

HSBC Bank USA, National Association

Insured Depository Institution (IDI) Plan

PUBLIC SECTION

December 2022

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Written and/or oral forward-looking statements may also be made in the periodic reports to the US Securities and Exchange Commission (SEC), summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by HSBC Group's directors, officers or employees to third parties, including financial analysts.

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. Factors that could cause HSBC Holdings plc's or HSBC Bank USA, National Association's actual results to differ materially from those described in the forward-looking statements can be found in HSBC Holdings plc's Annual Report on Form 20-F for the fiscal year ended December 31, 2021 filed with the SEC under the Securities Exchange Act of 1934, as amended (Exchange Act), on February 20, 2018 (Form 20-F) and in HSBC USA Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the SEC under the Exchange Act on February 20, 2022.

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1. INTRODUCTION

1.1. US Resolution Plan Requirements

In 2012, the Federal Deposit Insurance Corporation (**FDIC**) issued a final rule (**IDI Rule**) that requires insured depository institutions (**IDIs**) with assets of USD50bn (**Covered IDIs**) or more to submit periodically to the FDIC a plan for resolution of the IDI in the event of failure. In addition, the FDIC provided further clarification, guidance and direction for the 2022 preparation of the IDI Plan (as defined below) in its June 2021 guidance on modified approach to IDI resolution planning. Although the June 2021 guidance suspended the IDI Plan requirement for IDI's with assets of less than USD100bn, HBUS's assets are in excess of that threshold and so HBUS has filed an IDI Plan in accordance with that guidance and the IDI Rule.

The assets of HSBC Holdings plc's (**HGHQ**, and together with its affiliates and subsidiaries **HSBC Group**) largest IDI in the United States (**US**), HSBC Bank USA, National Association (**HBUS**), exceed USD50bn, and, as a result, HBUS is a Covered IDI under the IDI Rule, and it must file a resolution plan in accordance with the IDI Rule (**IDI Plan**).

Separately in 2011, the FDIC and the Board of Governors of the Federal Reserve System (**FRB**) issued a final rule (**SIFI Rule**) implementing Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (**DFA**). For foreign bank holding companies such as HSBC Group, the SIFI Rule requires bank holding companies with total global consolidated assets of USD50bn or more (**Covered Company**) to submit periodically to the FRB and FDIC a plan for the rapid and orderly resolution in the event of material distress or failure of the Covered Company's US operations. As the global consolidated assets of HGHQ, the holding company for the HSBC Group, exceed USD50bn, it is a Covered Company under the SIFI Rule and must file a resolution plan in accordance with the SIFI Rule (**SIFI Plan**).

The HSBC Group's initial US resolution plan submissions incorporated both an IDI Plan and SIFI Plan (together, the **US Resolution Plans**). The initial US Resolution Plan submissions were made to the FDIC and the FRB as of July 1, 2013 and subsequently updated and submitted to the FDIC and the FRB as of July 1, 2014, December 31, 2015, and July 31, 2018. As required by the SIFI Rule, a separate SIFI Plan was submitted on December 17, 2021 describing how the HSBC North America Holdings Inc. (**HNAH**) and its subsidiaries (**US Group**) which include HNAH as the US Group's intermediate holding company (**IHC**), would be resolved under the assumptions required by the SIFI Rule.

The FDIC requires all Covered IDIs to prepare IDI Plans. The FDIC requires that certain information be included in a public section of the IDI Plan. HBUS submits this public section of the IDI Plan in compliance with the IDI Rule.

While there are important similarities between IDI Plans and SIFI Plans, it is relevant to consider their material differences. For example, the purpose of a SIFI Plan is to show how a Covered Company and its material subsidiaries can be resolved in a rapid and orderly manner under the US Bankruptcy Code (**Bankruptcy Code**) or other generally applicable insolvency law. The SIFI Rule defines "rapid and orderly resolution" as "a reorganization or liquidation of the covered company under the Bankruptcy Code [or other generally applicable insolvency law] within a reasonable period of time and in a manner that substantially mitigates the risk that the failure of the covered company would have serious adverse effects on financial stability in the United States." The focus is on mitigating the risk that the failure of a Covered Company could destabilize the US financial system.

In contrast, the purpose of an IDI Plan is to assume that the Covered IDI—in this case, HBUS—has failed and to show how the Covered IDI can be resolved under the bank resolution provisions of the Federal Deposit Insurance Act (**FDIA**) "in a manner that ensures that depositors receive access to their insured deposits within one business day of the IDI's failure (or two business days if the failure occurs on a day other than a Friday), maximizes the net present value return from the sale or disposition of the IDI's assets and minimizes the amount of any loss realized by the creditors in the resolution." The objectives of the IDI Rule should be viewed in light of the FDIC's mission to maintain public confidence in the nation's banking system.

Under the IDI Rule, Core Business Lines (**CBLs**) must be mapped to Material Entities (**MEs**). The CBLs and MEs that have been designated for the IDI Plan are described further below. The IDI Plan also identifies Critical Services (**CSs**) as required by the IDI Rule, which are services and operations of the IDI, such as servicing, information technology support and operations, and human resources which are necessary to continue the day-to-day operations of the IDI, and maps them to MEs and CBLs.

1.2. HSBC Group Global and US Structure

HSBC Group is subject to regulation by financial regulators in multiple jurisdictions. As a foreign bank holding company (**BHC**), HGHQ does not carry out any banking activities directly. The HSBC Group primarily consists of a large number of separately incorporated and capitalized banking entities across different jurisdictions. The HSBC Group operates on the principle that each operating bank, including HBUS, is separately governed, capitalized, funded and risk-managed, that funding and liquidity are premised on appropriate country-specific requirements and that each operating bank is capable of being resolved consistent with applicable local law. Each operating bank is also managed separately, in order to reduce HSBC Group interconnectedness. HSBC Group's regional and national subsidiary structure provides HSBC Group with significant advantages in promoting greater resilience for HSBC Group's operations within individual countries, including the United States. In particular, HSBC Group's subsidiary structure and its emphasis on independent balance sheet management, ensure that HSBC Group's operating subsidiary entities and banks satisfy domestic capital, liquidity and funding requirements (as applicable) and have the independent resources to respond to financial stress.

The US Group represents around 8% of the HSBC Group and the HSBC Group's assets; most of the US Group's assets are in HBUS. HNAH, a financial holding company (**FHC**) organized under the laws of the State of Delaware, is the top-tier US parent. It is an indirect wholly-owned subsidiary of HGHQ and does not hold any material assets other than the equity interests of its subsidiaries, including HBUS, and loans. HNAH and its subsidiaries conduct all of the HSBC Group's businesses in the United States. The US Group MEs are described in greater detail in Section 3.2.

1.3. HSBC Group Business Model

The HSBC Group is one of the largest global banking and financial services organization in the world. HSBC Group is headquartered in London, England, and operates through long-established businesses and had, as at December 31, 2021, international operations in 64 countries and territories organized in five geographic regions (Asia-Pacific, Europe, and Middle-East and Africa, North America and Latin America). A comprehensive range of banking and related financial services is offered to personal and private banking (**PB**), commercial, corporate, institutional and investment clients. Services are delivered primarily by subsidiary banks, typically with local deposit bases.

The parent holding company of the HSBC Group is HGHQ. HGHQ's ordinary shares are listed or admitted to trading on the London Stock Exchange, the Hong Kong Stock Exchange, the New York Stock Exchange (in the form of American Depositary Receipts) and the Bermuda Stock Exchange.

HSBC Group's operations are conducted through a network of locally incorporated subsidiary companies and branches organized broadly into regional sub-groups. Each operating bank, including HBUS, is separately capitalized in accordance with applicable prudential requirements and maintains a capital buffer consistent with HSBC Group's appetite for risk in its country or region. The banking entities manage their own funding and liquidity within parameters set centrally.

HSBC Group principal activities include making payments, holding savings, enabling trade, providing finance and managing risks. Through these principal activities, HSBC Group provides facilities for customers to securely and conveniently deposit savings, and allows funds to flow from savers and investors to credit-worthy borrowers, either directly or through the capital markets. This allows borrowers to use the borrowed funds to buy goods or invest in businesses, enabling the economy to convert shorter-term savings into longer-term financing. HSBC Group also facilitates relationships between investors and those seeking investors, and acts as payment agent for both personal and commercial transactions, both within countries and internationally. HSBC Group's direct lending includes residential and commercial mortgages and overdrafts, and term loan facilities. HSBC Group finances importers and exporters engaged in international trade and provides advances to companies secured on amounts owed to them by their customers. HSBC Group also offers additional financial products and services including broking, asset management, financial advisory services, life insurance, corporate finance, securities services and alternative investments. HSBC Group provides these products for clients ranging from governments to large and mid-market corporates, small and medium-sized enterprises, high net worth individuals and retail customers.

HSBC Group's three global businesses, Wealth and Personal Banking (**WPB**), Commercial Banking (**CMB**) and Global Banking and Markets (**GBM**), develop, implement and manage their business propositions consistently across the HSBC Group, focusing on profitability and efficiency. The global businesses set their strategies within the parameters of HSBC Group strategy and, in liaison with the geographical regions, are responsible for issuing planning guidance regarding their businesses, are accountable for their profit and loss performance and manage headcount.

