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OCC Assesses \$500 Million Civil Money Penalty Against HSBC Bank USA, N.A.

WASHINGTON — The Office of the Comptroller of the Currency (OCC) announced today a \$500 million civil money penalty against HSBC Bank USA, N.A., McLean, Virginia.

The OCC based its penalty on the bank's violating the Bank Secrecy Act (BSA) and its underlying regulations, and the bank's failure to fully comply with a cease and desist order issued in October 2010 addressing these violations. The order required the bank to take comprehensive corrective actions to improve its BSA compliance program, while deferring the OCC's decision on assessing a penalty. The OCC also announced that it has issued a separate cease and desist order to address deficiencies in the bank's enterprise-wide compliance program. Further, the OCC entered into an agreement with the bank pursuant to the requirements of the Gramm-Leach-Bliley Act (GLBA).

"Today's \$500 million penalty against HSBC for violating the Bank Secrecy Act is the largest penalty ever assessed by the OCC," said Comptroller of the Currency Thomas J. Curry. "The size of the penalty reflects the severity and duration of the violations. It demonstrates the OCC's resolve to take firm action when warranted to ensure compliance with the law and to hold banks accountable when they fail to live up to those standards."

The bank is an indirect, wholly-owned subsidiary of HSBC North America Holdings, Inc., New York, New York (HNAH), a registered bank holding company. HNAH is an indirect, wholly-owned subsidiary of HSBC Holdings plc, London, United Kingdom (HSBC), a registered bank holding company.

The OCC penalty is part of a coordinated action with the U.S. Department of Justice, the Board of Governors of the Federal Reserve System, the Financial Crimes Enforcement Network, the Office of Foreign Assets Control, and the New York County District Attorney's Office.

"This announcement is the culmination of hard work by dedicated professionals at a number of agencies. Each of them deserves our gratitude for their work to safeguard financial institutions operating in this country against being used as vehicles to launder money for drug traffickers and criminal organizations, or being used to facilitate the financing of terrorism," Comptroller Curry said. "The actions taken against HSBC are a milestone for BSA compliance and enforcement that also serve to remind us that we must remain vigilant against these abuses and continue to work to prevent criminals and terrorists from taking advantage of our nation's financial institutions. The action also highlights the importance of banks' effectively managing operational risk and the consequence of failing to do so."

Concurrent with the OCC's enforcement actions, the bank and HSBC entered into a deferred prosecution agreement with the Department of Justice, and agreed to forfeit \$1.256 billion to the United States. Payment of the forfeiture satisfies settlements with the Office of Foreign Assets Control and the New York County District Attorney's Office. The Board of Governors of the Federal Reserve System assessed a joint \$165 million civil money penalty against HSBC and HNAH, and entered into a cease and desist order upon consent with HSBC. The Financial Crimes Enforcement Network assessed a \$500 million civil money penalty against the bank that is satisfied by payment of the OCC's civil money penalty.

Related Links

- [Consent Cease and Desist Order](#) (PDF)
- [Consent Order for a Civil Money Penalty](#) (PDF)
- [Formal Agreement Related to GLBA](#) (PDF)
- [Remarks by Comptroller of the Currency Thomas J. Curry](#) (PDF)

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**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of: HSBC Bank USA, N.A. McLean, Virginia))))))	AA-EC-2012-140
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CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”), through his national bank examiners has conducted an examination of HSBC Bank USA, N.A., McLean, Virginia (“Bank”). The Comptroller has identified certain unsafe or unsound practices related to enterprise-wide compliance. The Comptroller has informed the Bank of the findings resulting from the examination.

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated December 11, 2012 (“Stipulation and Consent”), that is accepted by the Comptroller through his duly authorized representative. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

ARTICLE I

COMPTROLLER’S FINDINGS

The Comptroller finds, and the Bank neither admits nor denies, the following:

- (1) The Bank has a supervisory history of non-compliance with banking laws and regulations, as well as non-conformance with policies, procedures, and prescribed

practices in the compliance area that have occurred over a multi-year period. During the past year, additional deficiencies have surfaced from internal and external reviews that evidence broad and serious weaknesses in the Bank's compliance program. The robustness of the compliance program has not kept pace with the bank's size, complexity, and risk profile.

