

**HSBC USA INC.  
HSBC BANK USA, N.A.**

**CHARTER OF THE  
COMPLIANCE COMMITTEE**

**I. Committee Purpose**

The Compliance Committee (the “Committee”) is appointed by the Boards of Directors of HSBC USA Inc. (the “Corporation”) and HSBC Bank USA, N.A. (“HSBC Bank USA”), and is responsible, on behalf of the Board, to:

- 1) monitor and coordinate HSBC Bank USA’s adherence to the provisions of the Consent Order (the “OCC AML Order”) issued by the Office of the Comptroller of the Currency (“OCC”) dated October 6, 2010, and to oversee HSBC Bank USA’s efforts to achieve and maintain an effective Bank Secrecy Act (“BSA”)/Anti-Money Laundering (“AML”) compliance program;
- 2) monitor and coordinate the corrective actions in the loan servicing, foreclosure processing and loss mitigation functions of HSBC Bank USA and to ensure that HSBC Bank USA complies with the Consent Order entered with the OCC dated April 13, 2011, as amended on February 28, 2013 (the “OCC Foreclosure Order”); and
- 3) monitor and coordinate HSBC Bank USA’s adherence to the provisions of the Consent Order (the “OCC Enterprise-Wide Compliance Order”) issued by the OCC dated December 11, 2012 and to oversee HSBC Bank USA’s efforts to achieve and maintain an effective enterprise-wide compliance program.

**II. Committee Composition and Meetings**

The Committee shall consist of not less than three Directors a majority of which shall be independent, non-executive directors who are not also employees or officers of the Corporation or HSBC Bank USA, or any principal shareholder of the Corporation.

The Committee shall meet with such frequency as it may consider appropriate, but in any event not less than monthly, and shall meet at least quarterly with the Chief Risk Officer, Head of Regulatory Compliance and Head of Financial Crime Compliance - BSA/AML Director in Executive Session.

Each year, a schedule of matters to be considered by the Committee at its scheduled meetings will be presented to the Committee and may be amended from time to time to ensure Committee Compliance with this Charter. The Secretary of the Committee shall produce materials and minutes of all meetings and the Committee shall make regular reports to the Board on all its activities since its last report.

The Committee shall also provide information believed to be pertinent to the performance of responsibilities of other committees of the Board to those committees as appropriate.

### III. **Committee Responsibilities**

The Committee shall have the following responsibilities, powers, direction and authorities:

#### Regulatory Orders

- 1) To review written progress reports detailing the form and manner of all actions taken to secure compliance with: (a) a) the OCC AML Order, including a timetable and schedule to implement specific remedial actions to be taken to address the recommendations in an independent consultant's BSA/AML Report, and the results thereof; b) the OCC Foreclosure Order, including a timetable and schedule to implement specific remedial actions to be taken to address the weaknesses identified in a compliance program plan regarding residential loan servicing, loss mitigation and foreclosure processes, and the results thereof, and c) the OCC Enterprise-Wide Compliance Order, including a timetable and schedule to implement specific remedial actions to be taken to address the weaknesses identified in the compliance program and the results and status of those actions; such reports to be submitted within 30 days after the end of each calendar quarter; and to instruct the Board of Directors of HSBC Bank USA to forward a copy of each such report with any additional comments by the Board of Directors to the Deputy Comptroller for Large Bank Supervision of the OCC and the Examiner-in-Charge within 10 days of receiving such reports.
- 2) To make regular reports to the Boards of Directors on its activities and management's progress relative to enhancement of the Compliance function and, with respect to HSBC Bank USA, the corrective actions in HSBC Bank USA's Enterprise-Wide Compliance, BSA/AML and residential loan servicing, loss mitigation and foreclosure functions.
- 3) To ensure that the HSBC Bank USA and the Corporation have sufficient financial and managerial resources, processes, personnel and control systems to implement and adhere to the provisions of the OCC Orders and to recommend to the HSBC Bank USA and the Corporation Board of Directors, such action as the Committee deems advisable, to fully utilize the financial and managerial resources of HSBC Bank USA and the Corporation, to serve as a source of strength, including but not limited to taking steps to ensure that HSBC Bank USA and the Corporation comply with the OCC Orders .
- 4) To receive regular reports from management concerning all action called for by management or the Board of Directors of HSBC Bank USA in the OCC Orders, or through any other communication from the OCC, and concerning all action directed by the Board of Directors of HSBC Bank USA in connection with the OCC Orders. The Committee shall direct timely corrective action for any non-compliance with action called for under the OCC Orders and as otherwise directed by the Board of Directors of HSBC Bank USA with respect to the OCC Orders.
- 5) To receive regular reports from management and monitor management's implementation of needed enhancements as identified in management's plan to enhance its compliance program with respect to residential loan servicing, loss mitigation and foreclosure operations.

