

FINRA
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**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080154363-01**

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: HSBC Securities (USA) Inc., Respondent
Broker Dealer
CRD No. 19585

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, HSBC Securities (USA) Inc. (the "firm" or "Respondent"), submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

The firm became a member of FINRA on July 25, 1987, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has the following relevant disciplinary history:

- On June 27, 2007, an AWC became final in which the firm was censured and fined \$5,000 for violations of NASD Rules 6955(a) that occurred from May 15, 2006 through May 16, 2006.

SUMMARY

These matters (20080154363, 20090189534, and 20100213084) resulted from two Integrated Sweeps and an Order Trade Variance Sweep conducted by the staff of the Order Audit Trail System ("OATS") Section in the Department of Market Regulation (the "staff"). The staff reviewed the firm's compliance with OATS reporting during the periods of May 1, 2008 through August 31, 2008 (the "2008 Integrated Sweep review period"), July 1, 2008 through December 31, 2008 (the "2008 Order Trade Variance Sweep review period"), and May 1, 2009 through August 31, 2009 (the "2009 Integrated Sweep review period").

FACTS AND VIOLATIVE CONDUCT

20080154363

1. During the 2008 Integrated Sweep review period, the firm: (a) failed to timely report to OATS 995 Reportable Order Events ("ROEs"); (b) reported two Execution or Combined Order/Execution that contained inaccurate, incomplete, or improperly formatted data; (c) transmitted to OATS 96 Route or Combined Order/Route Reports that OATS system was unable to link to the related order routed to Nasdaq due to inaccurate, incomplete or improperly formatted data; and (d) transmitted to OATS 67 Route or Combined Order/Route Reports that the OATS system was unable to link to the corresponding new order transmitted by the destination member firm due to inaccurate, incomplete or improperly formatted data. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).

20090189534

2. During the 2008 Order Trade Variance Sweep review period, the firm failed to transmit 53,988 Reportable Order Events ("ROEs") to OATS on 26 business days. These 53,988 ROEs represented 13 percent of all ROEs (403,573) that the firm was required to transmit to OATS during the 2008 Order Trade Variance Sweep review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a) (for conduct prior to December 15, 2008) and FINRA Rule 7450(a) (for conduct on or after December 15, 2008).
3. During the 2008 Order Trade Variance Sweep review period, the firm transmitted to OATS 91,587 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports contained inaccurate destination codes. These inaccurate and/or incomplete reports represented 30 percent of all reports (309,537) that the firm transmitted to OATS during the 2008 Order Trade Variance Sweep review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a) (for conduct prior to December 15, 2008) and FINRA Rule 7450(a) (for conduct on or after December 15, 2008).

20100213084

4. During the 2009 Integrated Sweep review period, the firm: (a) transmitted to OATS 39 Execution or Combined Order/Execution Reports that contained inaccurate, incomplete, or improperly formatted data; (b) transmitted to OATS 96 Route or Combined Order/Route Reports that the OATS system was unable to link to the related order routed to Nasdaq due to inaccurate, incomplete or improperly formatted data; and (c) transmitted to OATS 15 Route or Combined Order/Route Reports that the OATS system was unable to link to the corresponding new order transmitted by the destination member firm due to inaccurate, incomplete or improperly formatted data. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450(a).
5. During the 2009 Integrated Sweep review period the firm failed, within 90 seconds after execution, to transmit to the FINRA/Nasdaq Trade Reporting Facility 16 last sale reports of transactions in designated securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6380A.
6. During the 2009 Integrated Sweep review period the firm failed, within 90 seconds after execution, to transmit to the OTC Reporting Facility 17 last sale reports of transactions in OTC Equity securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6622(b).

B. The firm also consents to the imposition of the following sanctions:

A censure and fine in the amount of \$45,000 (comprised of \$12,500 for the OATS reporting violations in matter id. no. 20080154363, \$15,000 for the OATS reporting violations in matter id no. 20090189534, and \$12,500 for the OATS reporting violations and \$5,000 for the transaction reporting violations in matter id. no. 20100213084).

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:

1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. the firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

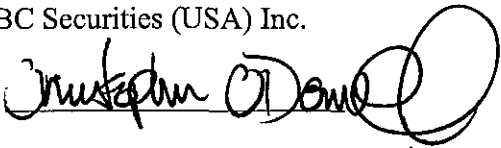
D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

2/3/12
Date

Respondent

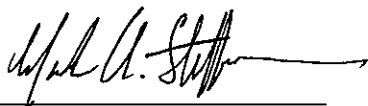
HSBC Securities (USA) Inc.

By: 

Name: CHRISTOPHER O'DONNELL

Title: CHIEF COMPLIANCE OFFICER

Reviewed by:

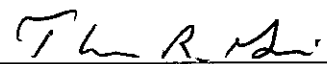


Attorney Name: Mark A. Stettensen
Counsel for Respondent
HSBC Securities (USA) Inc.
452 Fifth Avenue
New York, NY 10018

Accepted by FINRA:

6/6/12
Date

Signed on behalf of the
Director of ODA, by delegated authority



Thomas R. Gira
Executive Vice President
Department of Market Regulation