(2) The Comptroller's examination findings establish that the Bank has engaged in unsafe or unsound practices with respect to enterprise-wide compliance. Specifically, the Bank's compliance program has historically shown deficiencies in adequate, proactive leadership, risk reporting, and policies and procedures.

Pursuant to the authority invested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818(b), the Comptroller hereby ORDERS that:

ARTICLE II

COMPLIANCE COMMITTEE

(1) The Board shall maintain a Compliance Committee of at least three (3) directors, of which at least two (2) may not be employees or officers of the Bank or any of its subsidiaries or affiliates. In the event of a change of the membership, the name of any new member shall be submitted in writing to the Deputy Comptroller for Large Bank Supervision ("Deputy Comptroller") and Examiner-in-Charge of Large Bank Supervision at the Bank ("Examiner-in-Charge"). The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order.

(2) The Compliance Committee shall meet at least monthly.

(3) Within ninety (90) days of this Order and quarterly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the actions needed to achieve full compliance with each Article of this Order;
- (b) actions taken to comply with each Article of this Order; and
- (c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Deputy Comptroller and Examiner-in-Charge within ten (10) days of receiving such report.

ARTICLE III

ENTERPRISE-WIDE COMPLIANCE PROGRAM

(1) Within ninety (90) days of the date of this Order, the Board, or a designated committee of the Board, shall adopt, implement, and thereafter ensure adherence to a written enterprise-wide compliance program designed to ensure that the Bank is operating in compliance with applicable laws, rules, regulations, regulatory guidance, and supervisory findings. This program shall include, but not be limited to:

- (a) written description of the duties, responsibilities, and authority of the chief compliance officer and a requirement that this position be staffed by a qualified individual;
- (b) written descriptions of the duties, responsibilities, and reporting lines of other compliance management officers and compliance

- personnel, and requirements that these positions be staffed with qualified personnel;
- (c) performance objectives and compensation plans that align with written descriptions of duties and responsibilities of compliance personnel;
 - (d) written compliance values statement, to be communicated across the Bank;
 - (e) annual written analysis of the products and services offered by the Bank that fully assesses risk presented by applicable laws, rules, regulations, regulatory guidance, and supervisory findings;
 - (f) the preparation of a policies and procedures manual covering applicable laws, rules, regulations, regulatory guidance, and supervisory findings for use by appropriate Bank personnel in the performance of their duties and responsibilities;
 - (g) at least semi-annual review of the written policies and procedures manual to update it, as appropriate, to ensure it remains current;
 - (h) a control environment maintained by business lines and risk functions (“second lines of defense”) that ensures compliance with applicable laws, rules, regulations, regulatory guidance, and supervisory findings;
 - (i) integration of compliance risk into the enterprise-wide risk management framework;

- (j) an audit program that tests compliance with applicable laws, rules, regulations, regulatory guidance, and supervisory findings;
- (k) at least semi-annual independent evaluation of the effectiveness of the enterprise-wide compliance program, including but not limited to management, management information systems, staffing, and training;
- (l) at least semi-annual independent reporting of the results of the evaluation of the enterprise-wide compliance program to the Board or a committee thereof;
- (m) procedures to ensure that exceptions noted in testing and validation reports are corrected and responded to by the appropriate Bank personnel in a timely manner; and
- (n) the education and training of all appropriate Bank personnel to ensure their awareness of applicable laws, rules, regulations, regulatory guidance, and Bank policies and procedure.

(2) Upon completion of the program, the Board shall submit the program to the Deputy Comptroller and the Examiner-in-Charge for prior written determination of no supervisory objection. In the event the Deputy Comptroller recommends changes to the program, the Board shall incorporate those changes into the program. Upon receiving a written determination of no supervisory objection from the Deputy Comptroller, the Bank shall immediately implement and adhere to the program.

ARTICLE IV

ENTERPRISE-WIDE COMPLIANCE PROGRAM ACTION PLAN

(1) The Board shall direct management to undertake and complete all steps necessary to correct the circumstances and conditions, as noted in the Bank's most recent Report of Examination, which prompted the need for the enterprise-wide compliance program required by this Order.