1.3.1. Wealth and Personal Banking

WPB provides a range of banking and wealth management products and services to individuals and certain small businesses through branches, online channels as well as dedicated relationship managers and representative offices. WPB covers the following products and services:

1. Personal Banking, Business Banking;
2. Investment Wealth Solutions;
3. Investment Advisory;
4. Custody, Brokerage;
5. Credit Advisory;
6. Wealth Planning & Advisory;
7. Insurance/Annuities; and
8. Trust Services.

1.3.2. Commercial Banking

The CMB global business offers a broad range of products and services to serve the needs of our commercial customers, including small- and medium-sized enterprises, mid-market enterprises and corporates. These include credit and lending, international trade and receivables finance, treasury management and liquidity solutions (payments and cash management and commercial cards), commercial insurance and investments. CMB also offers customers access to products and services offered by other global businesses, such as Global Banking and Markets, including foreign exchange products, raising capital on debt and equity markets and advisory services.

1.3.3. Global Banking and Markets

The GBM global business provides tailored financial solutions to major government, corporate and institutional clients and private investors worldwide. The client-focused business lines deliver a full range of banking capabilities including financing, advisory and transaction services, a markets business that provides services in credit, rates, foreign exchange, equities, money markets and securities services, and principal investment activities.

2. OVERVIEW OF GLOBAL AND IDI PLAN RESOLUTION STRATEGY

2.1. HSBC Group Preferred Resolution Strategy

HSBC's preferred resolution strategy is multiple point of entry (**MPE**) bail-in, as determined by the Bank of England (**BoE**) in co-ordination with HSBC's other regulators and members of HSBC's Global Crisis Management Group (**CMG**).¹ This strategy provides flexibility for HSBC to be resolved:

1. Through a bail-in at the HSBC Holdings-level, which facilitates recapitalization of operating bank subsidiaries in the HSBC Group (as required) through the write-down or conversion to equity of total loss-absorbing capacity (**TLAC**)/minimum requirement for own funds and eligible liabilities (**MREL**) issued on an intra-Group basis, while restructuring actions are undertaken, with the HSBC Group remaining together; and/or
2. At a resolution group level pursuant to the application of statutory resolution powers by host resolution authorities locally.

HSBC considers that the first option is the optimal strategy to deliver the most effective resolution outcome for its stakeholders, as it should help reduce the risk of disrupting the continuity of critical functions, including cross-border, wholesale services to clients between resolution groups and across the HSBC network, avoid the destruction of value associated with a disorderly and / or sudden break-up of our global business lines, and minimize the risk to public funds.

In designing our resolution capabilities, consideration has been given to both the scenarios where the HSBC Group is held together and where other host resolution authorities exercise their statutory resolution powers locally

Bail-in Process

In the event of a resolution of the HSBC Group, it is anticipated that the BoE will apply statutory powers to write down or convert to equity the TLAC/MREL issued externally by HSBC Holdings. This would enable operating bank subsidiaries of the HSBC Group to be recapitalized, as needed, to support the resolution objectives and maintain the provision of critical functions globally. Recapitalization of operating bank subsidiaries would be achieved through the write-down, or conversion to equity, of internally issued TLAC/MREL as required.

This approach to recapitalizing operating bank subsidiaries would aim to allow the HSBC Group to stay together in order to help ensure an effective stabilization of the HSBC Group as a whole and the continuity of critical functions, whilst also facilitating an orderly restructuring process, as needed, to address the cause of failure. This strategy is designed to avoid operating bank subsidiaries defaulting on their obligations and allow them to continue to meet all of their other payment and performance obligations owed to financial counterparties, vendors and other creditors. Depositors would be expected to continue to have uninterrupted access to their deposits and related banking services throughout the entire resolution process.

It is anticipated that any resolution of HSBC as a group would be coordinated by the BoE and the Prudential Regulation Authority (**PRA**) as HSBC's home resolution authority and prudential regulator, respectively. HSBC expects that the BoE would coordinate closely with HSBC Group's host resolution authorities outside the UK in the run-up to resolution and would seek to apply our resolution strategy preemptively to recapitalize operating bank subsidiaries as needed.

¹ The HSBC Group's CMG comprises regulators and resolution authorities from jurisdictions in which the HSBC Group has a significant presence. The CMG formally meets annually to consider the HSBC Group's recovery and resolution planning. The CMG would be assembled to coordinate a resolution of HSBC (led by the BoE) if that were ever required.

Flexibility for Resolution Powers to be Used at the Resolution Group Level

Given HSBC Group's corporate structure, HSBC is overseen by various regulators and resolution authorities. Host resolution authorities outside the UK could also use their statutory resolution powers in respect of the resolution groups for which they are responsible. This may occur, for example, in the event that host resolution authorities felt that holding the HSBC Group together may no longer achieve their resolution objectives.

The application of these local statutory resolution powers may or may not result in such resolution groups ceasing to be part of the HSBC Group, depending on the resolution strategy adopted by the relevant host resolution authority. HSBC's operating bank subsidiaries that are not part of the three resolution groups would be subject to relevant statutory proceedings independently of the rest of the HSBC Group, if the conditions to initiating such proceedings were met.

HBUS

HBUS's IDI Plan was accordingly prepared as part of HSBC Group's global effort to address resolution planning requirements in multiple jurisdictions through a consistent approach, while being responsive to each individual jurisdiction's resolution planning requirements. The IDI Plan is focused on planning for the resolution of HBUS under the FDIA in the unlikely event of its failure, as required by the IDI Rule. HBUS's resolution strategy for purposes of this IDI Plan is described in Section 2.2.1.

2.2. IDI Plan Resolution Strategy

Under the IDI Rule and subsequent guidance, HBUS must be resolved in a manner that is least costly to the Deposit Insurance Fund (**DIF**), ensures depositors have access to their insured deposits within one business day of failure (or two business days if the day HBUS fails is any day other than a Friday), maximizes the value of HBUS's assets and minimizes the amount of any loss realized by creditors in the resolution. Guidance under the IDI Rule further requires that resolution strategies for HBUS be prepared that present options for the sale of various components of HBUS's franchise value. HBUS believes that the IDI Plan achieves these goals and allows for the orderly resolution of HBUS.

HBUS's IDI Plan envisions the separate resolution of HBUS and other US MEs through separate resolution or insolvency proceedings. This leverages the advantages inherent in the HSBC Group's business model of subsidiaries with independent capital and liquidity management. For the purposes of the IDI Plan, HBUS's resolution strategy is an FDIC receivership under the FDIA, as described in Section 2.2.1.

There are four US MEs based on the criteria set forth in the IDI Rule, all of which are direct or indirect subsidiaries of HNAH:

- HBUS is a national bank, which offers a full range of commercial and retail banking products and related financial services to its customers, including individuals, small businesses, corporations, institutions and governments. HBUS is also a swap dealer registered with the Commodity Futures Trading Commission (**CFTC**) and is an international dealer in derivative instruments denominated in US dollars and other currencies, focusing on structuring of transactions to meet clients' needs.
- HSBC USA Inc. (**HUSI**) is a FHC organized under the laws of the State of Maryland. It is a direct, wholly owned subsidiary of HNAH and the direct parent company of HSBC Group's principal US banking subsidiary, HBUS, which is the Covered IDI.
- HSBC Securities (USA) Inc. (**HCSU**) is a registered broker-dealer of securities under the Exchange Act, a registered investment adviser under the Investment Advisers Act of 1940 and a registered futures commission merchant (**FCM**) with the CFTC. It is a direct, wholly owned subsidiary of HSBC Markets (USA) Inc. (**HMUS**) which is a direct, wholly owned subsidiary of HNAH, and is not an ME. HCSU is engaged in the following activities: interest rates trading, credit trading, exchange-traded futures and options execution and clearing services, equities commissions business and other ancillary products and services.
- HSBC Technology & Services (USA) Inc. (**HTSU**) is a corporation organized under the laws of the State of Delaware and is a direct, wholly owned subsidiary of HNAH. HTSU forms part of the HSBC Digital Business Services (**DBS**) shared services organization and is a dedicated service provider within the US Group, and the primary provider, of DBS services to all of the US Group MEs and CBLs. It is also the primary service provider of a number of corporate functions that support HSBC's Global Business (**Global Functions**) for the US Group. HSBC has established an operational service structure (the ServCo Group). The ServCo Group has its own financial resources including a liquidity buffer which would help to ensure the continued provision of services should HSBC be placed into resolution. As one of HSBC Group's ServCo entities, HTSU receives payment from and provides services to other US Group entities on arm's-length terms pursuant to intercompany service agreements that have been amended to contain resolution-resilient terms that facilitate the continued provision of services during resolution. HTSU is subject to the same financial resilience requirements as the rest of the ServCo Group.

In addition, HGHQ, HSBC Bank plc (**HBEU**), HSBC Global Services Company (UK) Limited (**HGSU**), The Hongkong and Shanghai Banking Corporation Limited (**HBAP**) and HNAH have certain interconnections with HBUS and are discussed in HBUS's IDI Plan, even though they are not MEs.

Owing to legal entity and business simplification, Consumer Finance, which was the CBL previously operated out of HSBC Finance Corporation (**HBIO**), is being wound down and is no longer a ME for purposes of the IDI Plan.

