

HSBC Bank USA, N.A. Dow Jones Industrial AverageSM Linked Certificates of Deposit With Minimum Return

INDICATIVE TERMS

Issuer	HSBC Bank USA, N.A.
Issue	6 Year Dow Jones Industrial Average SM Linked CD with Minimum Return
Issuer Rating	AA (S&P), Aa3 (Moody's)
Trade Date	July 15, 2009
Index Set Date	July 15, 2009
Settlement Date	July 20, 2009
Maturity Date	July 20, 2015
Issue Price	100.00%
Index	Dow Jones Industrial Average SM (INDU)
Maturity Redemption Amount	Principal Amount x (100% + the greater of the Minimum Return and the Final Return)
Final Return	(i) the quotient of (A) the Average Closing Level minus the Initial Level divided by (B) the Initial Level multiplied by (ii) the Participation Rate
Participation Rate	100%
Average Closing Level	The arithmetic average of the closing levels of the Index as reported by the Reference Index Sponsor on each Observation Date
Observation Dates	Quarterly on the 15 th calendar day of each October, January, April and July for each calendar year prior to the Maturity Date, subject to adjustment. The first Observation Date is scheduled to be in October of 2009 and the last Observation Date is scheduled to be in July of 2015, subject to adjustment.
Minimum Return	[1.00 - 6.00]% at maturity
Early Redemption	As described more fully herein, when early redemption is available, depositors redeeming prior to maturity will receive the current market value of their CDs minus an early redemption fee.
CUSIP	40431AA36
OID Tax Rate	[3.70]%

CD Description

The Dow Jones Industrial AverageSM Linked CDs With Minimum Return provide exposure to potential price appreciation of a large market capitalization index and if held to maturity, 100% principal protection. These CDs can help reduce and diversify portfolio risk by providing broad based exposure to the U.S. equity markets. The principal protection and minimum guarantee feature applies only if held to maturity.

Index Description

The Dow Jones Industrial AverageSM is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry.

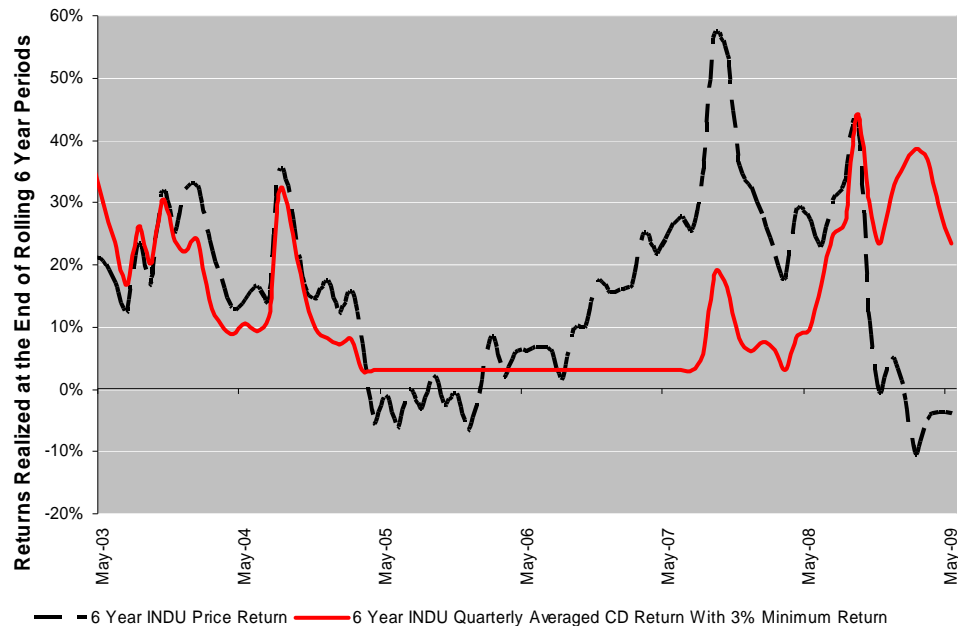
Highlights

- **Growth Potential:** Depositors receive uncapped upside participation in the quarterly average performance of large market capitalization US equities.
- **Guaranteed Minimum Return:** Regardless of the index performance, depositors will receive at least a [1.00 - 6.00]% aggregate total return if held to maturity.
- **FDIC Insurance:** This deposit qualifies for FDIC coverage generally up to \$250,000 in aggregate for individual depositors through December 31, 2013 and thereafter \$100,000, and up to \$250,000 in aggregate for certain retirement plans and accounts, including IRAs
- **IRA-eligible.**



HYPOTHETICAL 6 YEAR DOW JONES INDUSTRIAL AVERAGESM LINKED QUARTERLY AVERAGED CD (ASSUMING A 3% MINIMUM RETURN) RETURNS AS COMPARED WITH DOW JONES INDUSTRIAL AVERAGESM PRICE RETURNS

The solid red line shows what a hypothetical 6yr Dow Jones Industrial Average Linked CD with Quarterly Averaging and 3% Minimum Guaranteed Return at maturity would have returned for maturities at the end of each month from May of 2003 through May 2009. The dashed black line shows the 6 year point to point price returns (excludes dividends) of the Dow Jones Industrial Average over the same period of time.



Pricing Source: Bloomberg L.P. Past performance is not a prediction or guarantee of future results.

FEATURES OF QUARTERLY AVERAGING

- A CD with quarterly averaging may experience lower volatility as compared with a direct investment in the underlying index
- As compared with the point to point payoff method, a quarterly averaging payoff method may yield a higher final return in the event the underlying index rises over the term of the CD but declines near the end
- Averaging, however, will not reflect the full performance of an index which steadily rises over the term of the CD

CERTAIN RISKS AND CONSIDERATIONS

Purchasing the CDs involves a number of risks. It is suggested that prospective depositors reach a purchase decision only after careful consideration with their financial, legal, accounting, tax and other advisors regarding the suitability of the CDs in light of their particular circumstances. See "Risk Factors" beginning on page 10 of the Terms and Conditions for a discussion of risks, which risks include:

- The principal amount is not guaranteed if the CDs are not held to maturity
- Payment of the principal amount, and any Final Return is the obligation of the Issuer and subject to the Issuer's ability to pay obligations as they come due from its assets and earnings
- There may not be an active secondary trading market in the CDs and the CDs should be viewed as long term investments
- Return on the CDs do not necessarily reflect the full performance of the Index and movements in the level of the index may affect whether or not depositors receive any return.
- Depositors' yield may be less than that of a standard debt security of comparable maturity
- Although holders will not receive any payment on the CDs until maturity, the original issue discount relating to the CDs (as described herein and in the Base Disclosure Statement) will be included in income and taxable at ordinary income rates on an annual basis

Important information regarding the CDs is also contained in the Base Disclosure Statement for Certificates of Deposit, which forms a part of, and is incorporated by reference into, these Terms and Conditions. Therefore, these Terms and Conditions should be read in conjunction with the Base Disclosure Statement. A copy of the Base Disclosure Statement is available at www.us.hsbc.com/structuredcd or can be obtained from the Agent offering the CDs.



HSBC Bank USA, N.A.