(2) Within ninety (90) days of this Order, the Board shall develop and adopt a written plan that:

- (a) explains the specific actions that Bank management will take to achieve full implementation of the enterprise-wide compliance program, under Article III, including personnel resource requirements and the associated on boarding timeline;
- (b) specifies how the Board will ensure Bank management's implementation of the plan; and
- (c) sets forth a timetable for the implementation of each action specified in the plan.

(3) Upon completion of the plan, the Board shall submit the plan to the Deputy Comptroller and Examiner-in-Charge for a prior written determination of no supervisory objection. Upon receiving a written determination of no supervisory objection from the Deputy Comptroller, the Bank shall immediately implement and adhere to the plan.

(4) The plan shall be implemented pursuant to the time frames set forth within the plan unless events dictate modifications to the plan. Where the Board considers

modifications appropriate, those modifications shall be submitted to the Deputy Comptroller and Examiner-in-Charge for prior written determination of no supervisory objection. Upon receiving a written determination of no supervisory objection from the Deputy Comptroller, the Bank shall implement and adhere to the revised plan.

ARTICLE V

OTHER PROVISIONS

(1) Although this Order requires the Bank to submit certain actions, plans, programs, policies, and procedures for the review or prior written determination of no supervisory objection by the Deputy Comptroller or the Examiner-in-Charge, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) In each instance in this Order in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Order;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (c) follow-up on any material non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any material non-compliance with such actions.

(3) If, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(4) This Order constitutes a settlement of the cease and desist proceeding against the Bank contemplated by the Comptroller, based on the unsafe or unsound practices described in the Comptroller's Findings set forth in Article I of this Order. Provided, however, that nothing in this Order shall prevent the Comptroller from instituting other enforcement actions against the Bank or any of its institution-affiliated parties, including, without limitation, assessment of civil money penalties, based on the findings set forth in this Order, or any other findings. Nothing herein shall limit or modify the releases provided by the Stipulation and Consent to the Issuance of a Consent Order for the Assessment of a Civil Money Penalty executed simultaneously with this Order.

(5) This Order is and shall become effective upon its execution by the Comptroller, through his authorized representative whose hand appears below. The Order shall remain effective and enforceable, except to the extent that, and until such time as, any provision of this Order shall be amended, suspended, waived, or terminated in writing by the Comptroller.

(6) Any time limitations imposed by this Order shall begin to run from the effective date of this Order, as shown below, unless the Order specifies otherwise.

(7) The terms and provisions of this Order apply to the Bank and its subsidiaries, even though those subsidiaries are not named as parties to this Order.

(8) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding the Comptroller or the United States. Nothing in this Order shall affect any action against the Bank or its institution-affiliated parties by a bank regulatory agency, the United States Department of Justice, or any other law enforcement agency, to the extent permitted under applicable law.

(9) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

(10) Nothing in the Stipulation and Consent or this Order, express or implied, shall give to any person or entity, other than the parties hereto, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under the Stipulation and Consent or this Order.

(11) The Bank consents to the issuance of this Order before the filing of any notices, or taking of any testimony or adjudication, and solely for the purpose of settling this matter without a formal proceeding being filed.

IT IS SO ORDERED, this 11 day of December 2012.

//signed//

Sally G. Belshaw
Deputy Comptroller
Large Bank Supervision

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of:)	
HSBC Bank USA, N.A.)	AA-EC-2012-140
McLean, Virginia)	
)	

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) intends to impose a cease and desist order on HSBC Bank USA, N.A., McLean, Virginia (“Bank”) pursuant to 12 U.S.C. § 1818(b), for unsafe and unsound banking practices relating to the Bank’s compliance program.

The Bank, in the interest of compliance and cooperation, enters into this Stipulation and Consent to the Issuance of a Consent Order (“Stipulation”) and consents to the issuance of a Consent Order, dated December 11, 2012 (“Consent Order”);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, stipulate and agree to the following:

ARTICLE I

JURISDICTION

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

(4) As a result of this Consent Order:

(a) the Bank is not subject to the limitation of 12 C.F.R. § 5.51(c)(6)(ii) for the purposes of 12 C.F.R. § 5.51 requiring the Comptroller’s approval of a change in directors and senior executive officers, unless otherwise informed in writing by the Comptroller.