2.2.1. HSBC Bank USA, National Association

HBUS would be resolved under the FDIA, under which all the assets and liabilities of HBUS would initially be placed in an FDIC receivership. The FDIA provides the FDIC as receiver with certain powers, including the ability to transfer certain of HBUS's assets and liabilities to a Bridge Bank. If HBUS were not immediately sold to an acquirer directly out of the receivership, all of HBUS's assets and deposits (or potentially only insured deposits, depending on the outcome of the FDIC's least-cost analysis) and substantially all of its liabilities, including those that support CBLs, and its Qualified Financial Contracts (**QFCs**) would be transferred to the Bridge Bank.

The FDIA would also impose a one-day stay on the termination of QFCs by counterparties based on HBUS's entry into FDIA receivership, which would become a permanent stay on such terminations if the QFC were transferred to the Bridge Bank during the one-day stay. As an alternative to a Bridge Bank resolution, the FDIC could also liquidate HBUS out of the receivership. The resolution options for HBUS have been designed to fit within the FDIC's statutory and regulatory authority under the FDIA. Additionally, the IDI Plan does not rely on Section 13(c)(4)(G) of the FDIA for any purposes.

HBUS would therefore be resolved under the FDIA by the FDIC, following its appointment as receiver, using one of the following strategic options:

- **Immediate Whole-Bank Sale:** This involves the transfer of substantially all of the assets and deposit liabilities of HBUS to a single acquirer, but would require close coordination between the FDIC and potential purchasers (**Immediate Whole-Bank Sale**).
- A Bridge Bank resolution involving the transfer of HBUS's operations and the majority of its assets and liabilities to a Bridge Bank operated by the FDIC that preserves continuity and maintains the value of HBUS's business and assets, followed by either:
 - i. **Whole-Bank Sale:** An acquirer acquires substantially all of the Bridge Bank's assets and liabilities. This scenario could arise, for instance, where there was interest in a whole-bank sale transaction but where potential acquirers were unable to complete their due diligence prior to HBUS being placed into receivership (the **Bridge Bank Whole-Bank Sale**); or
 - ii. **Multiple Acquirer Strategy:** A sale of certain of the CBLs (or their associated assets) either separately or in packages to multiple acquirers and a wind-down of other CBLs (**Bridge Bank Multiple Acquirer Strategy**).
- The FDIC would always have the option to liquidate the assets of HBUS.

None of the approaches are considered to result in a need for funding from the FDIC, as resolution would be triggered at a point that would leave sufficient liquid resources in the Bridge Bank for the resolution period.

HSBC has determined that within the MPE resolution strategy for US Group, the Bridge Bank Multiple Acquirer Strategy is the preferred resolution strategy for HBUS on the basis of its current business and the wider US banking market.

2.2.2. HSBC Securities (USA) Inc.

HCSU is a registered broker-dealer and Securities Investor Protection Corporation (**SIPC**) member and has customers eligible for the Securities Investor Protection Act (**SIPA**). SIPC can (and generally does) exercise its discretion to bring liquidation proceedings under SIPA by filing a protective decree with the relevant bankruptcy court, which would supersede any proceedings initiated under the Bankruptcy Code. Consequently, the SIFI Plan assumes that a SIPA proceeding, and not a Chapter 7 liquidation, would be used to resolve HCSU.

Under the preferred resolution strategy, a SIPA proceeding would be initiated by SIPC's application for a protective order from the appropriate federal district court. Upon the entry of such an order, the proceeding would be transferred to a bankruptcy court with the SIPC trustee. The SIPC trustee would be responsible for returning customer assets, transferring customer accounts to a healthy broker-dealer, managing the claims process and otherwise ensuring that an orderly wind-down occurs.

2.2.3. HSBC USA Inc.

HUSI would be eligible for resolution under Chapter 11 or Chapter 7 of the Bankruptcy Code. Under Chapter 11, the entity could be restructured and reorganized or liquidated with management remaining in control of day-to-day operations. The IDI Plan assumes that HUSI would file for Chapter 11 in conjunction with the commencement of the insolvency proceedings of the other HSBC Group MEs and that HUSI would function as a DIP. The primary objective of the Chapter 11 proceedings would be to maximize the value to creditors and to settle claims against HUSI in an orderly and transparent process.

2.2.4. HSBC Technology & Services (USA) Inc.

Although HTSU would be eligible for resolution under Chapter 11 or Chapter 7 of the Bankruptcy Code, HTSU is not expected to fail or enter into bankruptcy proceedings under Chapter 11 for the purposes of the IDI Plan. HTSU provides the majority of the critical shared services on which the US Group relies. The provision of critical shared services by HTSU is pursuant to a network of intra-Group services agreements (**IGSAs**), which contain resolution-resilient terms to facilitate the continued provision of services to the US Group MEs in resolution on a BAU basis. HTSU has arranged for pre-funding of its working capital requirements, and the US MEs are expected to continue to be able to pay for the services that HTSU provides.

HTSU in resolution would scale down operations in conjunction with reductions in the scope of activity of the Bridge Bank and other US MEs.

2.3. Post Resolution Structure

The resulting state of the US Group MEs upon execution of the resolution strategy described in HBUS's IDI Plan would involve:

- HBUS's business would remain open, funded, capitalized and operating under the Immediate Whole-Bank Sale, the Bridge Bank Whole-Bank Sale, and the Multiple Acquirer Strategy. Under each of these strategies, the CBLs would still be continuously operated or wound down in an orderly manner. However, under the Multiple Acquirer Strategy, HBUS's business may be operated by several different acquirers.
- HCSU would either be sold immediately before resolution, allowing for it to remain open and operating, or would be transferred, liquidated or wound down in an orderly manner by the SIPC Trustee.
- HTSU would remain solvent and operational but would scale down operations in conjunction with the reductions in scope of activity of Bridge Bank and other members of US Group.
- HUSI, as a holding company with no operations and few assets, would simply be wound down under Chapter 11 of the Bankruptcy Code.

HSBC Group expects that all of the US MEs should retain sufficient liquidity to either continue operation post-resolution or be wound down in an orderly manner, in accordance with their strategies. As all of HSBC Group's US CBLs are operated out of the US MEs, the orderly resolution of the MEs ensures that all CBLs conducted out of HSBC Group's US Group are able to continue, transfer or wind down in an orderly manner.

3. MATERIAL ENTITIES

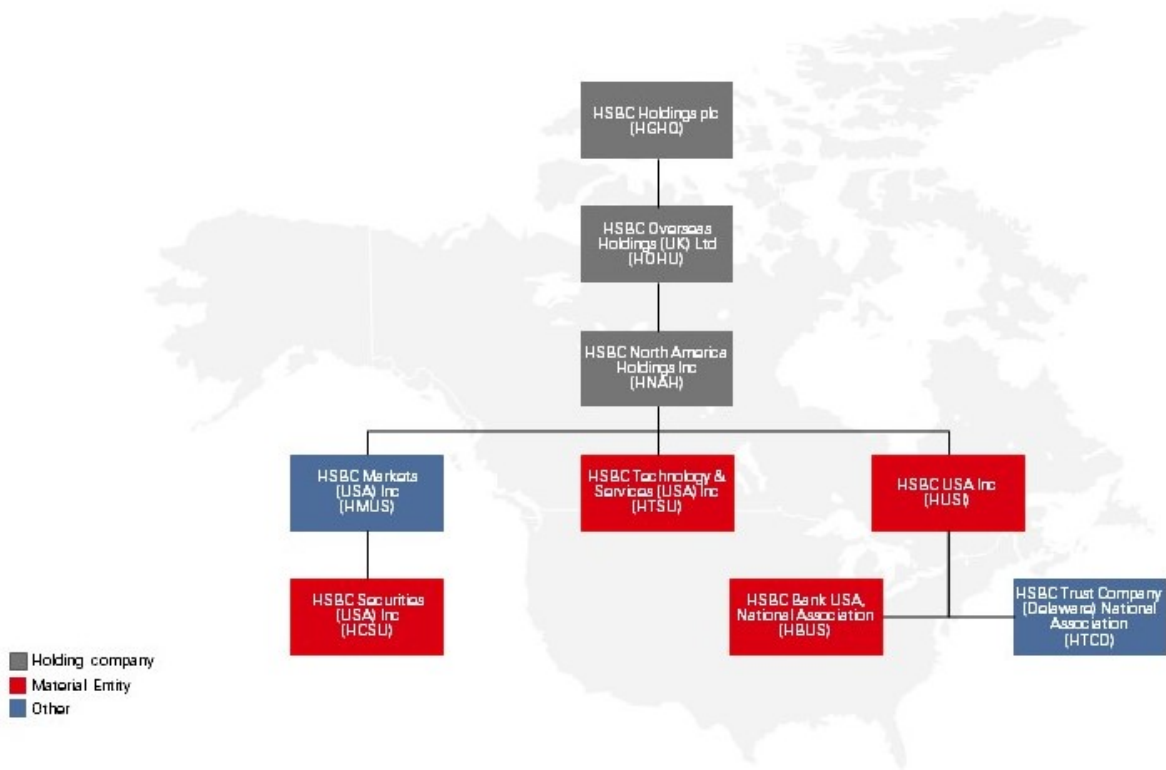
3.1. Introduction

As required by the IDI Rule, HBUS must identify as an ME any company that is significant to the activities of a CS or CBL of HBUS.

As discussed above, HBUS has identified four US MEs based on the criteria set forth in the IDI Rule: HUSI, HBUS, HCSU and HTSU.