Dow Jones Industrial AverageSM Linked Certificates of Deposit With Minimum Return

Indicative Terms and Conditions

Deposit Highlights

July 20, 2015

General

- Certificates of deposit (the "CDs") issued by HSBC Bank USA, National Association (the "Issuer")
- Full principal protection payable by the Issuer if the CDs are held to maturity
- No interest payments during the term of the CDs
- CDs are obligations of the Issuer and not its affiliates or agents.
- CDs are FDIC insured within the limits and to the extent described herein and in the Base Disclosure Statement under the section entitled "FDIC Insurance"
- Early withdrawals are permitted at par in the event of death of the beneficial owner of the CDs

Key Terms

- Index: the Dow Jones Industrial AverageSM (ticker: INDU) (the "INDU" or the "Index")
- Principal Amount: Each CD will be issued in denominations of \$1,000. Minimum deposit amount of \$1,000 per depositor (except that each Agent may, in its discretion, impose a higher minimum deposit amount with respect to the CD sales to its customers) and then in additional increments of \$1,000
- Pricing Date: July 15, 2009
- Trade Date: July 15, 2009
- Settlement Date: July 20, 2009
- Maturity Date: The Maturity Date is expected to be July 20, 2015. The Maturity Date is subject to further adjustment as described herein
- Payment at Maturity: For each CD, the Maturity Redemption Amount
- Maturity Redemption Amount: Principal Amount x [100% + the greater of (i) the Minimum Return and (ii) the Final Return]
- Minimum Return: [1.00-6.00]%
- Final Return: (i) the quotient of (A) the Average Closing Level minus the Initial Level divided by (B) the Initial Level multiplied by (ii) the Participation Rate
- Participation Rate: 100%
- Average Closing Level: The arithmetic average of the closing levels of the Index as reported by the Reference Index Sponsor on each Observation Date
- Observation Dates: Quarterly on the 15th calendar day of each October, January, April and July for each calendar year prior to the Maturity Date, subject to adjustment as described below in the section "Description of the Certificates of Deposit." The first Observation Date is scheduled to be in October of 2009 and the last Observation Date is scheduled to be in July of 2015, subject to adjustment as described below in the section "Description of the Certificates of Deposit."
- Initial Level: The closing level of the Index on its Pricing Date, which was [_____]
- Early Redemption Dates: July 26, 2010, July 26, 2011, July 26, 2012, July 26, 2013 and July 28, 2014 subject to adjustment as described herein
- Early Redemption Charge: A depositor electing to redeem his or her CDs prior to maturity will be subject to an Early Redemption Charge as described herein
- Form of CD: Book-entry
- Listing: The CDs will not be listed on any U.S. securities exchange or quotation system
- CUSIP: 40431AA36
- Comparable Yield (for tax purposes): [3.70]%

Purchasing the CDs involves a number of risks. See "Risk Factors" beginning on page 10.

The CDs offered hereby are time deposit obligations of HSBC Bank USA, National Association, a national banking association organized under the laws of the United States, the deposits of which are insured by the Federal Deposit Insurance Corporation (the "FDIC") within the limits and to the extent described in the section entitled "FDIC Insurance" herein and in the Base Disclosure Statement. Since December 20, 2008, the Issuer's designated main office is located in McLean, VA.

Our affiliate, HSBC Securities (USA) Inc. and other unaffiliated distributors of the CDs may use these terms and conditions and the accompanying base disclosure statement in connection with offers and sales of the CDs after the date hereof. HSBC Securities (USA) Inc. may act as principal or agent in those transactions.

HSBC BANK USA, NATIONAL ASSOCIATION

Member FDIC

These Terms and Conditions were not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. These Terms and Conditions were written and provided by the Issuer in connection with the promotion or marketing by the Issuer, HSBC Securities (USA) Inc. and/or other distributors of the CDs. Each depositor should seek advice based on its particular circumstances from an independent tax advisor.

Important information regarding the CDs is also contained in the Base Disclosure Statement for Certificates of Deposit, which forms a part of, and is incorporated by reference into, these Terms and Conditions. Therefore, these Terms and Conditions should be read in conjunction with the Base Disclosure Statement. A copy of the Base Disclosure Statement is available at www.us.hsbc.com/structuredcd or can be obtained from the Agent offering the CDs.

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SUMMARY OF TERMS

Set forth in these Terms and Conditions is a summary of certain of the terms and conditions of the Dow Jones Industrial AverageSM Linked Certificates of Deposit With Minimum Return maturing July 20, 2015. The following summary of certain terms of the CDs is subject to the more detailed terms of the CDs included elsewhere in these Terms and Conditions and should be read in conjunction with the Base Disclosure Statement.

- Issuer:** HSBC BANK USA, NATIONAL ASSOCIATION, acting through its New York Branch
- Issuer Rating:** Senior unsecured deposit obligations of the Issuer are rated Aa3 by Moody's Investors Service and AA by Standard & Poor's Financial Services LLC, a subsidiary of the McGraw-Hill Companies. The credit ratings pertain only to the creditworthiness of the Issuer and are not indicative of the market risk associated with the CDs.
- CDs:** Dow Jones Industrial AverageSM Linked Certificates of Deposit With Minimum Return maturing July 20, 2015
- Book-Entry Form:** The CDs will be represented by one or more master CDs held by and registered in the name of Depository Trust Company ("DTC"). Beneficial interests in the CDs will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants.
- Aggregate Principal Amount:** [_____]
- Minimum Deposit Amount:** \$1,000 Principal Amount (except that each Agent may, in its discretion, impose a higher minimum deposit amount with respect to the CD sales to its customers) and multiples of \$1,000 Principal Amount thereafter.
- Principal Amount:** The CDs will be issued in denominations of \$1,000.
- Trade Date:** July 15, 2009
- Pricing Date:** July 15, 2009
- Settlement Date:** July 20, 2009
- Maturity Date:** July 20, 2015
- Issue Price:** 100% of Principal Amount.
- Index:** Dow Jones Industrial AverageSM (ticker: INDU). The sponsor of the Index shall be referred to as the "Reference Index Sponsor." For summary descriptions of the Index and the Reference Index Sponsor, please refer to Annex A hereto.
- Maturity Redemption Amount:** The Maturity Redemption Amount is the total amount due and payable on each CD on the Maturity Date. On the Maturity Date, the depositor of each CD will receive an amount equal to: Principal Amount x [100% plus the greater of (i) the Minimum Return and (ii) the Final Return]. The Maturity Redemption Amount will be calculated by the Calculation Agent on or subsequent to the final Observation Date. The Maturity Redemption Amount will not include dividends paid on the common stocks included in the Index. No interest, other than an amount in respect of the Variable Amount, if any, or an amount in respect of the Minimum Return, will be paid on the CDs at any time.

