

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100215554-01**

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") 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.

DISCIPLINARY HISTORY

The firm has no relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT

In Market Regulation Review No. 20100215554, the staff of the Department of Market Regulation ("staff") conducted a review of the firm's compliance with SEC Rules 203(b)(3) and 204 for the period August 20, 2009 through December 31, 2009. The staff also reviewed the firm's written supervisory procedures relating to short sales.

1. During the review period, the firm had a fail-to-deliver position at a registered clearing agency in PERF Go-Green, Inc. ("PGOG"), a threshold security, for 13 consecutive settlement days beginning November 6, 2009, and failed to immediately thereafter close out the fail-to-deliver position by purchasing securities of like kind and quantity. The firm continued to have a fail-to-deliver position in PGOG at the registered clearing agency on 79 additional settlement days through March 2, 2010, which it failed to close out when required. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 203(b)(3) of Regulation SHO.
2. Between October 19, 2009 and March 4, 2010, in five instances as reflected on Exhibit A, the firm had a fail-to-deliver position at a registered clearing agency in PGOG that resulted from a sale of a security that the seller was deemed to own pursuant to §242.200 and intended to deliver once all restrictions on delivery had been removed, and did not close the fail-to-deliver position by purchasing securities of like kind and quantity within the time frame prescribed by SEC Rule 204(a)(2). The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 204(a)(2).
3. In six instances, the firm accepted orders in deemed to own OTC Equity Securities and failed to properly mark the orders as short and, as a result, in 51 instances, the firm executed short sale transactions and failed to report each of these transactions to the OTC Reporting Facility with a short sale indicator. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6624 and SEC Rule 200(g) of Regulation SHO.
4. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the rules of FINRA concerning FINRA Rules 6182 and 6624 ("Trade Reporting of Short Sales") and SEC Rules 200(g) ("Order Marking"), 203(a) ("Long Sales"), 203(b)(1) ("Locate Requirement"), 203(b)(3) ("Threshold Close Out Requirement"), and 204 ("Close Out Requirement"). Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes violations of FINRA Rule 2010 and NASD Rule 3010.

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

A censure and fine of \$65,000 (consisting of \$50,000 for violations of SEC Rules 203(b)(3) and 204; \$5,000 for violations of SEC Rule 200(g) and FINRA Rule 6624; and \$10,000 for violations of NASD Rule 3010 and FINRA Rule 2010); and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.4 above. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council, ("NAC"), a registered principal of the Respondent shall submit to the

COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph I.A.4 above; and, (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. The firm has submitted an Election of Payment form showing the method by which it propose 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 sanctions 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 the firm;
- 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 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:

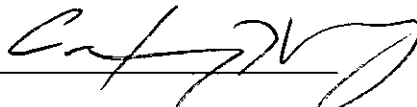
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will 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 firm certifies that it has read and understand 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.

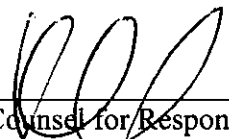
12/06/2012
Date

Respondent
HSBC Securities (USA) Inc.

By: 
Name: ANTHONY VERGA

Title: DEPUTY CHIEF COMPLIANCE OFFICER

Reviewed by:


Counsel for Respondent

Accepted by FINRA:

1/15/13
Date

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


Thomas R. Gira
Executive Vice President
Department of Market Regulation

Exhibit A

HSBC Securities (USA), Inc.
Review No. 20100215554

204(a)(2) Violations	Settlement Date	Transaction Causing Increase in Fail	Close Out Violation Period	Average Close Out Obligation	Days with a Close Out Violation
1	9/16/09	Deemed to Own Sale – 8,750 shares	10/19/09- 11/3/09	1,277	12
2	9/22/09	Deemed to Own Sale – 35,394 shares	10/26/09- 11/3/09	35,394	7
3	10/14/09	Deemed to Own Sale – 182,797 shares	11/16/09- 3/4/10	145,153	74
4	10/15/09	Deemed to Own Sale – 24,553 shares	11/16/09- 3/4/10	24,553	74
5	10/26/09	Deemed to Own Sale – 100,000	11/27/09- 3/4/10	100,000	66