principal Amount is not covered by FDIC insurance. In addition, the FDIC may also take the position that no portion of the return in excess of the Principal Amount for any interest period is insured unless the total applicable return in excess of the Principal Amount for that interest period has been determined at the point that FDIC insurance payments become necessary.

You are responsible for determining and monitoring the FDIC insurance coverage limits that are applicable to you in purchasing any CDs. We do not undertake to determine or monitor the FDIC insurance coverage that may be available to you. You should make your own investment decision regarding the CDs and FDIC insurance coverage after consulting with your legal, tax, and other advisors. Please consult with your attorney or tax advisor to fully understand all of the legal consequences associated with any account ownership change you may be considering to maximize your deposit insurance coverage. Please also refer to www.fdic.gov for a full explanation and examples of deposit coverage for the account ownership types below, particularly for revocable trusts, and for other forms of ownership as the following information is a general summary and is not a complete statement of the FDIC insurance coverage limits.

The application of the federal deposit insurance limitation per depository institution in certain common factual situations is illustrated below. Please also refer to www.fdic.gov for a full explanation and examples of deposit coverage for the account ownership types below as the following information is a general summary and is not a complete statement of the FDIC insurance coverage limits.

- *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 brokerage account) are not treated as owned by the agent or nominee, but are added to other deposits of such individual held in the same legal capacity and are insured up to the Maximum Insured Amount in the aggregate.

- *Custodial Accounts*. Funds in accounts held by a custodian, guardian or conservator (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 legal capacity and are insured up to the Maximum Insured Amount in the aggregate.

Joint Accounts. The interest of each co-owner in funds in an account held under any form of joint ownership valid under applicable state law may be insured up to the Maximum Insured Amount in the aggregate with other jointly held funds of such co-owner, separately and in addition to the Maximum Insured Amount allowed on other deposits individually owned by any of the co-owners of such account (hereinafter referred to as a "Joint Account"). Joint Accounts will be insured separately from such individually owned accounts only if each of the co-owners is an individual person, has a right of withdrawal on the same basis as the other co-owners and has signed the deposit account signature card (unless the account is a CD or is established by an agent, nominee, guardian, custodian, executor or conservator). If the Joint Account meets the foregoing criteria then it will be deemed to be jointly owned; as long as the account records of the Bank are clear and unambiguous as to the ownership of the account. However, if the account records are ambiguous or unclear as to the manner in which the account is owned, then the FDIC may consider evidence other than such account records to determine ownership. The names of two or more persons on a deposit account will be conclusive evidence that the account is a Joint Account unless the deposit records as a whole are ambiguous and some other evidence indicates that there is a contrary ownership capacity. In the event an individual has an interest in more than one Joint Account and different co-owners are involved, his or her interest in all of such Joint Accounts (subject to the limitation that such individual's insurable interest in any one account may not exceed the Maximum Insured Amount divided by the number of owners of such account) is then added together and insured up to the Maximum Insured Amount in the aggregate, with the result that no individual's insured interest in the joint account category can exceed the Maximum Insured Amount. For deposit insurance purposes, the co-owners of any Joint Account are deemed to have equal interests in the Joint Account unless otherwise stated in the Bank's records.

- Entity Accounts. The deposit accounts of any corporation, partnership or unincorporated association that is operated primarily for some purpose other than to increase deposit insurance are added together and insured up to the Maximum Insured Amount in the aggregate per depository institution.

- Retirement and Employee Benefit Plans and Accounts - Generally. You may have interests in various retirement and employee benefit plans and accounts that are holding deposits of the Bank. The amount of deposit insurance you will be entitled to will vary depending on the type of plan or account and on whether deposits held by the plan or account will be treated separately or aggregated with the deposits of the Issuer held by other plans or accounts. It is therefore important to understand the type of plan or account holding the CD. The following sections entitled "Pass-Through Deposit Insurance for Retirement and Employee Benefit Plan Deposits" and "Aggregation of Retirement and Employee Benefit Plans and Accounts" generally discuss the rules that apply to deposits of retirement and employee benefit plans and accounts.

- Pass-Through Deposit Insurance for Retirement and Employee Benefit Plan Deposits. Subject to the limitations discussed below, under FDIC regulations, an individual's non-contingent interest in the deposits of one depository institution held by certain types of employee benefit plans are eligible for insurance on a "pass-through" basis up to the applicable deposit insurance limits for that type of plan. This means that, instead of an employee benefit plan's deposits at one depository institution being entitled to deposit insurance based on its aggregated deposits in the Bank, 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 the applicable deposit insurance limits per institution (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 the individual at the issuing institution. However, pass-through insurance is aggregated across certain types of accounts. See the section entitled "Aggregation of Retirement and Employee Benefit Plans and Accounts."