Variable Amount:	(i) if the Final Return exceeds the Minimum Return, the Variable Amount will be the Final Return multiplied by the Principal Amount, and (ii) if the Final Return does not exceed the Minimum Return, the Variable Amount will be the Minimum Return multiplied by the Principal Amount.
Minimum Return:	[1.00-6.00]%
Final Return:	(i) the quotient of (A) the Average Closing Level minus the Initial Level divided by (B) the Initial Level multiplied by (ii) the Participation Rate.
Participation Rate:	100%.
Average Closing Level:	The arithmetic average of the Closing Levels on each Observation Date.
Initial Level:	As set forth on the cover.
Closing Level:	On each Observation Date, the level of the Index at the regular official weekday close of trading on that Observation Date.
Observation Dates:	Quarterly on the 15th calendar day of each October, January, April and July for each calendar year prior to the Maturity Date, subject to adjustment as described below in the section "Description of the Certificates of Deposit." The first Observation Date is scheduled to be in October of 2009 and the last Observation Date is scheduled to be in July of 2015, subject to adjustment as described below in the section "Description of the Certificates of Deposit."
Scheduled Trading Day:	Any day on which all of the Relevant Exchanges and Related Exchanges are scheduled to be open for trading for each security then included in the Index.
Relevant Exchange:	The primary exchanges for each security which is a component of the Index.
Related Exchange:	The exchanges or quotation systems, if any, on which options or futures contracts on the Index are traded or quoted, and as may be selected from time to time by the Calculation Agent.
Exchange Business Day:	Any day that is (or, but for the occurrence of a Market Disruption Event (as defined below), would have been) a trading day for each of the Relevant Exchanges and Related Exchanges for the Index, other than a day on which trading on any such exchange is scheduled to close prior to its regular weekday closing time.
Early Redemption:	Each depositor will be entitled to redeem his or her CDs in whole, but not in part, on any Early Redemption Date (as defined on the front cover), subject to an Early Redemption Charge. No fewer than ten business days prior to an Early Redemption Date, a depositor, through the Agent from whom he or she bought the CDs, may obtain from the Calculation Agent an estimate of the Early Redemption Amount (as defined below) applicable to that Early Redemption Date. This estimate is provided for informational purposes only, and neither the Bank nor the Calculation Agent will be bound by the estimate. If a depositor redeems his or her CDs on any Early Redemption Date, he or she will be entitled solely to the actual Early Redemption Amount calculated by the Calculation Agent and will not be entitled to an amount in respect of the Minimum Return or the Variable Amount or any other return on his or her CDs. Further, the Early Redemption Amount will be subject to an Early Redemption Charge and may be less (and may be substantially less) than the Principal Amount paid for the CDs. A depositor may request early redemption of the CDs in whole, but not in part, on an Early Redemption Date by notifying the Agent from whom he or she bought the CDs, who must then notify the Bank no later than 3:00 p.m. on the fifth business day before the Early Redemption Date. All early redemption requests (whether written or oral) are irrevocable. The Calculation Agent will determine the Early Redemption Amount on the third business day prior to the related Early Redemption Date (the "Early Redemption Observation Date"),

and the depositor will receive the Early Redemption Amount for each CD so redeemed on the related Early Redemption Date.

Early Redemption Amount:

For any Early Redemption Date, the Current Market Value, where “Current Market Value” means the bid price for the CDs as of that Early Redemption Observation Date as determined by the Calculation Agent based on its financial models and objective market factors less an Early Redemption Charge. If the Early Redemption Observation Date is not a Scheduled Trading Day, then the Early Redemption Observation Date will be the next Scheduled Trading Day. If a Market Disruption Event exists on the Early Redemption Observation Date, then the Early Redemption Observation Date will be postponed for up to eight Scheduled Trading Days (in the same general manner used for postponing Observation Dates). If the Early Redemption Observation Date is so postponed, then the related Early Redemption Date will also be postponed until the third business day following the date to which the Early Redemption Observation Date is postponed and no interest will payable in respect of any such postponement. **A depositor will not be entitled to the Minimum Return or any other return on his or her CD if that depositor elects to redeem his or her CD on any Early Redemption Date. Further, the Early Redemption Amount may be less (and may be substantially less) than the Principal Amount of the CD.**

Early Redemption Charge:

For each CD redeemed on an Early Redemption Date, an amount equal to the Principal Amount multiplied by (i) for an Early Redemption Date from and including the Trade Date to (but excluding) the first anniversary of the Trade Date, three percent (3%); (ii) for an Early Redemption Date from and including first anniversary of the Trade Date to (but excluding) the second anniversary of the Trade Date, two percent (2%); (iii) for an Early Redemption Date from and including second anniversary of the Trade Date to (but excluding) the third anniversary of the Trade Date, one percent (1%), (iv) for an Early Redemption Date from and including third anniversary of the Trade Date to (but excluding) the fourth anniversary of the Trade Date, zero percent (0%) and (v) for an Early Redemption Date from and including fourth anniversary of the Trade Date to (but excluding) the fifth anniversary of the Trade Date, zero percent (0%). As set forth in tabular form:

YEAR	1	2	3	4	5	6
Early Redemption Charge	3%	2%	1%	0%	0%	0%

Early Redemption upon the Death of a Depositor:

In the event of the death of any depositor of CDs the full withdrawal of the Principal Amount of the CDs of that depositor will be permitted. In that event the successor of that depositor shall give prior written notice of the proposed withdrawal to the Issuer, together with appropriate documentation to support the request, within 180 days of the death of such depositor. In that event, only a full withdrawal of the Principal Amount of the CDs will be permitted. CDs so redeemed will not be entitled to any return on the Principal Amount in respect of interest, the Variable Amount or the Minimum Return.

Market Disruption Event:

As described in the Base Disclosure Statement.

Discontinuance/Modification of the Index:

As described in the Base Disclosure Statement.

Calculation Agent:

HSBC Bank USA, National Association

All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on the depositors of the CDs.

Listing:	None. See “Risk Factors” herein.
FDIC Insurance:	See “FDIC Insurance” herein and in the Base Disclosure Statement for details.
ERISA Plans:	See “Certain ERISA Considerations” in the Base Disclosure Statement for details.
Risk Factors:	The purchase of the CDs involves certain risks. See “Risk Factors” herein for a discussion of some of the factors which should be considered by prospective purchasers of the CDs.
Tax:	See “Certain U.S. Federal Income Tax Considerations” herein for a description of the tax treatment applicable to this instrument.
Governing Law:	New York

QUESTIONS AND ANSWERS

What Are the CDs?

The CDs are certificates of deposit issued by the Issuer. The CDs mature on the Maturity Date. Depositors of the CDs also have the right to cause the Issuer to redeem their CDs in whole, but not in part, as described below. Redemptions may also occur optionally upon the death of a depositor. See “Redemption upon the Death of a Depositor” in the Base Disclosure Statement.

Each CD represents an initial deposit by a depositor to the Issuer of \$1,000 Principal Amount, and the CDs will be issued in integral multiples of \$1,000 Principal Amount in excess thereof. Depositors will not have the right to receive physical certificates evidencing their ownership of the CDs except under limited circumstances; instead the Issuer will issue the CDs in book-entry form. Persons acquiring beneficial ownership interests in the CDs will hold the CDs through DTC in the United States if they are participants of DTC, or indirectly through organizations which are participants in DTC.

What Amount Will Depositors Receive at Maturity in Respect of the CDs?

At the scheduled maturity (and not upon an Early Redemption by the depositor), the amount depositors will receive for each CD will be equal to the Maturity Redemption Amount, which will equal A) the Principal Amount of the CD plus B) the greater of: (i) the Minimum Return multiplied by the Principal Amount; or (ii) the Final Return multiplied by the Principal Amount, as described in the Summary of Terms above and the “Maturity Redemption Amount” section in the Base Disclosure Statement. The annual percentage yield on the CD is only determinable at maturity.

The Maturity Redemption Amount and, consequently, the Variable Amount will not include dividends paid on the common stocks included in the Index. Apart from the Variable Amount, if any, or an amount in respect of the Minimum Return, no interest will be paid, either for periods prior to the Settlement Date, during the term of the CDs or at or after maturity.

For more information, see “Summary of Terms” above and “Sensitivity Analysis” below.

What Amount Will Depositors Receive if They Exercise Their Early Redemption Right?

The redemption proceeds paid by the Issuer upon an Early Redemption will be the Early Redemption Amount, which will equal the Current Market Value of the CD as determined by the Calculation Agent in good faith based on its financial models and objective market factors less an Early Redemption Charge. There is no guarantee that the depositor will receive his or her full Principal Amount. See “Early Redemptions” above in the Summary of Terms.

Are the CDs FDIC Insured?

