



## Information Circular 09-008

**Date:** January 23, 2009

**Re: HSBC USA Inc. ELEMENTS**

The security listed below will commence trading on BATS Exchange, Inc. (the “Exchange”) on an unlisted trading privileges (UTP) basis on January 26, 2009. Compliance and supervisory personnel should note that, among other things, this Information Circular is intended to serve as a reminder to deliver a prospectus to customers purchasing the HSBC USA Inc. exchange-traded notes (“Notes”) listed below. Please forward this Information Circular to other interested persons within your organization.

<b>Index-Linked Notes</b>	<b>Symbol</b>	<b>CUSIP</b>
HSBC USA Inc. ELEMENTS Linked to the S&P Commodity Trends Indicator	LSC	4042EP602

### **Background Information on the Notes**

HSBC USA Inc. (the “Issuer”) has issued ELEMENTS exchange-traded notes (“ELEMENTS” or “Notes”) linked to the S&P Commodity Trends Indicator — Total Return Index (the “Index”). The ELEMENTS were priced at \$10 each and mature on June 16, 2023.

Holders of the Notes shall receive a cash payment on the maturity date that will be equal to the then outstanding principal amount of the Note times the Index Factor on the Final Valuation Date times the Fee Factor on the Final Valuation Date, as determined by the Calculation Agent referred to below.

The Index Factor will be calculated on the Final Valuation Date by the Calculation Agent and will be equal to the average of the closing levels of the Index for the five Trading Days immediately prior to and including the Final Valuation Date divided by the Initial Index Level. On any other Valuation Date the Index Factor will be calculated by the Calculation Agent and will be equal to the closing level of the Index on that day divided by the Initial Index Level.

The Initial Index Level is the closing level of the Index on the inception date (June 10, 2008).

The Fee Factor on any Valuation Date will be equal to one minus the aggregate investor fee, which is the product of (i) the Annual Investor Fee and (ii) the number of days elapsed from the inception date (June 10, 2008) to and including such Valuation Date divided by 365.

The Annual Investor Fee is 0.75%.

A Trading Day is any day on which (i) the level of the Index is calculated and published, (ii) trading is generally conducted on the New York Stock Exchange, and (iii) trading is generally conducted on the markets on which the futures contracts underlying the Index are traded, in each case as determined by the Calculation Agent in its sole discretion.

Prior to the Maturity Date, holders of the Notes may elect to offer all or a portion of the principal amount of the Note for repurchase by the Issuer on any Business Day during the term of the Note, beginning on June 17, 2008 and ending on May 25, 2023, in a principal amount of at least \$2,500,000. The Issuer will have the right to repurchase the Note in whole but not in part on or after June 16, 2011, if, on any

Business Day, on or after June 16, 2011, the outstanding principal amount of the Note is \$5,000,000 or less. If the Note is repurchased (either at the Issuer's option or the holder's), on the corresponding Repurchase Date, the holder will receive a cash payment in an amount equal to the daily Repurchase Value, which is the principal amount of the Note so subject to repurchase times the Index Factor on the applicable Valuation Date times the Fee Factor on the applicable Valuation Date, as determined by the Calculation Agent.

A Repurchase Date is the third Business Day following a Valuation Date.

Business Days are a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close.

Valuation Dates are each Trading Day from June 18, 2008 to June 12, 2023 inclusive, unless the Calculation Agent reasonably determines that a Market Disruption Event (as defined herein) occurs or is continuing on that day with respect to an Index Component. A Valuation Date with respect to a repurchase is the Business Day after notice of such repurchase is delivered to DTC. A Valuation Date may be postponed due to a Market Disruption Event with respect to an Index Component.

At any time, any of the commodity futures contracts included in the Index are considered Index Components.

The Calculation Agent is HSBC USA Inc. or one of its affiliates.

Please see the prospectus for the Notes for more details regarding the calculations and the mechanics of early repurchase of the Notes.

