

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120330877-01**

FINRA

2014 MAY 29 AM 11: 50

**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

On January 20, 2010, the firm finalized an AWC in which the firm was censured and fined \$12,500 for violations of NASD Rule 6955(a) for conduct which occurred during the period of May 1, 2007 through August 31, 2007.

FACTS AND VIOLATIVE CONDUCT

Matters 20120330877 and 20120331278 resulted from sweeps conducted by the Order Audit Trail System ("OATS") Compliance Team (the "staff").

20120330877

In matter 20120330877, the staff reviewed the firm's compliance with OATS reporting rules during the period of October 1, 2011 through December 31, 2011 (the "4Q11 review period").

STAR No. 20120330877 (Includes 20120331278) (MY)

1. During the 4Q11 review period, the firm transmitted 32,666 Reportable Order Events ("ROEs") that were rejected and repairable. As a result, the firm: (i) failed to repair 16,199 ROEs during the 4Q11 review period that were rejected by OATS for context or syntax errors and were repairable; (ii) failed to repair 53 of the rejected ROEs within the required five business days; and (iii) failed to repair 14 of the rejected ROEs within the required five business days and failed to populate the correct Rejected ROE ID. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.

20120331278

In matter 20120331278, the staff reviewed the firm's compliance with OATS reporting rules during the periods of September 1, 2011 through October 14, 2011 (the "Pre-NMS review period") and November 1, 2011 through December 31, 2011 (the "Post-NMS review period").

1. During the Pre-NMS period, the firm transmitted to OATS 87 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.
2. During the Post-NMS period, the firm: (i) failed to timely report 569 ROEs to OATS; (ii) submitted five Execution or Combined Order/Execution Reports which OATS was unable to link to the Execution Reports to the related trade reports due to inaccurate, incomplete or improperly formatted information; (iii) submitted 12 Execution or Combined Order/Execution Reports that it was not required to report; (iv) submitted five Route or Combined Order/Route Reports which OATS was unable to link to the related order in the New York Stock Exchange due to inaccurate, incomplete or improperly formatted data; (v) submitted 82 Route or Combined Order/Route Reports with incorrect Destination Codes; (vi) submitted 96 Route or Combined Order/Route Reports which OATS was unable to match with the identified receiving firm's related New Order Report; (vii) failed to properly append the Special Handling Code of "CNH" (Cash Not Held) to eight orders; and (viii) failed to submit for six orders a required Combined Order/Execution Report to OATS for orders involving error corrections. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
3. During the Post-NMS period, the firm failed on 28 occasions to provide written notification disclosing to its customer its correct capacity in the transaction. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.

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

A censure and fine of \$22,500 (comprised of \$20,000 for the OATS violations and \$2,500 for the SEC Rule 10b-10 violations).

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

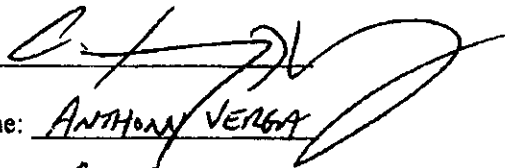
The firm understands that:

- 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.

5/22/2014
Date

Respondent
HSBC (USA) Securities Inc.

By: 
Name: ANTHONY VERGA
Title: CCO

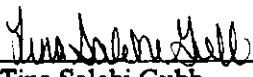
Reviewed by:

Attorney Name:
Counsel for Respondent:
Firm Name:
Address:
City/State/Zip:
Phone Number:

Accepted by FINRA:

6/3/14
Date

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



Tina Salehi Gubb
Chief Counsel
Department of Market Regulation