The payment of principal at maturity of this CD is insured by the FDIC up to the standard maximum deposit insurance amount in effect (generally up to \$250,000 in aggregate for individual depositors through December 31, 2013 and thereafter \$100,000, and up to \$250,000 in aggregate for certain retirement plans and accounts, including IRAs). Please see “FDIC Insurance” in the Base Disclosure Statement for more details.

What is the Dow Jones Industrial AverageSM?

The **Dow Jones Industrial AverageSM** is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry.

What Are the U.S. Federal Income Tax Consequences of Purchasing the CDs?

The Issuer intends to treat the CDs as “contingent payment debt instruments” for U.S. federal income tax purposes. U.S. Holders (as defined under “Certain U.S. Federal Income Tax Considerations”) will be required to include in their taxable income for each year an amount of ordinary income equal to the “original issue discount” (“OID”) on the CDs for that year. The OID is included in income and taxable at ordinary income rates, even though holders will not receive any payment on the CDs until their maturity.

The amount of the OID that must be taken into income in each year will be calculated on the basis of the “comparable yield” of the CDs, which is the yield at which the Issuer would issue a non-contingent fixed-rate debt instrument having terms and conditions similar to those of the CDs. The comparable yield is determined by the Issuer as of the issuance date solely for U.S federal income tax purposes and is neither a prediction nor a guarantee of what the actual yield will be on the CDs.

The Issuer will prepare a “projected payment schedule” that produces the comparable yield. If the actual Maturity Redemption Amount exceeds the corresponding amount on the projected payment schedule, the excess will be taxed as additional OID income to the U.S. Holder. Any gain recognized by a U.S. Holder on the sale, exchange or other disposition of a CD will constitute ordinary interest income.

Prospective depositors should see “Certain U.S. Federal Income Tax Considerations” below and consult their tax advisors regarding the tax consequences to them of a purchase of the CDs.

What about Liquidity?

There is currently no established secondary trading market for the CDs. There is no assurance that a secondary market for the CDs will develop, or if it develops, that it will continue. In the event that a depositor could find a buyer of his or her CD, it is likely that the price a buyer would be willing to pay would be net of the commissions paid or discount allowed to the Agents on the initial placement of the CDs. Prospective depositors should carefully consider all of the information set forth in these Terms and Conditions and the Base Disclosure Statement and, in particular, should evaluate the specific risk factors set forth under “Risk Factors”.

What about Fees?

The CDs will initially be distributed through an affiliate of the Issuer, HSBC Securities (USA) Inc. and certain other unaffiliated third party distributors (the “Agents”). Agents may receive a commission or be allowed a discount as compensation for their services. See “The Distribution” in the Base Disclosure Statement and below. The actual compensation paid may vary depending upon various factors including market conditions and the duration of the CD.

What about ERISA Eligibility?

The CDs are not eligible for purchase by, on behalf of or with the assets of, Plans (as defined in the Base Disclosure Statement) unless the purchase and holding of the CDs does not and will not constitute a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or Similar Law. In view of the fact that the CDs represent deposits with the Issuer, fiduciaries should take into account the prohibited transaction exemption described in ERISA Section 408(b)(4), relating to the investment of plan assets in deposits bearing a reasonable rate of interest in a financial institution supervised by the United States or a state, and/or Part IV of PTCE 81-8, relating to transactions involving short-term investments, specifically certificates of deposit. (See “Certain ERISA Considerations” in the Base Disclosure Statement.) Each initial purchaser of a CD and each transferee thereof shall be deemed to represent and covenant that, throughout the period that it holds CDs, either (a) it is not, and is not acquiring CDs with the assets of, a Plan, or (b) that its purchase, holding and disposition of the CDs will not constitute a non-exempt prohibited transaction under Section 406 of ERISA, section 4975 of the Code, or Similar Law.

RISK FACTORS

Purchasing the CDs is not equivalent to investing directly in the Index or the constituent stocks thereof. It is suggested that prospective depositors considering purchasing CDs reach a decision to purchase only after carefully considering, with their financial, legal, tax, accounting and other advisors, the suitability of the CDs in light of their particular circumstances and the risk factors set forth below and other information set forth in these Terms and Conditions and the accompanying Base Disclosure Statement.

As you review “Risk Factors” in the accompany Base Disclosure Statement, you should pay particular attention to the following sections:

- “— Risks Relating to All CD Issuances”; and
- “— Additional Risks Relating to CDs with an Equity Security or Equity Index as the Reference Asset.”

You will be subject to certain risks not associated with conventional fixed-rate or floating-rate CDs or debt securities.

The CDs are not suitable for purchase by all people. No person should purchase the CDs unless he or she understands and is able to bear the associated market, liquidity and yield risks.

Because of the numerous factors that may affect the value of the Index, no assurance can be given that depositors of the CDs will receive any Variable Amount in excess of the Minimum Return. Depositors must understand that they have no interests in the companies comprising the Index and neither they, nor the Issuer on their behalf nor any Agent on their behalf, will have any recourse against the Reference Index Sponsor or any rights in the Index either contractually or statutorily.

Return on the CDs does not necessarily reflect the full performance of the Index.

Even if the level of the Index increases during the term of the CDs relative to its Initial Level, the Maturity Redemption Amount will be based on the average of the level of the Index as of several Observation Dates. Your return on the CDs therefore may not reflect the full performance of the Index during the term of the CDs.

Depositors Are Not Guaranteed the Receipt of the Principal Amount of their CDs or a Minimum Return, and will be subject to an Early Redemption Charge, if they Redeem the CDs Early.

The CDs are designed so that if, and only if, they are held to maturity, the depositor will receive no less than the Principal Amount of his or her CDs plus a Minimum Return. If a depositor redeems the CDs early at his or her option, the depositor will not be entitled to, and may not receive, the Minimum Return or any other return on his or her CD. In addition, the proceeds receive by such a depositor will be net of an Early Redemption Charge. As a result, the proceeds payable upon an Early Redemption may be less (and may be substantially less) than the Principal Amount of the CDs. See “Summary of Terms—Early Redemption” in these Terms and Conditions.

Original Issue Discount Consequences of the CDs; U.S. Federal Income Tax Consequences.

The Issuer intends to treat the CDs as “contingent payment debt instruments” for U.S. federal income tax purposes. U.S. Holders (as defined under “Certain U.S. Federal Income Tax Considerations”) will be required to include in their taxable income for each year an amount of ordinary income equal to the “original issue discount” (“OID”) on the CDs for that year. The OID is included in income and taxable at ordinary income rates, even though holders will not receive any payment on the CDs until their maturity.

The amount of the OID that must be taken into income in each year will be calculated on the basis of the “comparable yield” of the CDs, which is the yield at which the Issuer would issue a non-contingent fixed-rate debt instrument having terms and conditions similar to those of the CDs. The comparable yield is determined by the Issuer as of the issuance date solely for U.S. federal income tax purposes and is neither a prediction nor a guarantee of what the actual yield will be on the CDs.

The Issuer will prepare a “projected payment schedule” based on the comparable yield. If the actual yield on the CDs exceeds the corresponding amount on the projected payment schedule, the excess will be taxed as additional OID income to the U.S. Holder. Any gain recognized by a U.S. Holder on the sale, exchange or other disposition of a CD will constitute ordinary interest income.

Prospective depositors should see “Certain U.S. Federal Income Tax Considerations” below and consult their tax advisors regarding the tax consequences to them of a purchase of the CDs.

No Secondary Market for the CDs Exists. Depositors May Require the Issuer to Redeem the CDs Prior to Maturity Pursuant to the Early Redemption Provisions, but Depositors May Suffer Losses.