It is expected that the market value of the Notes will depend substantially on the value of the Index and may be affected by a number of other interrelated factors including, among other things: the general level of interest rates, the volatility of the Index, the time remaining to maturity, the dividend yield of the stocks comprising the Index, and the credit ratings of the Issuer.

### **Risk Factors Related to Investing in the Notes**

The Notes are unsecured promises of the Issuer and are not secured debt. The Notes are riskier than ordinary unsecured debt securities. As stated in the prospectus for the Notes, an investment in the Notes includes but is not limited to the following risks:

- The principal of the securities is not protected and the Notes may lose all or a significant portion of their value;
- Even if the relevant commodity index and TBill index at maturity or upon repurchase by the Issuer have moved beneficially relative to their initial levels, an investor may receive less than their initial investment in the securities;
- With respect to certain Notes, any adverse monthly performance will be leveraged, meaning an investor will lose an amount from the current principal amount at a rate of 2% for every 1% of adverse performance of the applicable index (subject to any positive return on the TBill index and to application of the fee factor);
- If the current principal amount increases above \$25, any subsequent adverse monthly performance will result in a larger dollar reduction from the current principal amount than if the current principal amount remained constant at \$25;
- If the current principal amount decreases below \$25, any subsequent beneficial monthly performance will result in a smaller dollar increase on the current principal amount than if the current principal amount remained constant at \$25;

- It is possible that the securities will be accelerated and the investment will be lost before the scheduled maturity of the securities;
- There are restrictions on the minimum number of securities that may be offer to the Issuer for repurchase;
- A fee of up to \$0.03 per security will be charged upon a repurchase;
- The market value of the securities may be influenced by many unpredictable factors;
- The Notes return will not reflect the return on a direct investment in relevant commodity index;
- Changes in the Issuer's credit ratings may affect the market value of the securities;
- An investor will not receive interest payments on the securities or have rights in the sub-index components;
- There may not be an active trading market in the securities; sales in the secondary market may result in significant losses;
- Suspension or disruptions of market trading in commodities and related futures may adversely affect the value of the securities;
- Concentration risks associated with the Index may adversely affect the value of the securities;
- Trading by the Issuer and other transactions by the Issuer and/or its affiliates in instruments linked to the sub-indices or index components may impair the market value of the securities;
- The liquidity of the market for the securities may vary materially over time;
- The business activities of the Issuer may create conflicts of interest;
- If a market disruption event has occurred or exists on a valuation date or the final valuation date, the calculation agent can postpone the determination of the index factor for each offering of securities, the maturity date or a repurchase date; and
- The U.S. tax consequences of an investment in the Notes are unclear.

### **Exchange Rules Applicable to Trading in the Notes**

Trading in the Notes on BATS is subject to BATS equity trading rules.

### **Trading Hours**

The values of the indexes underlying the Notes are disseminated to data vendors every 15 seconds. The Notes will trade on BATS between 8:00 a.m. and 4:00 p.m. ET. Please note that trading in the Fund's Shares during the pre-opening session may result in additional trading risks which include: (1) lower liquidity in the pre-opening session may impact pricing, (2) higher volatility in the pre-opening session may impact pricing, (3) wider spreads may occur in the pre-opening session. Additional risks may exist during the pre-opening session, when Index's value may not be disseminated.

### **Suitability**

Trading in the Notes on BATS will be subject to applicable suitability rules.

### **Trading Halts**

BATS will halt trading in the Notes in accordance with BATS Rule 14.1(c)(4). The grounds for a halt under BATS Rule 14.1(c)(4) include a halt by the primary market because the intraday indicative value of the Notes and/or the value of their underlying index are not being disseminated as required, or a halt for other regulatory reasons. In addition, BATS will stop trading the Notes if the primary market de-lists them.

**This Information Circular is not a statutory prospectus. BATS Members should consult the registration statement or prospectus for the Notes for additional information.**

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