A current simplified structure chart of the US MEs and their US and UK parent companies as at December 31, 2021, is shown in Figure 3.1.-A below.

Figure 3.1.-A — US Group Corporate Structure



3.2. US Material Entities

3.2.1. HSBC Bank USA, National Association

3.2.1.1. Types of Business Conducted

HBUS, HSBC Group's principal US banking subsidiary and Covered IDI, is a national banking association chartered by the Office of the Comptroller of the Currency (the **Comptroller**). HBUS is a direct, wholly owned subsidiary of HUSI and an indirect, wholly owned subsidiary of HNAH, which is an indirect, wholly owned subsidiary of HGHQ.

HBUS, directly and through its subsidiaries, offers a full range of commercial and retail banking products and related financial services to its customers, including individuals (including high net worth individuals), small businesses, corporations, institutions and governments. HBUS is also an international dealer in derivative instruments denominated in US dollars and other currencies. Significant parts of all four of the US Group's CBLs are carried out by HBUS and its subsidiaries.

As at December 31, 2021, HBUS and its subsidiaries had deposits of approximately USD147bn.

3.2.1.2. Financial Data

The following table shows HBUS's consolidated assets and liabilities presented in accordance with US GAAP for year ended December 31, 2021.

Figure 3.2.1.2.-A — HBUS Consolidated Balance Sheet

HBUS SUMMARY BALANCE SHEET	
	USDm
Assets	
Cash and due from banks	954
Interest bearing deposits with banks	47,318
Federal funds sold and securities purchased under agreements to resell	10,514
Trading assets	24,096
Securities available for sale	35,298
Securities held to maturity	5,202
Loans, net of allowances	54,295
Loans held for sale	4,217
Properties and equipment, net	40
Investment in subsidiaries	—
Other assets	6,009
Total assets	187,943
Liabilities	
Deposits	147,243
Short-term borrowings	2,662
Trading liabilities	3,025
Long-term borrowings	1,735
Subordinated debt	1,441
Interest, taxes and other liabilities	11,221
Total liabilities	167,325
Shareholders' equity	
Preferred stock	2,500
Common shareholder's equity:	
Common stock	2
Additional paid-in capital	15,037
Retained earnings / (deficit)	3,246
Accumulated other comprehensive income / (loss)	(167)
Total shareholders' equity	20,618
Noncontrolling interests	—
Total liabilities and shareholders' equity	187,943

The following table shows HBUS's unconsolidated revenues and expenses presented in accordance with US GAAP for the year ended December 31, 2021.

Figure 3.2.1.2.-B — HBUS Unconsolidated Income Statement

HBUS SUMMARY INCOME STATEMENT	
	USDm
Interest income	2,668
Interest expense	452
Net interest income / (expense)	2,216
Provision for credit losses	(571)
Net interest income after provision for credit losses	2,787
Other revenues:	
Fees and commissions	698
Income from fiduciary activities	52
Trading revenue	26
Other income	394
Total other revenues	1,170
Operating expenses:	
Salaries and employee benefits	628
Expenses of premises and fixed assets	248
Other expenses	2,011
Total operating expenses	2,887
Income / (loss) before taxes	1,071
Income tax expense / (benefit)	257
Income / (loss)	814
Net income / (loss) attributable to bank and minority interests	814
Net income / (loss) attributable to minority interests	0
Net income / (loss)	814
Discontinued operations	—
Net income / (loss) attributable to bank and minority interests	814
Net income / (loss) attributable to minority interests	—
Net income / (loss)	814

3.2.1.3. Location and Jurisdiction

HBUS is a national banking association chartered under the laws of the United States and has its principal executive office at 452 Fifth Avenue, New York, New York. HBUS has its main office at 1800 Tysons Blvd., Suite 50, Tysons, Virginia.

As at March 31, 2022, HBUS had 22 branches and four representative offices in six states including the District of Columbia.

In addition to its domestic offices, HBUS has a foreign branch in London and another in Hong Kong. The London branch is inactive and has no dedicated staff. HBUS also maintains a representative office authority in Brazil through a contractual relationship with Banco HSBC S.A. (formerly HSBC Brasil SA - Banco de Investimento, S.A.), which is utilized by the WPB CBL, and a representative office presence in Bogota, Colombia, and Lima, Peru, each utilized by the GB CBL.

3.2.1.4. Capital and Funding Resources

Capital resources

HBUS's shareholders' equity includes preferred and common stock, additional paid-in capital, retained earnings and accumulated other comprehensive income, and totals USD20.6bn.

Funding resources

HBUS's primary source of funding is its deposit base and it supplements this source of funding by issuing short and long-term debt in the external market, borrowing under unsecured and secured financing facilities, selling liquid assets and receiving capital contributions from its immediate parent, HUSI.

HBUS maintains significant contingent liquidity in the form of its investment and trading asset portfolios, and its cash reserve on account at the Federal Reserve Bank of New York.

3.2.1.5. Financial Interconnectedness

HBUS provides secured loans on arm's-length terms to other MEs in the US Group subject to the requirements of Sections 23A and 23B of the Federal Reserve Act and the FRB's Regulation W (12 C.F.R. pt 223), as well as other federal laws and regulations. As such, all extensions of credit by HBUS to other HSBC Group entities (other than other FDIC-insured banks) are legally required to be secured by eligible collateral. HBUS also enters into derivative contracts and conducts lending transactions in the ordinary course of business at prevailing market rates and terms with both other HSBC Group entities and third parties.

3.2.1.6. Operational Interconnectedness

HTSU is the primary service provider of operational support to the MEs. This operational support is made up of services provided by the Global Functions and DBS. In order to provide the support to the US Group, HTSU itself relies on dedicated DBS service providers. HTSU also relies on support from other HSBC Group entities to perform Global Function and DBS services.

3.2.2. HSBC Securities (USA) Inc.

3.2.2.1. Types of Business Conducted

HCSU is a corporation organized under the laws of the State of Delaware. It is a direct, wholly owned subsidiary of HMUS, which is a direct wholly owned subsidiary of HNAH, which is an indirect, wholly owned subsidiary of HGHQ.

HCSU is a registered broker-dealer of securities under the Exchange Act, a registered Investment Adviser under the Investment Advisers Act of 1940 and a registered FCM with the CFTC. HCSU is a primary dealer in US government and government agency securities. HCSU is regulated by the SEC and CFTC and is also indirectly regulated by the FRB.

HCSU is engaged in the following activities:

- Interest rates trading, such as US government and government agency securities trading, primary dealer for US Treasuries, Repurchase Agreements (**Repos**) and Reverse Repos (**Reverse Repos**) (including entering of Repos and Reverse Repos on a matched book basis), securities borrowing and lending, distribution of structured notes issued by HUSI and HBUS and clearing of over-the-counter (**OTC**) rates derivatives;
- Credit trading, such as corporate investment-grade bond trading and debt underwriting;
- Exchange-traded futures and options execution and clearing services;
- Equities commission business, including institutional and retail brokerage sales; and
- Other advisory services such as equity underwriting, leveraged and acquisition financing, project and export finance, asset-backed financing, asset and structured finance and mergers and acquisitions services.

The majority of HCSU's customers are other financial institutions and institutional investors.

3.2.2.2. Financial Data

The following table shows HCSU's consolidated assets and liabilities presented in accordance with US GAAP for the year ended December 31, 2021.

Figure 3.2.2.2.-A — HCSU Consolidated Balance Sheet

HCSU SUMMARY BALANCE SHEET	
	USDm
Assets	
Cash and due from banks	2,748
Interest bearing deposits with banks	4
Federal funds sold and securities purchased under agreements to resell	36,175
Trading assets	8,110
Other assets	3,257
Total assets	50,294
Liabilities	
Short-term borrowings	38,090
Trading liabilities	6,149
Long-term borrowings	100
Subordinated debt	800
Interest, taxes and other liabilities	4,276
Total liabilities	49,415
Shareholders' equity	
Total shareholders' equity	878
Total liabilities and shareholders' equity	50,293

The following table shows HCSU's consolidated revenues and expenses presented in accordance with US GAAP for the year ended December 31, 2021.

Figure 3.2.2.2.-B — HCSU Consolidated Income Statement

HCSU SUMMARY INCOME STATEMENT	
	USDm
Interest income	299
Interest expense	202
Net interest income (expense)	97
Other revenues	
Other fees and commissions	553
Trust income	38
Trading revenue, net	(85)
HSBC Group affiliate income	216
Other (loss) income	4
Total other revenues	726
Operating expenses	
Salaries and employee benefits	308
Support services from HSBC Group affiliates	381
Occupancy expense, net	14
Other expenses	171
Total operating expenses	874
Income / (loss) before taxes and discontinued operations	(51)
Income tax expense / (benefit)	(16)
Net Income / (loss)	(35)

3.2.2.3. Location and Jurisdiction

HCSU is incorporated in the State of Delaware, with its principal executive offices at 452 Fifth Avenue, New York, New York. It is a direct wholly owned subsidiary of HMUS, which is a direct wholly owned subsidiary of HNAH, which is an indirect wholly owned subsidiary of HGHQ.

HCSU no longer maintains a registered branch in Hong Kong. HCSU has retained its Business Registration Certificate with the Hong Kong Companies Registry and is deemed to have a 'fiscal branch' in Hong Kong, but is not currently active to conduct securities business.