(b) the Bank is not subject to the limitation on golden parachute and indemnification payments provided by 12 C.F.R. § 359.1(f)(1)(ii)(C) and 12 C.F.R. § 5.51(c)(6)(ii), unless otherwise informed in writing by the Comptroller.

(c) the Bank remains an “eligible bank” pursuant to 12 C.F.R. § 5.3(g)(4) for the purposes of 12 C.F.R. Part 5 regarding rules, policies and procedures for corporate activities, unless otherwise informed in writing by the Comptroller.

(d) the Bank’s status as an “eligible bank” remains unchanged pursuant to 12 C.F.R. § 24.2(e)(4) for the purposes of 12 C.F.R. Part 24 regarding community and economic development, unless otherwise informed in writing by the Comptroller.

(5) The Consent Order shall not be construed to be a “written agreement, order, or capital directive” within the meaning of 12 C.F.R. § 6.4, unless the Comptroller informs the Bank otherwise in writing.

ARTICLE II
AGREEMENT

(1) The Bank, without admitting or denying any wrongdoing, consents and agrees to issuance of the Consent Order by the Comptroller.

(2) The Bank consents and agrees that the Consent Order shall (a) be deemed an “order issued with the consent of the depository institution” pursuant to 12 U.S.C. § 1818(h)(2), (b) become effective upon its execution by the Comptroller through his authorized representative, and (c) be fully enforceable by the Comptroller pursuant to 12 U.S.C. § 1818(i).

(3) Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(4) The Bank declares that no separate promise or inducement of any kind has been made by the Comptroller, or by his agents or employees, to cause or induce the Bank to consent to the issuance of the Consent Order and/or execute the Consent Order.

(5) The Bank expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the United States Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities.

(6) The Comptroller releases and discharges the Bank from all potential liability for a cease and desist order that has been or might have been asserted by the Comptroller based on the

violations described in the Comptroller's Findings set forth in Article I of the Consent Order, to the extent known to the Comptroller as of the effective date of the Consent Order. However, the violations alleged in Article I of the Consent Order may be utilized by the Comptroller in other future enforcement actions against the Bank or its institution-affiliated parties, including, without limitation, to assess civil money penalties or establish a pattern or practice of violations or the continuation of a pattern or practice of violations. This release shall not preclude or affect any right of the Comptroller to determine and ensure compliance with the terms and provisions of this Stipulation or the Consent Order.

(7) The terms and provisions of the Stipulation and the Consent Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Stipulation or the Consent Order, express or implied, shall give to any person or entity, other than the parties hereto, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Stipulation or the Consent Order.

ARTICLE III

WAIVERS

- (1) The Bank, by consenting to this Stipulation, waives:
 - (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Consent Order;
 - (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. §§ 1818(b) and (h), 12 C.F.R. Part 19;
 - (d) all rights to seek any type of administrative or judicial review of the Consent Order;

- (e) any and all claims for fees, costs or expenses against the Comptroller, or any of his agents or employees, related in any way to this enforcement matter or this Consent Order, whether arising under common law or under the terms of any statute, including, but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412; and
- (f) any and all rights to challenge or contest the validity of the Consent Order.

ARTICLE IV

CLOSING

(1) The provisions of this Stipulation shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon it by the several laws of the United States of America.

(2) Nothing in this Stipulation shall preclude any proceedings brought by the Comptroller to enforce the terms of this Consent Order, and nothing in this Stipulation constitutes, nor shall the Bank contend that it constitutes, a waiver of any right, power, or authority of any other representative of the United States or an agency thereof, including, without limitation, the United States Department of Justice, to bring other actions deemed appropriate.

(3) The terms of the Stipulation and the Consent Order are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set her hand on behalf of the Comptroller.

