

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

NO. 20110275412-01

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.

RELEVANT DISCIPLINARY HISTORY

The firm has no relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT

Matter number 20110275412 is the result of a review conducted by the OTC Compliance Section of FINRA's Department of Market Regulation (the "staff") of the firm's advertised trade volume as transmitted to Bloomberg during the period of February 22, 2010 through June 2, 2011.

As a result of its review, the staff found that:

1. Bloomberg is a private service provider that allow certain subscribers, including broker-dealers, to advertise intra-day and historical trading volume in a particular security. Participation by member firms in this service is voluntary.
2. A broker-dealer subscriber may send to Bloomberg advertisements of the trade volume that it transacted in a given security. The subscriber's advertised trade volume is used by Bloomberg to compile rankings and other reports, including, but not limited to, reports that rank the most active broker-dealers by security.
3. HSBC utilized an order management system which allowed the firm to designate certain accounts to automatically transmit trade volume to Bloomberg. Between February 22, 2010 and June 2, 2011, the firm erroneously designated two accounts located in HSBC's London affiliate to automatically transmit trade volume in U.S.-listed securities to Bloomberg causing HSBC to overstate its executed trade volume.
4. The staff sampled HSBC's advertised trade volume of four securities, Applied Materials, Inc. (AMAT), Dell, Inc. (DELL), eBay, Inc. (EBAY), and Wynn Resorts, Ltd. (WYNN) for the month of November 2010 and found that the trade volume transmitted to Bloomberg by HSBC for each of those securities substantially exceeded HSBC's executed trade volume. Specifically,
 - a. the firm over-reported its trade volume in AMAT on Bloomberg on 20 of the 22 business days in November 2010. HSBC's reporting on those days resulted in over-advertisements ranging from 5 percent to 10,207 percent of the firm's trade volume in AMAT;
 - b. the firm over-reported its trade volume in DELL on Bloomberg on 18 of the 22 business days in November 2010. HSBC's reporting on those days resulted in over-advertisements ranging from 2 percent to 93 percent of the firm's trade volume in DELL;
 - c. the firm over-reported its trade volume in EBAY on Bloomberg on 16 of the 22 business days in November 2010. HSBC's reporting on those days resulted in over-advertisements ranging from 21 percent to 23,502 percent of the firm's trade volume in EBAY; and
 - d. the firm over-reported its trade volume in WYNN on Bloomberg on 4 of the 22 business days in November 2010. HSBC's reporting on those days resulted in over-advertisements ranging from 4 percent to 100 percent of the firm's trade volume in WYNN.

The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 5210 and 2010.

5. During the review period, the firm's supervisory system with respect to the advertising of trade volume to private service providers did not provide for supervision designed to achieve compliance with certain applicable securities laws and regulations, and/or the Rules of FINRA/NASD. The conduct described in this paragraph constitutes a violation of NASD Rules 2110 and 3010.

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

A censure and fine of \$150,000.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are 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(s) 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 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: (i) testimonial obligations; or (ii) 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.

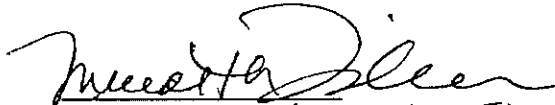
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, 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.

MAY 2, 2014
Date

Respondent
HSBC Securities (USA) Inc.

By: 
Name: ANTHONY VEKRA
Title: Chief Compliance Officer

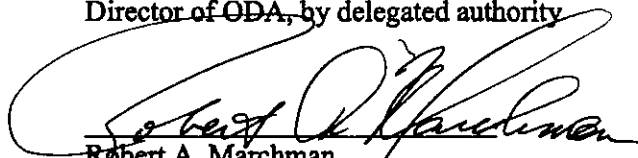
Reviewed by:


Attorney Name Mercaith Friedman
Counsel for Respondent
Firm Name HSOC Securities
Address 452 Fifth Ave
City/State/Zip NY NY
Phone Number 212 3923

Accepted by FINRA:

6/9/14
Date

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


Robert A. Marchman
Executive Vice President, Legal Section
Department of Market Regulation