- 6) To receive regular reports from management and monitor management's assessment of HSBC Bank USA's risks with respect to its residential loan servicing, loss mitigation, foreclosure and disposition of real estate owned operations, including operational, compliance, transaction, legal and reputational risks.
- 7) To receive regular reports from management and monitor management's progress with remediating issues identified in the review by an independent consultant of residential loan foreclosure actions from January 1, 2009 to December 31, 2010.
- 8) To receive regular reports from management and monitor management's progress with strengthening coordination of HSBC Bank USA's servicing practices and communications with borrowers related to loss mitigation and foreclosure.
- 9) To receive regular reports from management and monitor management's progress with ensuring appropriate controls and oversight of HSCB Bank USA's MERS activities and compliance.
- 10) To receive regular reports from management and monitor management's progress with enhancing management information systems supporting residential loan servicing, loss mitigation and foreclosure operations.
- 11) To receive regular reports from management and monitor management's progress with governance of the outsourcing of any residential loan servicing, loss mitigation, property management and foreclosure functions.

#### General Compliance Oversight

- 12) To oversee, through management reports to the Committee, the continuing maintenance and enhancement of a strong and sustainable compliance culture, including initiatives to instill a culture in which:
  - there is strong emphasis on strict compliance with the spirit and letter of laws and regulations, as well as local and Group policies and procedures;
  - responsibility for awareness and implementation of effective oversight and monitoring of compliance risk in business, function and operation is locally understood and managed;
  - regular and appropriate compliance training of all staff is provided;
  - regular and appropriate communication regarding compliance standards;
  - accountability is expected and accepted; and
  - Compliance programs that reflect best practices are developed and re-evaluated on a regular basis and implemented in the ordinary course of business.
- 13) To perform any other duties or responsibilities expressly delegated to the Committee by the Boards of Directors from time to time, and to consider and undertake such tasks or matters as the Chairman of any Board of Directors may request from time to time.
- 14) To receive regular reports from the Chief Risk Officer, Head of Regulatory Compliance and/or Head of Financial Crime Compliance – BSA/AML Director including:

- annually, present the Compliance Operating Plan, including key objectives and resource funding, to the Committee for review and approval;
  - annually, present the Compliance Monitoring and Testing Plan (“CMAT”) to the Committee for review and approval;
  - annually, present the Education Plan, including the training on BSA/AML and Office of Foreign Assets Control (“OFAC”) to the Committee for review and approval;
  - semi-annually, present the Corporation's Compliance Program and an enterprise-wide BSA/AML Program for the Committee's review and approval;
  - quarterly, report on the state of the Compliance Department and progress under the Compliance Operating Plan relative to established program objectives;
  - quarterly, provide a report of key trends and significant events relating to suspicious activity monitoring, identification and reporting;
  - from time to time, based upon changes in law, regulation, circumstances or experience, recommend such changes to the overarching Compliance Program, including but not limited to changes to the BSA/AML Program, Compliance Operating Plan, CMAT Plan, Education Plan, and other regulation-specific risk assessments and Compliance Policies as the Chief Risk Officer, Head of Regulatory Compliance and/or Head of Financial Crime Compliance – BSA/AML Director deems appropriate, and significant changes shall be presented to the Committee for endorsement; and
  - from time to time, report on conformity of the Compliance Program to Group policies.
- 15) To approve the appointment and replacement of the Head of Regulatory Compliance and/or Head of Financial Crime Compliance – BSA/AML Director and other compliance officers as the Committee deems appropriate. The Committee shall review and approve the annual key objectives and performance review of the Head of Regulatory Compliance and Head of Financial Crime Compliance – BSA/AML Director. The Chairman of the Committee shall provide input to the Chairman of the Risk Committee on the annual key objectives and performance review of the Chief Risk Officer.
- 16) The Committee will consider the adequacy of resources, qualifications and experience of senior management of the Compliance Department, its training programs, budget and succession planning for key roles in the function.
- 17) The Committee will ensure HSBC Bank USA achieves and maintains an effective BSA/AML and enterprise-wide compliance program.

- 18) The Committee shall seek such assurance as it may deem appropriate that the Chief Risk Officer, Head of Regulatory Compliance and Head of Financial Crime Compliance – BSA/AML Director:
- (i) participate in the risk management and oversight process at the highest level on an enterprise-wide basis;
  - (ii) have total independence from individual business units;
  - (iii) report to the Committee and have internal functional reporting lines to the Managing Director, Head of Group Risk; Global Head of Financial Crime Compliance and/or Global Head of Regulatory Compliance; and
  - (iv) have direct access to the Chairman of the Committee in the event of need.
- 19) Upon request of the Boards of Directors, the Committee will provide the Boards of Directors with such assurances as it deems practicable with respect to the Corporation's/ HSBC Bank USA's compliance with regulatory and legal requirements.
- 20) In its discretion, to retain special counsel, advisors, accounting experts, or other consultants and to consider from time to time any other matters which the Committee believes are required of it in keeping with its responsibilities. In its discretion, the Committee may obtain such professional external advice as it shall deem appropriate to take account of relevant experience outside the Corporation and HSBC Bank USA and challenge its analysis and assessment. Any such appointment shall be made through the Secretary, who shall be responsible, on behalf of the Committee, for the contractual arrangements and payment of fees by the Corporation and HSBC Bank USA.

Where the Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board of Directors on action needed to address the issue or to make improvements.

While the Compliance Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Compliance Committee to plan or conduct compliance assessments or reviews. This is the responsibility of management, and particularly the Compliance function. Nor is it the duty of the Compliance Committee to conduct investigations or to otherwise assure compliance with laws and regulations or codes of ethics that apply to the Corporation and its subsidiaries.

04/29/2015