HCSU is registered with the US SEC as a broker-dealer and Investment Adviser. HCSU is registered as a FCM with the US CFTC. HCSU is a member of Financial Industry Regulation Authority (**FINRA**), the National Futures Association, LCH, Clearnet Ltd (LCH), Fixed Income Clearing Corporation (**FICC**), National Securities Clearing Corporation (**NSCC**), Options Clearing Corporation (**OCC**) and the SIPC.

HCSU is also a member of the New York Stock Exchange (**NYSE**), NASDAQ Stock Market, NASDAQ OMX BX Exchange, NASDAQ OMX PHLX LLC, Chicago Stock Exchange, International Securities Exchange, Chicago Board Options Exchange, CME Group Inc. and ICE.

HCSU is approved to operate as a broker-dealer and Investment Adviser in all 50 States in the United States as well as the District of Columbia and Puerto Rico.

3.2.2.4. Capital and Funding Resources

Capital resources

HCSU's capital is comprised of shareholders' equity and subordinated loan instruments, which are compliant with FINRA requirements for capital treatment. Capital is provided from within the US Group only and primarily from HNAH or HUSI.

Funding resources

HCSU's primary source of funding is the US Repo market. In order to satisfy the need for unsecured funding, HCSU also has access to committed and uncommitted unsecured credit facilities from HUSI. HCSU generates cash flows from its investment banking activities, notably securities financing activities and through fee income. HCSU's market activities focus on the Repo and Reverse Repo of US Treasuries and US dollars. HCSU derives the majority of its revenue via fee income based on the aforementioned activities.

3.2.2.5. Financial Interconnectedness

HCSU has access to committed and uncommitted unsecured credit facilities from other HSBC Group entities. HCSU also enters into Repo trades with other HSBC Group entities as part of its matched book securities financing business.

3.2.2.6. Operational Interconnectedness

HCSU relies on two types of operational support, which it receives from a number of sources: Global Functions and DBS.

HCSU also relies on dedicated operations teams within HCSU itself, that provide support, including:

- A Global Treasury team;
- A dedicated US securities legal team and risk and HR teams;
- An operations team which provides back-office support; and
- A software development team which provides “run the bank” support.

Outside the dedicated operations teams within HCSU, HTSU is the primary service provider of both types of operational support.

Limited support is also provided to HCSU by other HSBC Group entities for certain services, payment, clearing and settlement system memberships and dedicated DBS service providers.

3.2.3. HSBC USA Inc.

3.2.3.1. Types of Business Conducted

HUSI is a FHC organized under the laws of the State of Maryland and is an intermediate level holding company for HSBC Group's US operations. HUSI is a direct, wholly owned subsidiary of HNAH and the direct parent company of HSBC Group's principal US banking subsidiary, HBUS. Substantially all of HUSI's operations are conducted through HBUS, the operations of which are described above. HUSI's other subsidiaries include HSBC Trust Company (Delaware), National Association, which is engaged in the WPB CBL but is not an ME.

HUSI's principal business is to act as a holding company for its subsidiaries. HUSI has issued debt securities, certain of which are registered on the NYSE. As an issuer of securities registered pursuant to Section 12(b) of the Exchange Act, HUSI is required to file periodic reports with the SEC.

3.2.3.2. Financial Data

The following table shows HUSI's unconsolidated assets and liabilities presented in accordance with US GAAP for the year ended December 31, 2021.

Figure 3.2.3.2.-A — HUSI Unconsolidated Balance Sheet

HUSI SUMMARY BALANCE SHEET	
	USDm
Assets	
Cash and due from banks	6,397
Interest bearing deposits with banks	6,535
Federal funds sold and securities purchased under agreements to resell	6
Trading assets	4
Securities held to maturity	1
Loans, net of allowances	2,576
Investment in subsidiaries	20,748
Other assets	201
Total assets	36,468
Liabilities	
Deposits	16
Short-term borrowings	5,183
Trading liabilities	(2)
Long-term borrowings	12,761
Subordinated debt	1,300
Interest, taxes and other liabilities	170
Total liabilities	19,428
Shareholders' equity	
Preferred stock	1,265
Common shareholder's equity:	
Common stock	—
Additional paid-in capital	14,743
Retained earnings / (deficit)	1,211
Accumulated other comprehensive income / (loss)	(179)
Total shareholders' equity	17,040
Total liabilities and shareholders' equity	36,468

The following table shows HUSI's unconsolidated revenues and expenses presented in accordance with US GAAP for the year ended December 31, 2021.

Figure 3.2.3.2.-B — HUSI Unconsolidated Income Statement

HUSI SUMMARY INCOME STATEMENT	
	USDm
Interest income	51
Interest expense	183
Net interest income	(133)
Other revenues:	
Other income	791
Total other revenues	791
Operating expenses:	
Salaries and employee benefits	0
Other expenses	4
Total operating expenses	4
Income / (loss) before taxes and extraordinary items	655
Income tax expense / (benefit)	(33)
Equity in undistributed income / (losses) of subsidiaries and associated expenses	0
Net income / (loss)	688

3.2.3.3. Location and Jurisdiction

HUSI is incorporated under the laws of the State of Maryland and has its principal executive office at 452 Fifth Avenue, New York, New York. As a holding company, all of HUSI's material operations are conducted through its subsidiaries. Information with respect to the geographic footprint of its subsidiaries that are MEs can be found below.

All but one of HUSI's direct and indirect subsidiaries are organized or incorporated in the US. HUSI (indirectly through HBUS) has one non-US incorporated wholly owned subsidiary, HSBC Financial Services (Uruguay) SA, which is incorporated in Uruguay and is in the process of being liquidated.

3.2.3.4. Capital and Funding Resources

Capital resources

HUSI's capital resources include common stock and preference shares that have been issued within HSBC Group. If HUSI requires additional capital, this could be sourced from its direct parent company, HNAH.

Funding resources

HUSI's primary sources of funding are commercial paper (**CP**) issued to third-party investors and debt issued to both HSBC Group entities and third parties. HUSI generates cash flows from the provision of funding to other HSBC Group entities and it may receive cash from its subsidiaries in the form of dividends.

3.2.3.5. Financial Interconnectedness

As a FHC for HSBC Group's US operations, HUSI has various forms of financial interconnections with other HSBC Group entities. These interconnections relate primarily to CP issued to third parties and debt issued to both HSBC Group entities and third parties. Financial interconnectedness also exists as a result of HUSI receiving cash from subsidiaries in the form of dividends and generating cash flows from the provision of funding to other HSBC Group entities.

Other financial interconnections relate to lending facilities that HUSI provides to several HSBC Group entities on a third-party basis. It has both credit exposure in respect of the facilities that have been drawn and contingent credit exposure in respect of the facilities that have not been drawn.

3.2.3.6. Operational Interconnectedness

HUSI's principal business is to act as a holding company for its subsidiaries, and it does not itself provide operational support to the US Group. HUSI is an issuer of securities registered pursuant to Section 12(b) of the Securities Act of 1933, as amended (the **Securities Act**) and HUSI receives the benefit of services from other MEs that are performing functions on behalf of HUSI.

3.2.4. HSBC Technology & Services (USA) Inc.

3.2.4.1. Types of Business Conducted

HTSU is a corporation organized under the laws of the state of Delaware and is a dedicated internal provider of information technology and centralized operational and support services, including Human Resources (**HR**), tax, finance, compliance, legal, policy, communications and other services shared among HNAH and its subsidiaries, as well as across the HSBC Group. HTSU is a direct wholly owned subsidiary of HNAH, which is an indirect, wholly owned subsidiary of HGHQ. HTSU is the service provider of operational support to the MEs, CBLs.

HTSU is the primary service provider of Global Functions for the US Group. Global Functions provide certain support and administrative services across the HSBC Group. Within the US Group, Global Functions are categorized as follows: US Finance; US Internal Audit; US Risk; US Compliance; US HR; US Legal; US Communications; US Strategy; US Sustainability; US Marketing; and US Corporate Governance and Secretary.

HTSU also forms part of the DBS shared services organization within the HSBC Group, which provides business operations, technology infrastructure, business support systems, procurement, property and other support services across the HSBC Group. HTSU is the primary provider of DBS services to the MEs, CBLs.

As one of the HSBC Group's ServCo entities, HTSU receives payment from and provides services to other US Group entities on arm's-length terms pursuant to intercompany service agreements that have been amended to contain resolution-resilient terms that facilitate the continued provision of services during resolution. HTSU has arranged for pre-funding of its working capital requirements and has access to certain committed facilities from HNAH and HUSI to deal with any disruption to service payments.

3.2.4.2. Financial Data

The following table shows HTSU's assets and liabilities presented in accordance with US GAAP for the year ended December 31, 2021.

Figure 3.2.4.2.-A — HTSU Balance Sheet

HTSU SUMMARY BALANCE SHEET	
	USDm
Assets	
Cash and due from banks	750
Properties and equipment, net	71
Other assets	452
Total assets	1,273
Liabilities	
Long-term borrowings	500
Interest, taxes and other liabilities	568
Total liabilities	1,068
Shareholders' equity	
Total shareholders' equity	205
Total liabilities and shareholders' equity	1,273

The following table shows HTSU's revenues and expenses presented in accordance with US GAAP for the year ended December 31, 2021.