There is currently no secondary market for the CDs. The Issuer does not intend to apply for listing of the CDs on any securities exchange, quotation of the CDs through the Nasdaq National Market System or designation for trading in the PORTAL market. There is no assurance that a secondary market for these CDs will develop, or if it develops, that it will continue. Even if a secondary market develops, there can be no assurance that it will provide significant liquidity. The Issuer intends to quote bid prices periodically upon depositor request, but is under no obligation to do so. In the event that the Issuer no longer provides such quotes, it may be difficult to obtain reliable information about the value of the CDs. The CDs are most suitable for purchasing and holding to maturity.

Adverse Economic Interests to Depositors.

HSBC Bank USA, National Association is the Calculation Agent and will be solely responsible for the determination and calculation of the CD's Maturity Redemption Amount (including the components thereof in connection with the Variable Amount) and any other determinations and calculations in connection with the CDs. Because the Issuer is the Calculation Agent, it may have economic interests adverse to those of the depositors, including with respect to certain determinations and judgments that the Calculation Agent must make in determining, for example, the Final Return, if any, at maturity or if a Market Disruption Event has occurred. However, the Calculation Agent is obligated to carry out its duties and functions as calculation agent in good faith and using its reasonable judgment.

DESCRIPTION OF THE CERTIFICATES OF DEPOSIT

The following information is a summary of the CD itself and the Index to which the CD is linked. Prospective depositors should also carefully review the “Description of the CDs” section in the Base Disclosure Statement. All disclosures contained in these Terms and Conditions regarding the Index, including its composition, method of calculation, historical levels and changes in its components, are derived from publicly available information prepared by the Reference Index Sponsor.

Information with Respect to the Index

Each potential depositor of a CD should review the reports and other information which have been filed with the U.S. Securities and Exchange Commission, which we refer to as the “Commission,” posted on websites or otherwise made publicly available by the Reference Index Sponsor with respect to the Index. Depositors of the CDs are hereby informed that the reports and other information on file with the Commission or that is otherwise publicly available to which depositors are referred are not and will not be “incorporated by reference” herein. Neither the Issuer of the CDs nor any of its affiliates will undertake to review the financial condition or affairs of the Reference Index Sponsor during the life of the CDs or to advise any depositor or potential depositor in the CDs of any information coming to the attention of the Issuer of the CDs or any affiliate thereof. Additional information with respect to the Index is set forth in Annex A.

Early Redemptions

The Issuer will permit early Redemption of the CDs on the Early Redemption Dates as described in the “Summary of Terms—Early Redemption” section above and the “Early Redemptions” section of the Base Disclosure Statement.

Adjustments to Observation Dates

If any of the scheduled Observation Dates is not a Scheduled Trading Day, then the Observation Date will be the next day that is a Scheduled Trading Day. If a Market Disruption Event exists on an Observation Date, then the Observation Date will be the next Scheduled Trading Day on which a Market Disruption Event does not exist. If a Market Disruption Event exists on eight consecutive Scheduled Trading Days, then that eighth Scheduled Trading Day will be the Observation Date, and the Calculation Agent will determine the Closing Level on that date in accordance with the formula for and method of calculating that the Index last in effect prior to the occurrence of that Market Disruption Event, using the Relevant Exchange traded or quoted price of each security comprised in the Index (or if an event giving rise to a Market Disruption Event has occurred with respect to a relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security). If the final Observation Date is postponed, then the Maturity Date will also be postponed until the third business day following the postponed final Observation Date and no interest will be payable in respect of such postponement.

Maturity Redemption Amount and Variable Amount

At the scheduled maturity (and not upon an Early Redemption by the depositor), the amount depositors will receive for each CD will be equal to the Maturity Redemption Amount, which will equal A) the Principal Amount of the CD plus B) the greater of: (i) the Minimum Return multiplied by the Principal Amount; or (ii) the Final Return multiplied by the Principal Amount, as described in the Summary of Terms above and the “Maturity Redemption Amount” section in the Base Disclosure Statement. The Final Return is (i) the quotient of (A) the Average Closing Level minus the Initial Level divided by (B) the Initial Level multiplied by (ii) the Participation Rate. The Average Closing Level is the arithmetic average of the closing levels of the Index as reported by the Reference Index Sponsor on each Observation Date. The annual percentage yield on the CD is only determinable at maturity.

The Maturity Redemption Amount and, consequently, the Variable Amount will not include dividends paid on the common stocks included in the Index. Apart from the Variable Amount, if any, or an amount in respect of the Minimum Return, no interest will be paid, either for periods prior to the Settlement Date, during the term of the CDs or at or after maturity

For more information, see “Summary of Terms” above and “Sensitivity Analysis” below.

Market Disruption Events

If a Market Disruption Event occurs on an Observation Date, then the Observation Date shall be postponed as described in “Summary of Terms—Market Disruption Event” above and the “Market Disruption Events” section of the Base Disclosure Statement.

Discontinuance or Modification of the Index

If the Index is discontinued or modified, the Calculation Agent may select a Successor Index or if there is no suitable Successor Index, the Calculation Agent may calculate the Index level, as described in “Summary of Terms” above and in the “Discontinuance or Modification of an Index” section of the Base Disclosure Statement. **Notwithstanding these alternative arrangements, discontinuance of the publication the Index may adversely affect the value of, and trading in, the CDs.**

Redemption upon the Death of a Depositor

Please refer to the section entitled “Redemption upon the Death of a Depositor” in the Base Disclosure Statement.

Ratings

The CDs will not be rated by any rating agency.

The Calculation Agent

The Issuer is the Calculation Agent with regard to the CDs and is solely responsible for the determination and calculation of the Maturity Redemption Amount (including the components thereof), the Final Return, and any other determinations and calculations with respect to any distributions of cash in connection with the CDs, as well as for determining whether a Market Disruption Event has occurred and for making certain other determinations with regard to the Index. All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will be conclusive for all purposes and binding on the Issuer and depositors of the CDs, absent manifest error and provided that the Calculation Agent shall be required to act in good faith in making any determination or calculation. If the Calculation Agent uses discretion to make a determination or calculation, the Calculation Agent will notify the Issuer, who will provide notice to DTC in respect of the CDs. The Calculation Agent may have economic interests adverse to those of the depositors of the CDs, including with respect to certain determinations and judgments that the Calculation Agent must make in determining the Average Closing Levels, the Initial Level, the Maturity Redemption Amount and the Final Return, in determining whether a Market Disruption Event has occurred, and in making certain other determinations with regard to the Index. The Calculation Agent is obligated to carry out its duties and functions in good faith and using its reasonable judgment. The Calculation Agent will not be liable for any loss, liability, cost, claim, action, demand or expense (including, without limitation, all costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) arising out of or in relation to or in connection with its appointment or the exercise of its functions, except such as may result from its own willful default or gross negligence or that of its officers or agents. Nothing shall prevent the Calculation Agent or its affiliates from dealing in the CDs or from entering into any related transactions, including any swap or hedging transactions, with any depositor of CDs. The Calculation Agent may resign at any time; however, resignation will not take effect until a successor Calculation Agent has been appointed.

Illustrative Examples

The following examples are provided for illustration purposes only and are hypothetical; they do not purport to be representative of every possible scenario concerning increases or decreases in the level of the Index relative to the Initial Level. We cannot predict the Final Closing Level of the Index on any Observation Date. The assumptions we have made in connection with the illustrations set forth below may not reflect actual events, and the hypothetical initial level of the Index used in the illustrations below is not the actual Initial Level of the Index. You should not take these examples as an indication or assurance of the expected performance of the Index or the CDs.