    - 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 the applicable deposit insurance limits. For example, assume an employee benefit plan that is a Qualified Retirement Account (defined below), *i.e.*, a plan that is eligible for deposit insurance coverage up to the Maximum Retirement Account Amount per qualified beneficiary, owns $500,000 in deposits at one institution and the plan has two participants, one with a vested non-contingent interest of $350,000 and one with a vested non-contingent interest of $150,000. In this case, the individual with the $350,000 interest would be insured up to the $250,000 Maximum Retirement Account Amount limit, and the individual with the $150,000 interest would be insured up to the full value of such interest.

- o Moreover, the contingent interests of employees in an employee benefit plan and overfunded amounts attributed to any employee defined benefit plan are not insured on a pass-through basis. Any interests of an employee in an employee benefit plan deposit which are not capable of evaluation in accordance with FDIC rules (*i.e.*, contingent interests) will be aggregated with the contingent interests of other participants and insured up to the applicable deposit insurance limits. Similarly, overfunded amounts are insured, in the aggregate for all participants, up to the applicable deposit insurance limits separately from the insurance provided for any other funds owned by or attributable to the employer or an employee benefit plan participant.

Aggregation of Retirement and Employee Benefit Plans and Accounts

- Self-Directed Retirement Accounts. The principal amount of deposits held in Qualified Retirement Accounts, plus accrued but unpaid interest, if any, are protected by FDIC insurance up to a maximum of the Maximum Retirement Account Amount for all such deposits held by you at the issuing depository institution. "Qualified Retirement Accounts" consist of (i) any individual retirement account ("IRA"), (ii) any eligible deferred compensation plan described in section 457 of the Code, (iii) any individual account plan described in section 3(34) of ERISA, to the extent the participants and beneficiaries under such plans have the right to direct the investment of assets held in the accounts and (iv) any plan described in section 401(d) of the Code, to the extent the participants and beneficiaries under such plans have the right to direct the investment of assets held in the accounts. The FDIC sometimes generically refers to this group of accounts as "self-directed retirement accounts." Supplementary FDIC materials indicate that Roth IRAs, self-directed Keogh Accounts, Simplified Employee Pension plans, Savings Incentive Match Plans for Employees and self-directed defined contribution plans (such as 401(k) plans) are intended to be included within this group of Qualified Retirement Accounts. Coverdell education savings accounts, Health Savings Accounts, Medical Savings Accounts, accounts established under section 403(b) of the Code and defined-benefit plans are NOT Qualified Retirement Accounts and do NOT receive the Maximum Retirement Account Amount of federal deposit insurance.

- Other Employee Benefit Plans. Any employee benefit plan, as defined in Section 3(3) of ERISA, plan described in Section 401(d) of the Code, or eligible deferred compensation plan under section 457 of the Code, that does not constitute a Qualified Retirement Account – for example, certain employer-sponsored profit sharing plans -- can still satisfy the requirements for pass-through insurance with respect to non-contingent interests of individual plan participants, provided that FDIC requirements for recordkeeping and account titling are met ("Non-Qualifying Benefit Plans"). Defined contribution plan accounts and Keogh accounts that are not "self-directed" also generally would be treated as Non-Qualifying Benefit Plans. For Non-Qualifying Benefit Plans, the amount subject to federal deposit insurance is the Maximum Insured Amount. Under FDIC regulations, an individual's interests in Non-Qualifying Benefit Plans maintained by the same employer or employee organization (*e.g.*, a union) which are holding deposits at the same institution will be insured up to the Maximum Insured Amount in the aggregate, separate from other accounts held at the same depository institution in other ownership capacities.

This general rule regarding pass-through insurance is subject to the following limitations and exceptions:

- Total Coverage Might Not Equal the Maximum Retirement Account Amount Times the Number of Participants. Each deposit held by an employee benefit plan may not necessarily be insured for an amount equal to the number of participants multiplied by the Maximum Retirement Account Amount. For example, suppose an employee benefit plan owns $500,000 in CDs at one institution. Suppose, further, that the employee benefit plan has two participants, one with a vested non-contingent interest of $300,000 and one with a vested non-contingent interest of $200,000. The individual with the $300,000 interest would be insured up to the $250,000 Maximum Retirement Account Amount limit and the individual with the $200,000 interest would be insured up to the full value of such interest.

- Aggregation. An individual's non-contingent interests in funds deposited with the same depository institution by different employee benefit plans of the same employer or employee organization are aggregated for purposes of applying this pass-through Maximum Retirement Account Amount per participant deposit insurance limit, and are insured in aggregate only up to the Maximum Retirement Account Amount per participant.