Figure 3.2.4.2.-B — HTSU Income Statement

HTSU SUMMARY INCOME STATEMENT	
	USDm
Interest income	—
Interest expense	7
Net interest income / (expense)	(7)
Other revenues	
Fees and commissions	—
Other income	1,504
Total other revenues	1,504
Operating expenses	
Salaries and employee benefits	778
Expenses of premises and fixed assets	81
Amortization expense and impairment losses for other intangible assets	—
Other expenses	570
Total operating expenses	1,429
Income / (loss) before taxes and extraordinary items	68
Income tax expense / (benefit)	18
Net Income / (loss)	50

3.2.4.3. Location and Jurisdiction

HTSU is a corporation organized under the laws of the state of Delaware located at 1421 W, Shure Drive, Arlington Heights, IL. HTSU is the primary service provider of operational support to the MEs and CBLs. HTSU also provides operational services for HSBC Group entities outside of the US Group.

HTSU provides services and receives payment from other US Group entities on arm's-length terms pursuant to intercompany service agreements that have been amended to contain resolution-resilient terms that facilitate the continued provision of services during resolution.

3.2.4.4. Capital and Funding Resources

Capital resources

HTSU's shareholders' equity includes common stock issued within HSBC Group. HTSU also generates capital through the retained profit arising from the provision of its services. If HTSU requires additional capital, this could be provided by its parent company, HNAH.

Funding resources

HTSU's primary source of funding is the payments received from the provision of services to other HSBC Group entities.

3.2.4.5. Financial Interconnectedness

As a central US service company, HTSU's primary source of revenue is from payments by HSBC Group entities for services provided, mainly to the US MEs. It has also received USD340m of term funding from HNAH. HTSU uses those cash flows and existing cash resources to pay operating expenses and to service the loan that it has received from HNAH.

As one of HSBC Group's ServCo entities, HTSU receives payment from and provides services to other US Group entities on arm's-length terms pursuant to intercompany service agreements that have been amended to contain resolution-resilient terms that facilitate the continued provision of services during resolution.

3.2.4.6. Operational Interconnectedness

HTSU is the primary service provider of operational support to the MEs. This operational support is made up of services provided by the Global Functions and DBS. In order to provide the support to the US Group, HTSU itself relies on dedicated DBS service providers, known as GSCs and GLTs. HTSU also relies on support from other HSBC Group entities to perform Global Function and DBS services.

4. CORE BUSINESS LINES

As required by the IDI Rule, HBUS must identify as a CBL any business line of HBUS, including associated operations, services, functions and support, that, in the view of HBUS, upon failure would result in a material loss of revenue, profit or franchise value.

HBUS has identified four CBLs based on the criteria set forth in the IDI Rule. All of the CBLs are carried out primarily through HBUS, and some include operations with HCSU. The CBLs operate as part of HSBC Group's three global businesses: GBM, CMB, and WPB.

In addition, owing to legal entity and business simplification, CF, which was the CBL previously operated out of HBIO, is being wound down and is no longer a CBL for purposes of the IDI Plan.

Figure 4.-A — The HSBC Group's CBLs

GB	CMB	WPB	MSS - Cash FX
Global Banking	Commercial Banking	Wealth & Personal Banking	Cash - Foreign Exchange

4.1. Wealth & Personal Banking (WPB)

Since the 2018 IDI submission, HSBC Group has consolidated CBL from seven to four. A key consolidation occurred within WPB CBL, combining the previously separate Retail Banking & Wealth Management and Private Banking CBLs. The newly consolidated WPB CBL provides Retail Banking and Wealth Management (**RBWM**) services to consumers and small business undertaken in HBUS, as well as private banking and trustee services to ultra-high-net worth individuals and their families.

The WPB provides a range of banking and wealth management products and services to individuals and certain small businesses through branches, online channels as well as dedicated relationship managers and representative offices. WPB covers the following products and services:

- Banking Products;
- Unsecured Lending;
- Mortgages;
- Credit Advisory / Lending;
- Custody;
- Investment and Wealth;
- Investment Management:
 - Investment Advisory;
 - Brokerage;
 - Insurance/Annuities; and
- Trust Services.

4.2. Commercial Banking (CMB)

CMB offers comprehensive domestic and international financial services as well as banking, insurance and investment products to companies ranging from small businesses to large multinationals, including government entities and nonprofit organizations. CMB covers the following product categories:

- Depository products;
- Credit and Lending (**C&L**) products;
- Commercial Real Estate (**CRE**) products;
- Mid Corporate Investment Banking (**MCIB**) products;
- Global Trade and Receivables Finance (**GTRF**) products; and
- Global Liquidity and Cash Management (**GLCM**) products.

4.3. Global Banking (GBM)

Global Banking CBL (**GB**) sits within the GBM global business. GB provides financial services and products to corporates, governments and financial institutions. The GB division offers a broad cross-section of financial products and solutions, including debt and equity capital raising, advisory, corporate lending, leveraged finance, asset and structured finance, real estate, infrastructure and project finance, and export credit. From capital financing and investment banking, to liquidity and cash management, this is a hugely diverse business. Global Banking's business focuses on the following core banking activities: (i) the Lending Business Lines; (ii) the Advisory Services Business; and (iii) Global Liquidity and Cash Management.

4.4. Markets and Securities Services (MSS) — MSS - Cash FX

MSS - Cash FX is a core product offering within MSS, where it is run as a global business. The business is a leading market-maker globally, quoting buy / sell prices in a wide range of tradable currencies, 24 hours a day across over 60 countries and territories. The client base consists of corporate, retail, financial institutions and HSBC Private Banking clients, sovereign, affiliates and internal departments.

5. ACTIONS TAKEN TO ENHANCE RESOLVABILITY OF HBUS AND THE US GROUP

HBUS maintains and has enhanced a set of core capabilities to ensure preparedness in the case of a resolution scenario. The sections below summarize these key capabilities across three focus areas: structural, financial and operational capabilities.

Since 2018, the US Group has developed its governance and communication arrangements for the duration of a stress period, which has culminated in the creation of the Enhanced Monitoring Governance Framework. This framework sets out the transition from BAU governance into Enhanced Monitoring (**EM**) governance, the details of the EM governance arrangements, and either the transition back from EM governance into BAU, or the transition from EM governance into resolution governance.

This enhanced governance enables HBUS to be operationally ready to execute a resolution plan and enables the board directors of HBUS (**HBUS Board**) and senior management to receive necessary information and take timely actions under stress conditions in order to successfully implement the resolution strategy. The US Group's governance mechanisms ensure that the resolution strategy is resilient to legal challenge, including by confirming that the actions to be taken by the HNAH Board are consistent with its fiduciary duties.

HSBC has developed governance mechanisms necessary to operationalize the MPE resolution strategy. In particular, HSBC has developed a set of governance triggers for the US Group which are linked to financial indicators in order to ensure that the directors and senior management of each ME receive the needed information and perform the key actions necessary to facilitate the MPE resolution strategy in a timely fashion. These governance triggers are linked to key points along the spectrum from BAU operations through risk appetite, heightened and enhanced monitoring, recovery, contingency, resolution and HBUS's bankruptcy filing, and identify the escalation measures and other required actions at each point.

HBUS has developed a governance runbook that sets out how a resolution governance framework would be implemented on a group-wide basis to facilitate effective decision making in a resolution scenario, including where resolution actions are taken in respect of the US Group. The governance runbook enhances HSBC's preparedness for resolution and ensures senior management and boards of directors have clarity over their governance responsibilities in resolution.

HSBC has also prepared communication runbooks which (i) provide a robust plan for the roles and responsibilities of communication teams and (ii) outline HSBC's strategy, approach, activities and timing for internal and external stakeholder engagement and communication along the resolution timeline (that is, from when the US Group is under severe financial stress up to and during the commencement of resolution).

5.1. ServCo Group

Historically, the HSBC Group has had significant dependencies between its operating banks. The most effective means to address these shared dependencies was the creation of the ServCo Group, whereby critical shared infrastructure, services and systems were moved into a bankruptcy-resilient group of separately capitalized and funded nonbank service companies. These service companies provide services to the operating banks through resolution-resilient contracts on commercially reasonable terms. In this way, the ServCo Group significantly reduces the risk associated with operational dependencies across critical functions, jurisdictions and legal entities.

The ServCo Group operates on a commercial basis in order to ensure its stand alone viability, and is able to retain sufficient capital and funding to deal with any financial stresses arising from the resolution of any of the operating banks that it serves and any subsequent costs associated with the post-resolution restructuring of service delivery. The resulting structure facilitates a quicker disposal of businesses and/or restructuring of operating banks in a recovery or resolution than could be achieved with highly integrated and embedded operations. As such, the structure lowers the operational costs, complexity and risks of resolution and results in a better preservation of value in the HSBC Group.

The ServCo Group is responsible for delivery of shared services to the operating banks of the HSBC Group, including HBUS and HCSU, on an arm's-length commercial basis. It is financially independent from the operating banks through the retention of sufficient cash reserves to deal with cash flow disruption resulting from the resolution or insolvency of any of the operating banks.

The existing US ServCo, HTSU, remains in the US Group structure (i.e., not part of the ServCo Group). However, it operates on the same basis as the ServCo Group. HTSU houses all US domestic shared services and has been in full operation for some time. HTSU meets the same financial resilience requirements as the ServCo Group. This structure addresses operational continuity issues within the US Group. It also addresses intra-bank continuity issues between the global businesses in the US.