The following examples indicate how the Maturity Redemption Amount would be calculated with respect to a hypothetical \$10,000 deposit in the CDs. These examples assume that there is no early redemption, that the CDs are held to maturity, the Minimum Return is 3.00%, and that the Initial Level of the Dow Jones Industrial AverageSM is 10,000.

Example 1: The Index increases in value over the term of the CDs.

OBSERVATION DATES	CLOSING LEVELS
INITIAL INDEX LEVEL:	10000
Quarter 1	10300
Quarter 2	10600
Quarter 3	10900
Quarter 4	11200
Quarter 5	11500
Quarter 6	11800
Quarter 7	12100
Quarter 8	12400
Quarter 9	12700
Quarter 10	13000
Quarter 11	13300
Quarter 12	13600
Quarter 13	13900
Quarter 14	14200
Quarter 15	14500
Quarter 16	14800
Quarter 17	15100
Quarter 18	15400
Quarter 19	15700
Quarter 20	16000
Quarter 21	16300
Quarter 22	16600
Quarter 23	16900
Quarter 24	17200
Average Closing Level:	13750
Participation Rate:	100%
Return:	37.50%
Minimum Return	3.00%
Final Return	37.50%

The Maturity Redemption Amount equals the Principal Amount x [100% + the greater of (i) the Minimum Return and (ii) the Final Return]. Accordingly, at maturity, the Maturity Redemption Amount in this example would equal \$10,000 plus \$10,000 multiplied by the greater of (a) 3.00% and (b) 37.50%. Since the Final Return is greater than the Minimum Return, the CDs would pay \$13,750 at maturity.

Example 1 shows that where the Final Return exceeds the Minimum Return, the depositor will be paid a return based on the Final Return.

In addition, Example 1 shows that the Average Closing Level may be less than the index closing level on the final Observation Date. In that case the Maturity Redemption Amount does not reflect the full performance of the Index during the term of the CDs (i.e. does not reflect the full performance measured as the difference between the Initial Level and the closing level on the final Observation Date).

Here the return you will receive is 37.50%.

Example 2: The Index declines in value over the term of the CDs.

OBSERVATION DATES	CLOSING LEVELS
INITIAL INDEX LEVEL:	10000
Quarter 1	9900
Quarter 2	9800
Quarter 3	9700
Quarter 4	9600
Quarter 5	9500
Quarter 6	9400
Quarter 7	9300
Quarter 8	9200
Quarter 9	9100
Quarter 10	9000
Quarter 11	8900
Quarter 12	8800
Quarter 13	8700
Quarter 14	8600
Quarter 15	8500
Quarter 16	8400
Quarter 17	8300
Quarter 18	8200
Quarter 19	8100
Quarter 20	8000
Quarter 21	7900
Quarter 22	7800
Quarter 23	7700
Quarter 24	7600
Average Closing Level:	8750
Participation Rate:	100%
Return:	-12.50%
Minimum Return	[3.00%]
Final Return	3.00%

The Maturity Redemption Amount equals the Principal Amount x [100% + the greater of (i) the Minimum Return and (ii) the Final Return]. Accordingly, at maturity, the Maturity Redemption Amount in this example would equal \$10,000 plus \$10,000 multiplied by the greater of (a) 3.00 % and (b) -12.50%. Since the Minimum Return is greater than the Final Return, the CDs would pay \$10,300 at maturity.

Example 2 shows that the Minimum Return assures a return that is higher than the Final Return when the Final Return is less than 3.00%. Nonetheless, receipt of only a Minimum Return at maturity may be less than the rate that a depositor would have received if he or she had purchased a conventional CD or debt security.

Here the return you will receive is 3.00%, the assumed minimum return.

Sensitivity Analysis – Hypothetical Payment at Maturity for Each \$10,000 CD

The table below illustrates the payment at maturity (including, where relevant, the payment in respect of the Final Return) on a \$10,000 CD for a hypothetical range of performance for the Final Return from -80% to +80%. The following results are based solely on the hypothetical examples cited. You should consider carefully whether the CDs are suitable to your financial objectives. The numbers appearing in the table below have been rounded for ease of analysis.

“AVERAGE CLOSING LEVEL” OF THE INDEX	FINAL RETURN	PRINCIPAL X GREATER OF MINIMUM RETURN (3.00%) AND FINAL RETURN	PRINCIPAL	PAYMENT AT MATURITY	ANNUAL COMPOUNDED RETURN
180	80.00%	\$8,000	\$10,000	=\$18,000	10.29%
170	70.00%	\$7,000	\$10,000	=\$17,000	9.25%
160	60.00%	\$6,000	\$10,000	=\$16,000	8.15%
150	50.00%	\$5,000	\$10,000	=\$15,000	6.99%
140	40.00%	\$4,000	\$10,000	=\$14,000	5.77%
130	30.00%	\$3,000	\$10,000	=\$13,000	4.47%
120	20.00%	\$2,000	\$10,000	=\$12,000	3.09%
110	10.00%	\$1,000	\$10,000	=\$11,000	1.60%
100	3.00%	\$300	\$10,000	=\$10,300	0.49%
90	-10.00%	\$300	\$10,000	=\$10,300	0.49%
80	-20.00%	\$300	\$10,000	=\$10,300	0.49%
70	-30.00%	\$300	\$10,000	=\$10,300	0.49%
60	-40.00%	\$300	\$10,000	=\$10,300	0.49%
50	-50.00%	\$300	\$10,000	=\$10,300	0.49%
40	-60.00%	\$300	\$10,000	=\$10,300	0.49%
30	-70.00%	\$300	\$10,000	=\$10,300	0.49%
20	-80.00%	\$300	\$10,000	=\$10,300	0.49%

The table above assumes that the Initial Level was 100 and the Minimum Return is 3.00%. Because the Minimum Return per \$10,000 CD will not be less than \$300 in this example, you will always receive at maturity at least \$10,300 per \$10,000 CD.

The CDs are intended to be long term deposits and, as such, should be held to maturity. They are not intended to be short-term trading instruments. The price at which you will be able to sell your CDs prior to maturity may be substantially less than the principal amount of the CDs, even in cases where the Index has appreciated since the pricing date of the CDs. The potential returns described here assume that your CDs are held to maturity.

THE DISTRIBUTION

Please refer to the section entitled "The Distribution" in the Base Disclosure Statement.

FDIC INSURANCE

The payment of principal at maturity of this CD is insured by the FDIC up to the standard maximum deposit insurance amount in effect (generally up to \$250,000 in aggregate for individual depositors through December 31, 2013 and thereafter \$100,000, and up to \$250,000 in aggregate for certain retirement plans and accounts, including IRAs). Please see "FDIC Insurance" in the Base Disclosure Statement for more details.

CERTAIN ERISA CONSIDERATIONS

Please refer to the section entitled "Certain ERISA Consideration" in the Base Disclosure Statement.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

Set forth below is a summary of certain U.S. federal income tax considerations relevant to the purchase, beneficial ownership, and disposition of a CD.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of a CD that is:

- an individual who is a citizen or a resident of the United States for U.S. federal income tax purposes;
- a corporation (or other entity that is treated as a corporation for U.S. federal tax purposes) that is created or organized in or under the laws of the United States or any State thereof (including the District of Columbia);
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration, and one or more United States persons, as defined for U.S. federal income tax purposes, have the authority to control all of its substantial decisions.