- Contingent Interests/Overfunding. Any portion of an employee benefit plan's deposits that is not attributable to the non-contingent interests of employee benefit plan participants is not eligible for pass-through deposit insurance coverage, and is insured, in aggregate, only up to the Maximum Insured Amount.

To the extent that a CD purchaser expects its beneficial interest in the CDs to be fully covered by FDIC insurance, such purchaser, by purchasing a CD, is deemed to represent to the Bank and its broker that its beneficial interest (or if it is an agent, nominee, custodian or other person who is purchasing a CD for its beneficial owners, that each beneficial owner's beneficial interest) in other deposits in the Issuer, when aggregated with the beneficial interest in the CD so purchased, to the extent that aggregation is required in determining insurance of accounts under the federal deposit insurance regulations, does not exceed the Maximum Insured Amount (or the Maximum Retirement Account Amount per participant in the case of certain retirement accounts as described above).

Payments Under Adverse Circumstances

- As with all deposits, if it becomes necessary for federal deposit insurance payments to be made on the CDs, there is no specific time period during which the FDIC must make insurance payments available. Accordingly, you should be prepared for the possibility of an indeterminate delay in obtaining insurance payments.

- As explained above, the deposit insurance limits apply to the principal and any interest that has been ascertained and become due on all CDs and other deposit accounts maintained by you at the Issuer in the same legal ownership category. The records maintained by the Issuer and your broker regarding ownership of CDs will be used to establish your eligibility for federal deposit insurance payments. In addition, you may be required to provide certain documentation to the FDIC and to your Broker before insurance payments are released to you. For example, if you hold CDs as trustee for the benefit of trust participants, you may also be required to furnish an affidavit to that effect; you may be required to furnish other affidavits and provide indemnities regarding an insurance payment.

- In the event that insurance payments become necessary for your CDs, the FDIC is required to pay the original Principal Amount and Interest Payment Amounts that have been ascertained and become due subject to the federal deposit insurance limits. No Interest Payment Amounts will be earned on deposits from the time the Issuer is closed until insurance payments are received.

- As an alternative to a direct deposit insurance payment from the FDIC, the FDIC may transfer the insured deposits of an insolvent institution to a healthy institution. Subject to insurance verification requirements and the limits on deposit insurance coverage, the healthy institution may assume the CDs under the original terms or offer you a choice between paying the CD off and maintaining the deposit at a different rate. Your Broker will advise you of your options in the event of a deposit transfer.

- Your broker will not be obligated to you for amounts not covered by deposit insurance nor will your broker be obligated to make any payments to you in satisfaction of a loss you might incur as a result of (i) a delay in insurance payouts applicable to your CD, (ii) your receipt of a decreased interest rate on an investment replacing your CD as a result of the payment of the principal of your CD prior to its stated maturity, or (iii) payment in cash of the principal of your CD prior to its stated maturity in connection with the liquidation of the Issuer or the assumption of all or a portion of its deposit liabilities. In connection with the latter, the amount of a payment on a CD which had been purchased at a premium in the secondary market is based on the original Principal Amount and not on any premium amount. Therefore, you can lose up to the full amount of the premium as a result of such a payment. Also, your broker will not be obligated to credit your account with funds in advance of payments received from the FDIC.

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.

U.S. Federal Income Tax Treatment of U.S. Holders.

General

We intend to treat the CDs as indebtedness for U.S. federal income tax purposes and any reports to the Internal Revenue Service (the “IRS”) and U.S. Holders will be consistent with such treatment, and each holder will agree to treat the CDs as indebtedness for U.S. federal income tax purposes. The discussion that follows is based on this approach.

The Interest Payment Amount on the CDs will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder’s normal method of accounting for tax purposes.

Upon the disposition of the CDs by sale, exchange, redemption, repayment or other disposition, a U.S. Holder will generally recognize taxable gain or loss equal to the difference, if any, between (i) the amount realized on the disposition (other than amounts attributable to accrued but unpaid interest, which would be treated as such) and (ii) the U.S. Holder’s adjusted tax basis in the CDs. A U.S. Holder’s adjusted tax basis in the CDs generally will equal the cost of the CDs (net of accrued interest) to the U.S. Holder. Capital gain of individual taxpayers from the sale, exchange, redemption, repayment or other disposition of the CDs held for more than one year may be eligible for reduced rates of taxation. The deductibility of a capital loss realized on the sale, exchange, redemption, repayment or other disposition of the CDs is subject to limitations.

U.S. Federal Income 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.