5.2. Legal Structure of HSBC Group's US Operations

On a global level, the HSBC Group's business model of operating through regional hubs, and its principles of having separately governed, capitalized, funded and risk-managed operating banks, already minimize the risks of contagion between its various operating bank subsidiaries if one of its operating bank subsidiaries enters into material financial distress. Therefore, the risk posed to the US Group by any material financial distress experienced by its non-US affiliates is limited.

Since the submission of its 2018 SIFI Plan, the US Group has assessed its business structure in order to minimize complexities that could impede an orderly resolution, to facilitate operational continuity and to mitigate some of the potential challenges associated with separation and disposition of components of the US Group in a resolution scenario.

- Since the 2018 IDI Plan, the US Group has consolidated the RBWM and PB CBLs to create a single WPB CBL.
- HSBC's GBM management construct has been simplified, and transformation projects were executed to migrate derivatives from the US to HSBC's European operations, further reducing complexity.
- Additionally, in May 2021, the HSBC Group announced its decision to exit its US mass market retail banking business.

The US legal entity structure is regularly reviewed by the CG&S, Tax and the relevant business lines to validate the need to retain legal entities within the structure as well as identify opportunities to rationalize. This has resulted in a reduction in the number of legal entities since the end of 2018.

Overall, these efforts reduce the US Group's complexity and financial and operational interconnections that would need to be considered during resolution. In particular, the restructuring actions taken have removed complexity and layers of management to ensure timely decision making and the delivery of crucial management information.

5.3. QFC Stay Rules

HBUS, HCSU and HUSI are the only US Group MEs engaged in any material trading, derivatives and hedging activities, which include QFCs. Given the composition of the US Group's QFC portfolios, the US Group's efforts to remediate QFCs to comply with the US QFC Stay Rule as applicable, and the liquid nature of the outstanding positions, the US Group believes the relevant trading markets are sufficiently deep, competitive and active to allow it to exit its positions without difficulty. Therefore, the US Group believes the unwind of its QFC portfolios would not be an impediment to the execution of its preferred MPE resolution strategy.

While the US Group engages in trading, derivatives and hedging activity across its business lines, including MSS, Markets Treasury, GB, CMB and WPB, the US Group's material trading, derivatives and hedging activities are conducted by or through MSS – Cash FX, the GB CBL, and Markets Treasury.

6. DERIVATIVE AND HEDGING ACTIVITIES

HBUS transacts derivatives for three primary purposes: to create risk management solutions for clients, to manage the portfolio risks arising from client business and to manage and hedge HBUS's own risks.

Most of HBUS's derivative exposures arise from sales and trading activities within the GBM business line. HSBC Group's derivative activities give rise to significant open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels. When entering into derivative transactions, HBUS employs the same credit risk management framework to assess and approve potential credit exposures that it uses for traditional lending.

6.1. Trading Derivatives

Most of HBUS's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities include market-making and risk management. Market-making entails quoting bid and offer prices to other market participants for the purpose of generating revenues based on spread and volume. Risk management activity is undertaken to manage the risk arising from client transactions, with the principal purpose of retaining client margin.

Other derivatives classified as held for trading include non-qualifying hedging derivatives, ineffective hedging derivatives and the components of hedging derivatives that are excluded from assessing hedge effectiveness.

6.2. Derivatives for Hedging Risks

HBUS uses derivatives, principally interest rate swaps, for hedging purposes in the management of its own asset and liability portfolios and structural positions. This enables HBUS to optimize the overall cost of accessing debt capital markets and to mitigate the market risk which would otherwise arise from structural imbalances in the maturity and other profiles of its assets and liabilities.

7. MEMBERSHIPS IN MATERIAL PAYMENT, CLEARING AND SETTLEMENT SYSTEMS

As an essential part of engaging in the financial services industry and serving customers and clients, HBUS participates in payment, messaging, clearing and settlement systems, also known as financial market utilities (**FMUs**), to conduct financial transactions in a global economy.

The FMUs allow HBUS to provide payment services to customers and clients, to facilitate securities transactions (including through HCSU) and to engage in derivatives transactions as needed to manage risk, secure funding and meet the needs of customers and clients. These arrangements also allow for greater risk management and operational efficiencies in the trading of financial instruments worldwide.

For purposes of this section, “membership” means that an HSBC Group legal entity has direct access to an FMU to serve HSBC Group’s customers and clients around the globe. See below for a table mapping ME membership to key FMUs significant to HBUS’s operations.

Figure 7.-A — Key FMU Memberships

KEY FINANCIAL MARKET UTILITIES		
Name	Type	Membership
CHIPS (Clearing House Interbank Payments System)	Payments	HBUS
EPN (Electronic Payments Network)	Payments	HBUS
Fedwire Funds Service	Payments	HBUS
CLS (Continuous Linked Settlement) Bank	FX Settlement	HBEU (settlement member)
SWIFT (Society for Worldwide Interbank Financial Telecommunication)	Messaging	HBEU
DTC	Clearing and Settlement	HBUS, HCSU
FICC	Clearing and Settlement	HBUS, HCSU
LCH Cleernet Ltd	Clearing and Settlement	HBUS, HCSU
Euroclear (Euroclear Bank SA/NV)	Clearing and Settlement	HBUS, HCSU

Payment systems

- CHIPS is an electronic payments system that is owned by The Clearing House Association LLC, which is itself owned by a number of financial institutions (including HBUS). CHIPS is operated by The Clearing House Payments Company LLC, an affiliate of The Clearing House Association LLC. CHIPS carries out intra-day, high value US dollar payments settled in real time.
- EPN is a payment system that is owned by the Clearing House Association LLC and operated by The Clearing House Payments Company LLC. EPN provides automated clearing house services and handles a wide variety of lower-value US dollar transfers, such as payroll and dividends.
- Fedwire is a real-time gross settlement (**RTGS**) system owned and operated by the 12 Federal Reserve Banks, which enables financial institutions to transfer funds between members.

FX settlement systems

- CLS provides a multi-currency cash settlement system. Through its CLS Settlement platform, CLS settles payment instructions related to trades in FX contracts.

Messaging systems

- SWIFT is a global message network for payment exchange that enables financial transaction messages to be sent and received securely and rapidly.

Clearing and settlement systems

- CME, is used to clear interest rate swaps and certain other products through CME Clearing, a division of CME. CME Group Inc. is a publicly owned corporation, with shares listed on the NASDAQ Global Select Market.
- FICC, a subsidiary of The Depository Trust & Clearing Corporation, is a US securities clearing agency. FICC operates two divisions, including the Government Securities Division and the Mortgage-Backed Securities Division.
- LCH Clearnet's wholly owned subsidiary, LCH Limited, is used to clear interest rate swaps. LCH Limited is wholly owned by LCH Clearnet Group Limited, which, in turn, is majority owned by the London Stock Exchange Group. The remaining shareholding is held by its users and other exchanges.
- Euroclear provides International Central Securities Depository services and settlement services for cross-border transactions involving domestic and international bonds, equities, derivatives and investment funds. Euroclear is a wholly owned indirect subsidiary of Euroclear Holding.

8. FOREIGN OPERATIONS

HSBC Group serves approximately 40 million customers globally. As at December 31, 2021, HSBC Group's network covered 64 countries and territories organized into five geographical regions (Europe, Asia, Middle East and North Africa, North America and Latin America). HSBC Group's operations are conducted through a network of regional and locally incorporated regulated banking entities.

As at December 31, 2021, HSBC Group had a total global workforce of approximately 220,000 full-time and part-time employees, of which approximately 3,500 were located in the US.

As at December 31, 2021, HSBC Group had approximately USD3tn of assets. HSBC Group had approximately USD18.9bn in profit before tax for the year ended December 31, 2021. The breakdown of both figures by geographic region is presented in the table below.

Figure 8.-A — Group Summary Financials

FINANCIAL HIGHLIGHTS BY GEOGRAPHIC REGIONS AT OR FOR THE YEAR ENDED DECEMBER 31, 2021			
	Total Assets USD m	Net Operating Income (Revenue) USD m	Profit (Loss) before Tax USD m
Europe	1,354,483	20,104	3,170
Asia	1,261,707	25,763	2,077
Middle East and North Africa	70,974	2,560	236
North America	362,150	6,054	469
Latin America	46,602	3,058	322
Intra-HSBC Group items	-137,977	-7,987	0
HSBC Group	2,957,939	49,552	4,213

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HGHQ were held by approximately 187,000 shareholders in 128 countries and territories as at December 31, 2021.

HBUS foreign operations

In addition to its domestic offices, HBUS has a foreign branch in the UK and in Hong Kong. The UK, London branch is inactive and has no dedicated staff. These branches are also subject to the laws and regulatory authorities of the countries in which they operate.

HBUS also maintains a representative office authority in Brazil through a contractual relationship with HSBC Brasil SA - Banco de Investimento, S.A. which is utilized by the WPB CBL, and a representative office presence in Bogota, Colombia, and Lima, Peru, each utilized by the GB CBL.