For purposes of this summary, a "Non-U.S. Holder" is a beneficial owner of a CD that is:

- a nonresident alien individual for U.S. federal income tax purposes;
- a foreign corporation for U.S. federal income tax purposes;
- an estate, the income of which is not subject to U.S. federal income tax on a net income basis; or
- a trust if no court within the United States is able to exercise primary jurisdiction over its administration or if no United States persons, as defined for U.S. federal income tax purposes, have the authority to control all of its substantial decisions.

An individual may, subject to certain exceptions, be deemed to be a resident of the United States by reason of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year).

This summary is based on interpretations of the Internal Revenue Code of 1986, as amended (the "Code"), regulations issued there under, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such change may be applied retroactively and may adversely affect the U.S. federal income tax consequences described herein. This summary addresses only holders that purchase CDs at initial issuance and beneficially own such CDs as capital assets and not as part of a "straddle," "hedge," "synthetic security" or a "conversion transaction" for U.S. federal income tax purposes, or as part of some other

integrated investment. This summary does not discuss all of the tax consequences that may be relevant to particular depositors or to depositors subject to special treatment under the U.S. federal income tax laws (such as banks, thrifts, or other financial institutions; insurance companies; securities dealers or brokers, or traders in securities electing mark-to-market treatment; mutual funds or real estate investment trusts; small business investment companies; S corporations; depositors that hold their CDs through a partnership or other entity treated as a partnership for U.S. federal tax purposes; depositors whose functional currency is not the U.S. dollar; certain former citizens or residents of the United States; persons subject to the alternative minimum tax; retirement plans or other tax-exempt entities, or persons holding the CDs in tax-deferred or tax-advantaged accounts; or “controlled foreign corporations” or a “passive foreign investment companies” for U.S. federal income tax purposes). This summary also does not address the tax consequences to shareholders, or other equity holders in, or beneficiaries of, a holder of CDs, or any state, local or foreign tax consequences of the purchase, ownership or disposition of the CDs.

The following summary was not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. The following summary was written in connection with the promotion or marketing by the Issuer, HSBC Securities (USA) Inc. and/or other distributors of the CDs. Each holder should seek advice based on its particular circumstances from an independent tax advisor.

PROSPECTIVE PURCHASERS OF CDS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF CDS.

In General

The Issuer intends to treat the CDs as indebtedness for U.S. federal income tax purposes and any reports to the Internal Revenue Service (the “IRS”) and U.S. Holders will be consistent with such treatment, and each holder will agree to treat the CDs as indebtedness for U.S. federal income tax purposes. The discussion that follows is based on that approach. Depositors should be aware, however, that the IRS is not bound by the Issuer’s characterization of the CDs as indebtedness, and the IRS could possibly take a different position as to the proper characterization of the CDs for U.S. federal income tax purposes. If the CDs are not in fact treated as debt instruments of the Issuer for U.S. federal income tax purposes, then the U.S. federal income tax treatment of owning and disposing of the CDs could differ from the treatment discussed below with the result that the timing and character of income, gain or loss recognized in respect of a CD could differ from the timing and character of income, gain or loss recognized in respect of the CD had the CD in fact been treated as a debt instrument of the Issuer for U.S. federal income tax purposes.

Tax Treatment of U.S. Holders

Accruals of Original Issue Discount

The CDs generally will be subject to special rules, set forth in Treasury regulations, governing contingent payment debt instruments (“CPDIs”), and the Issuer and the holders will agree to treat the CDs as CPDIs. Under the Treasury regulations governing CPDIs, accruals of income, gain, loss and deduction with respect to the CDs will be determined under the “noncontingent bond method.” Under the noncontingent bond method, U.S. Holders of the CDs will accrue original issue discount (“OID”) over the term of the CDs based on the CDs’ comparable yield. In general, the comparable yield of the CDs is equal to the yield at which the Issuer would issue a fixed rate debt instrument with terms and conditions similar to those of the CDs, including level of subordination, term, timing of payments, and general market conditions. The comparable yield is determined by the Issuer as of the issuance date solely for U.S. federal income tax purposes and is neither a prediction nor a guarantee of what the actual yield will be on the CDs.

Based on these factors, [the Issuer estimates that] the comparable yield on the CDs, solely for U.S. federal income tax purposes, is [3.70]% per annum (compounded annually). [However, the actual comparable yield may vary depending upon market conditions on the date the CDs are issued and will be reported in the Final Terms and Conditions.]

Accordingly, U.S. Holders will generally accrue OID in respect of the CDs at a rate equal to the comparable yield. The amount of OID allocable to each annual accrual period will be the product of the “adjusted issue price” of the CDs at the beginning of each such accrual period and the comparable yield. The “adjusted issue price” of the CDs at the beginning of an accrual period will equal the issue price of the CDs plus the amount of OID previously includible in the gross income of the U.S. Holder. The issue price of the CDs will be the first price at which a substantial amount of the CDs are sold. The amount of OID includible in the income of each U.S. Holder for each taxable year will generally equal the sum of the “daily portions” of the total OID on the CDs allocable to each day during the taxable year

on which a U.S. Holder held the CDs. Generally, the daily portion of the OID is determined by allocating to each day in any accrual period a ratable portion of the OID allocable to such accrual period. Such OID is included in income and taxed as ordinary income. Information returns indicating the amount of OID accrued on CDs held by persons of record other than corporations and certain other “exempt recipients” will be filed with the IRS and sent to such record holder.

The Issuer also is obligated by applicable U.S. federal income tax regulations to determine, solely for U.S. federal income tax purposes, a projected payment schedule for the CDs that reflects a projected payment at maturity and that produces the comparable yield. In accordance with the noncontingent bond method, the projected payment schedule will consist of one payment at maturity equal to \$[1,243.98] on the maturity date in respect of each deposit of \$1,000. [However, the actual projected payment schedule may vary depending upon market conditions on the date the CDs are issued and will be reported in the Final Terms and Conditions.] Based upon [the estimates of] the comparable yield and the projected payment schedule for the CDs, a US Holder that pays taxes on a calendar year basis, and buys a CD for \$1,000 and holds it to maturity, will be required to pay taxes on the following amounts of ordinary income from the CD each year: \$[15.81] in 2009, \$[37.59] in 2010,\$[38.98] in 2011,\$[40.42] in 2012,\$[41.91] in 2013,\$[43.46] in 2014, and \$[25.81] in 2015. However, for 2015, the amount of ordinary income that a US Holder will be required to pay taxes on from owning a CD may be greater or less than \$[25.81], depending on the payment at maturity. In addition, if the payment at maturity is less than \$[1,243.98], a US Holder may have a loss for 2015.

Under the noncontingent bond method, the projected payment schedule is not revised to account for changes in circumstances that occur while the CDs are outstanding.

A U.S. Holder is generally bound by the comparable yield and the projected payment schedule established by the Issuer for the CDs. However, if a U.S. Holder believes that the projected payment schedule is unreasonable, a U.S. Holder must determine the comparable yield and set its own projected payment schedule for the CD and explicitly disclose the use of such schedule and the reason therefore on its timely filed federal income tax return for the taxable year in which it acquires the CDs.

The comparable yield and projected payment schedule are provided solely to comply with the applicable U.S. federal income tax regulations in order to determine the amount of OID to be accrued by the holders of the CDs solely for U.S. federal income tax purposes and do not constitute assurances by the Issuer as to the actual yield of the CDs. The Issuer makes no representation as to what such actual amounts will be, and the comparable yield and the projected payment schedule do not necessarily reflect the expectations of the Issuer regarding the actual yield of the CDs.

Taxation of the Maturity Redemption Amount

If the actual Maturity Redemption Amount is greater than the payment projected in the projected payment schedule as the final payment, the excess will be a “positive adjustment,” which is treated as additional OID income. If the actual Maturity Redemption Amount is less than the payment projected in the projected payment schedule as the final payment, the deficiency will be a “negative adjustment.” The negative adjustment will be applied first to reduce the OID accrued for the year in which the Maturity Redemption Amount is paid and any remainder of such negative adjustment will be treated as an ordinary loss to the extent of the net ordinary income of the U.S. Holder in respect of the CD, not subject to limitations on the deductibility of miscellaneous deductions. Any remaining negative adjustment will reduce the U.S. Holder’s amount realized on the retirement of the CD.

Sale, Exchange, or Disposition of the CDs

A U.S. Holder of a CD will recognize gain or loss on the taxable sale, exchange, or other disposition of the CD, to the extent that the amount realized is more or less than its purchase price, increased by the OID previously accrued by the owner on the CD. In general, any gain realized by a U.S. Holder on the taxable sale, exchange, or other disposition of a CD will be treated as ordinary interest income. Any loss recognized on the taxable sale, exchange, or other disposition of a CD will generally be treated as an ordinary loss to the extent of the OID previously accrued by such U.S. Holder on the CD, which would not be subject to the limitations on the deductibility of miscellaneous deductions. Any loss in excess of such accrued OID would be treated as a capital loss. The deductibility of capital losses by U.S. Holders is subject to limitations.

Tax Treatment of Non-U.S. Holders

Taxation of Interest and Disposition of the CDs

In general, Non-U.S. Holders will not be subject to any U.S. federal income or withholding tax on any interest income from a CD so long as the income or gain is not effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States. Additionally, Non-U.S. Holders will not be subject to any U.S. federal income or withholding tax on any gain on the sale, early withdrawal, maturity or other dispositions of a CD so long as the income or gain is not effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States and the Non-U.S. Holder is not an individual present in the United States for 183 days or more in the taxable year in which the gain is recognized.

U.S. Federal Estate Tax Treatment of Non-U.S. Holders

CDs held (or treated as held) by an individual who is a Non-U.S. Holder at the time of his or her death will not be subject to U.S. federal estate tax, provided that the individual would not be subject to any U.S. federal income or withholding tax with respect to income or gain on the CDs.

Information Reporting and Backup Withholding

Under certain circumstances, the Code requires “information reporting” annually to the IRS and to each holder of the CDs, and “backup withholding” with respect to certain payments made on or with respect to the CDs. Information reporting and backup withholding generally will not apply to U.S. Holders that are corporations or certain other “exempt recipients” if the U.S. Holder provides the Issuer with a properly completed IRS Form W-9, and will not apply to a Non-U.S. Holder if the Non-U.S. Holder provides the Issuer with a properly completed Form W-8BEN. Interest paid to a Non-U.S. Holder who is an individual who resides in Canada will be reported on IRS Form 1042S that is filed with the IRS and sent to the Non-U.S. Holder.

Backup withholding is not an additional tax and may be refunded (or credited against a depositor’s U.S. federal income tax liability, if any), if certain required information is furnished.

The preceding discussion is only a summary of certain of the tax implications of purchasing the CDs. Prospective depositors are urged to consult with their own tax advisors prior to purchasing to determine the tax implications of a purchase in light of that depositor’s particular circumstances.

ANNEX A: DESCRIPTION OF THE INDEX

General

These Terms and Conditions are not an offer to sell and it is not an offer to buy interests in the Index or any of the securities comprising the Index. All disclosures contained in these Terms and Conditions regarding the Index, including its make-up, method of calculation and changes in its components, are derived from publicly available information. We take no responsibility for the accuracy or completeness of any information relating to the Index contained in these Terms and Conditions.

Below is a brief description of the Index and index level for the Index for each quarter from the beginning of 2001. The index level information contained herein is from Bloomberg Financial Markets, and we believe such information to be accurate. In addition, information regarding the Reference Index Sponsor may have been obtained from other sources, including, but not limited to, press releases, newspaper articles and other publicly disseminated documents. The information contained herein is furnished as a matter of information only. Fluctuations in or levels of the Index that have occurred in the past are not necessarily indicative of fluctuations in or closing index levels of the Index that may occur over the term of the CDs. Neither the Issuer nor any of its affiliates makes any representation as to the performance of the Index.

We urge you to read the section "Information with Respect to the Indices and Shares" on page 4 of the related Base Disclosure Statement.

Dow Jones Industrial AverageSM Index

The **Dow Jones Industrial AverageSM** is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry.

License Agreement with INDU

The Index is the Dow Jones Industrial AverageSM (INDUSM) sponsored by Dow Jones & Company, Inc. The closing value of the Index is determined by Dow Jones & Company, Inc. The INDUSM is published in the Eastern Edition of The Wall Street Journal on the Business Day following the date of the Index. If, due to a misprint, there is a difference between the closing value of the Index as determined by Dow Jones and the closing value of the Index as published the next Business Day in The Wall Street Journal, then the closing value of the Index as determined by Dow Jones shall be the value of the Index used to determine the Variable Return for this Account.

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Historical Performance of the INDU

The following table sets forth the quarterly high and low intraday levels, as well as end-of-quarter closing levels, of the INDU for each of the quarters indicated below. We obtained the data in the following table from Bloomberg, LP, without independent verification by us.

Historical levels of the INDU should not be taken as an indication of future performance.

QUARTER ENDING	QUARTERLY HIGH	QUARTERLY LOW	QUARTERLY CLOSE
June 29, 2001	11350.05	9375.72	10502.40
September 28, 2001	10679.12	8062.34	8847.56
December 31, 2001	10184.45	8732.14	10021.50
March 29, 2002	10673.10	9529.46	10403.94
June 28, 2002	10402.07	8926.57	9243.26
September 30, 2002	9410.38	7460.78	7591.93
December 31, 2002	9043.37	7197.49	8341.63
March 31, 2003	8869.29	7416.64	7992.13
June 30, 2003	9352.77	7979.69	8985.44
September 30, 2003	9686.08	8871.20	9275.06
December 31, 2003	10462.44	9276.80	10453.92
March 31, 2004	10753.63	10007.49	10357.70
June 30, 2004	10570.81	9852.19	10435.48
September 30, 2004	10448.09	9783.99	10080.27
December 31, 2004	10868.07	9708.40	10783.01
March 31, 2005	10984.46	10368.61	10503.76
June 30, 2005	10656.29	10000.46	10274.97
September 30, 2005	10719.41	10175.40	10568.70
December 30, 2005	10959.79	10156.46	10717.50
March 31, 2006	11334.96	10661.15	11109.32
June 30, 2006	11670.19	10698.85	11150.22
September 29, 2006	11741.99	10683.32	11679.07
December 29, 2006	12529.88	11653.06	12463.15
March 30, 2007	12795.93	11939.61	12354.35
June 29, 2007	13692.00	12324.28	13408.62
September 28, 2007	14021.95	12517.94	13895.63
December 31, 2007	14164.53	12743.44	13264.80
March 31, 2008	13056.72	11740.15	12216.40
June 30, 2008	13136.69	11287.56	11350.01
September 30, 2008	11867.11	10365.45	10850.66
December 31, 2008	10831.07	7552.29	8776.39
March 31, 2009	9088.06	6469.95	7608.92
June 29, 2001 through March 31, 2009	14164.53	7197.49	7608.92

The following graph sets forth the ten year historical levels of the INDU Index using monthly data obtained from Bloomberg, LP. **Historical levels of the INDU should not be taken as an indication of future performance.**