9. MATERIAL SUPERVISORY AUTHORITIES

9.1. US Supervisory Authorities

9.1.1. Banking Supervisory Authorities

HBUS and its US Group affiliates are subject to the extensive US statutory and regulatory framework applicable to bank holding companies, financial holding companies, banks and securities firms. This includes regulation under the Bank Holding Company Act of 1956, as amended (**BHC Act**), the Gramm-Leach-Bliley Act of 1999 (**GLB Act**), the Community Reinvestment Act of 1977, as amended (**CRA**), and inspections, examinations and supervision by the US Group's primary regulator, the FRB. HBUS and certain of its US Group affiliates are also subject to the disclosure and regulatory requirements of the Securities Act, and the Exchange Act, as administered by the SEC. Such laws and regulations apply to certain activities of the US Group, including HBUS, HNAH and HUSI and impose prudential restrictions, such as limits on extensions of credit by HBUS to affiliates.

HGHQ, HNAH and HUSI are bank holding companies that qualified as financial holding companies as a result of amendments to the BHC Act effected by the GLB Act. Under these amendments, financial holding companies may engage in a broader range of activities than bank holding companies, provided they meet certain capital and/or management requirements and ratings levels under the CRA. They are regulated by the FRB, which exercises umbrella authority over the US Group's activities. HNAH is supervised and examined by the Federal Reserve Bank of Chicago.

HBUS is subject to extensive regulation promulgated by the Comptroller, the FDIC, the Consumer Financial Protection Bureau (**CFPB**) and FRB. HBUS is subject to supervision and examination primarily by the Comptroller, secondarily by the FDIC and the CFPB. HBUS is subject to banking laws and regulations that place various restrictions on and requirements regarding their operations and administration, including the establishment and maintenance of branch offices, capital and reserve requirements, deposits and borrowings, investment and lending activities, compliance activities, payment of dividends and numerous other matters. HBUS is subject to regulation and examination primarily by the Comptroller, but is also subject to additional regulation and supervision by the FDIC, the FRB and the CFPB.

The GLB Act and the regulations issued thereunder contain a number of other provisions that affect HUSI's operations and those of HUSI's subsidiary banks, including regulations and restrictions on the activities they may conduct and the types of businesses and entities they may acquire. Furthermore, other provisions contain detailed requirements relating to the financial privacy of consumers.

The types of activities in which the non-US branches of HBUS may engage are subject to various restrictions imposed by the Comptroller, the FDIC and the FRB. These branches are also subject to the laws and regulatory authorities of the countries in which they operate.

9.1.2. US Securities Regulatory Authorities

As an international dealer in derivative instruments, HBUS is a registered swap dealer with the CFTC.

“Push-out” provisions of the GLB Act removed the blanket exemption from registration for securities and brokerage activities conducted in banks (including HBUS) under the Exchange Act. Applicable regulations allow banks to continue to avoid registration as a broker or dealer only if they conduct securities activities that fall within a set of defined exceptions.

HCSU is a registered broker-dealer of securities under the Exchange Act, a registered Investment Adviser under the Investment Advisers Act of 1940 and a registered FCM with the CFTC. In 1996, HSBC Group was granted the authority by the FRB to engage, through HCSU, in limited underwriting and dealing activities under the BHC Act. HCSU is engaged in underwriting, dealing and brokering a full range of debt and equity securities and futures contracts. HCSU is also a primary dealer in US government and government agency securities.

HCSU is a member of the FINRA, the NYSE, CME, Intercontinental Exchange (*ICE*), LCH and the OCC. HCSU is eligible to clear OTC derivatives at the CME, ICE and LCH Clearnet Ltd.

9.2. Foreign Supervisory Authorities

9.2.1. Wider HSBC Group

HSBC Group is subject to a significant body of laws and regulations that are a condition for authorization to conduct banking and financial services business in the relevant country. These requirements are largely prescribed on a jurisdictional basis by the applicable government, central bank, regulatory authorities or other applicable bodies.

9.2.2. HBUS

There are no material foreign supervisors of HBUS's operations.

10. PRINCIPAL OFFICERS

10.1. HSBC Bank USA, National Association

As of December 31, 2021, the HBUS Board of Directors (**HBUS Board**) consisted of the members presented in the following table.

Figure 10.1.-A — HBUS Board

HBUS BOARD OF DIRECTORS		
Name	Appointed	Title
Executive Directors		
Michael Roberts	2019	Chairman, President and Chief Executive Officer
Non-Executive Directors		
Deborah Bailey	2021	Non-Executive Director
Barry Kroeger	2016	Non-Executive Director
Nancy Mistretta	2012	Non-Executive Director
Brian Robertson	2018	Non-Executive Director
Alice Schroeder	2021	Non-Executive Director
Jane Sherburne	2015	Non-Executive Director

As of December 31, 2021, the Principal Executive Officers of HBUS consisted of the members presented in the following table.

Figure 10.1.-B — HBUS Principal Executive Officers

HBUS PRINCIPAL EXECUTIVE OFFICERS		
Name	Appointed	Title
Michael Roberts	2019	President and Chief Executive Officer
Jeffrey Barden	2019	Head of Strategy and Planning and Chief of Staff to CEO
Wyatt Crowell	2015	Head of Commercial Banking
Jason Henderson	2020	Head of Markets and Securities Services, North America
Gerald Keefe	2021	Head of Global Banking, Americas
Tara Latini	2021	Head of Wealth and Personal Banking, US
Christine Lowthian	2020	Chief Compliance Officer, US
Kavita Mahtani	2019	Chief Financial Officer, Americas
Brian McGuire	2021	Interim Chief Risk Officer, US
Marie Minardo	2021	Chief Audit Officer, US
Mabel Rius	2020	Head of Human Resources, Americas and US
Mark Steffensen	2016	General Counsel
Jennifer Strybel	2019	Chief Operating Officer, US
William Tabaka	2015	Chief Accounting Officer
Lopa Zielinski	2018	Corporate Secretary and Head of Governance

11. CORPORATE GOVERNANCE STRUCTURE AND PROCESSES RELATED TO RESOLUTION PLANNING

11.1. Global Resolution Planning

To support a global approach to resolution planning, as noted above, HSBC Group implemented a Global Recovery and Resolution Planning (**RRP**) Office, which serves as the custodian of HSBC's global RRP framework and is responsible for maintaining recovery and resolution plans globally. It is recognized that recovery and resolution requirements vary from jurisdiction to jurisdiction and that each country RRP office is responsible for its own RRP and satisfying regulatory requirements in the respective jurisdiction. The Global RRP Office accordingly supports the US RRP team (**Americas RRP Team**), which functions as a subset of the Americas RRP Office, in order to satisfy the US requirements during the preparation of the US Resolution Plans, including HBUS's IDI Plan.

The Americas RRP Team is responsible for drafting and submitting the US Resolution Plans. This team is composed of numerous internal stakeholders and external advisors with subject matter expertise relevant to resolution planning. A robust governance structure has been implemented to ensure proper oversight of the resolution planning process and that sufficient resources are allocated to support the HBUS Board in complying with the requirements of the IDI Rule.

11.2. US Resolution Planning Governance and Organization

The Americas RRP Office is responsible for the day-to-day activities relating to the development of the IDI Plan and is led by Head of Recovery and Resolution - Americas. The Americas RRP Office is accountable to the Americas Treasurer, Americas CFO and Global Head of RRP.

In producing the IDI Plan, the Americas RRP Office was supported by stakeholders and senior management executives from Global Businesses, Global Functions and DBS. The Americas RRP Team is comprised of members of the Americas RRP Office, stakeholders from Global Businesses, Global Functions and DBS, as follows:

- Line of business leaders and COO representatives from WPB, CMB, GB, and MSS;
- Function leaders from Finance, Global Treasury, Risk, HR, Legal, Compliance, Corporate Governance and Secretariat, Strategy and Planning, and DBS; and
- Global RRP Office.

11.3. Approval of IDI Plan

The HBUS Board considered the IDI Plan following endorsement by the IDI Steering Committee and the Asset and Liability Committee (**ALCO**).

The HBUS Board approved the IDI Plan in accordance with the IDI Rule.

12. MATERIAL MANAGEMENT INFORMATION SYSTEMS

HBUS's operations rely on robust management information systems (**MIS**) and reporting to monitor the financial health, risk and operations of its MEs and CBLs. On a daily to monthly basis, the HSBC Group global businesses, Global Functions and/or DBS provide management and the regulators with risk management, liquidity, accounting, operations and financial reports detailing a broad range of information, including with respect to HBUS, necessary to maintain HSBC Group's strong financial position. The management information and reports used by management to conduct business-as-usual operations, in addition to certain bespoke management information, have been used to support the development of the IDI Plan.

HBUS continues to make progress to improve processes and systems for producing the required information and analytics. Through these improvements the collection and analysis of the information required is incorporated into more business-as-usual processes.

In connection with enhancing its MIS capabilities, HBUS work has focused on identifying the most critical MIS reports that would be required to manage its operations during a period of crisis. This analysis includes identifying when each report is typically available, quantifying the effort required to produce each report, and highlighting relevant aspects of the US corporate governance model where such management information (**MI**) is reviewed and decisions are made. The MIS reference database houses a complete inventory of MI, including critical and other business-as-usual reports. HBUS has documented the link between critical MIS and the critical services that would be required in a resolution scenario.

HBUS's material MIS includes systems that are used by its businesses and functions to manage a wide array of business-as-usual processes including, but not limited to: (i) deposit-taking activities, (ii) client activity, (iii) risk measures, (iv) liquidity and capital management, (v) financial and regulatory reporting, (vi) financial crime risk management and (vii) other operational processes.