//signed//

Sally G. Belshaw
Deputy Comptroller
Large Bank Supervision

December 11, 2012

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

//signed// _____ December 10, 2012 _____
Jeffrey A. Bader Date

//signed// _____ December 10, 2012 _____
William R. P. Dalton Date

//signed// _____ December 10, 2012 _____
Anthea Disney Date

//signed// _____ December 10, 2012 _____
Irene M. Dorner Date

//signed// _____ December 10, 2012 _____
Robert K. Herdman Date

//signed// _____ December 10, 2012 _____
Louis Hernandez, Jr. Date

//signed// _____ December 4, 2012 _____
Richard A. Jalkut Date

//signed// _____ December 10, 2012 _____
Nancy G. Mistretta Date

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of:)	
)	
HSBC Bank USA, N.A.)	AA-EC-12-112
McLean, Virginia)	
)	
)	

**CONSENT ORDER FOR THE
ASSESSMENT OF A CIVIL MONEY PENALTY**

The Comptroller of the Currency of the United States of America (“Comptroller”), through his national bank examiners and other staff of the Office of the Comptroller of the Currency (“OCC”), has conducted an examination and investigation of the Payments and Cash Management (“PCM”), Global Banknotes, and foreign correspondent operations of HSBC Bank USA, N.A., McLean, Virginia (“Bank”). The OCC has identified deficiencies in the Bank’s internal controls for these areas as well as in its overall program for Bank Secrecy Act/anti-money laundering (“BSA/AML”) compliance. These findings were the subject of a Consent Cease and Desist Order issued on October 6, 2010 (“Consent Order”). Upon issuance of the Consent Order, the OCC deferred a decision with regard to the assessment of a civil money penalty (“CMP”) against the Bank based on deficiencies addressed in the Consent Order, pending additional investigation.

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a "Stipulation and Consent to the Issuance of a Consent Order for the Assessment of a Civil Money Penalty," dated December 11, 2012 (“Stipulation”), that is accepted by the Comptroller. By this Stipulation, which is incorporated by reference, the Bank has consented to

the issuance of this Consent Order for the Assessment of a Civil Money Penalty (“CMP Order”) by the Comptroller.

On December 11, 2012, the Bank entered into a Deferred Prosecution Agreement (“DPA”) with the United States Department of Justice (“DOJ”). In the DPA, the Bank admitted it had violated 31 U.S.C. § 5318(h)(1), which makes it a crime to willfully fail to establish and maintain an effective AML program, and 31 U.S.C. § 5318(i)(1), which makes it a crime to willfully fail to establish due diligence for foreign correspondent accounts. The Bank further consented to DOJ’s findings in connection with these violations.

ARTICLE I

COMPTROLLER’S FINDINGS

The Comptroller finds the following:

The Comptroller incorporates the following findings in Article I of the Consent Order:

(1) The OCC’s examination findings identified deficiencies in the Bank’s BSA/AML compliance program. These deficiencies resulted in a BSA/AML compliance program violation under 12 U.S.C. § 1818(s) and its implementing regulation, 12 C.F.R. § 21.21 (BSA Compliance Program). In addition, the Bank violated 12 C.F.R. § 21.11 (Suspicious Activity Report Filings); and 31 U.S.C. § 5318(i) and its implementing regulation, 31 C.F.R. § 1010.610 (Correspondent Banking) (formerly 31 C.F.R. § 103.176).

The Bank failed to adopt and implement a compliance program that adequately covers the required BSA/AML program elements, including, in particular, internal controls for customer due diligence, procedures for monitoring suspicious activity, and independent testing. The Bank's compliance program and its implementation were ineffective, and accompanied by

aggravating factors, such as highly suspicious activity creating a significant potential for unreported money laundering or terrorist financing.

Some of the critical deficiencies in the elements of the Bank's BSA/AML compliance program included the following:

(A) The Bank excluded from automated BSA/AML monitoring wire transfers initiated by customers domiciled in countries risk rated as "standard" or "medium," representing two-thirds of total dollar volume for PCM. While the Bank employed other methods for monitoring wire transactions for customers located in countries risk rated standard or medium, these alternatives provided limited coverage, were not effective, and did not mitigate the BSA/AML risks posed;

(B) During mid-2006 through mid-2009, the Bank did not perform BSA/AML monitoring for banknote (or "bulk cash") transactions with Group Entities (defined as the Bank's foreign affiliates in which the Bank's parent, HSBC Holdings plc, London, England ("HSBC Group"), holds a majority interest);

(C) The Bank did not collect or maintain customer due diligence ("CDD") or enhanced due diligence ("EDD") information for Group Entities. The Bank transacted extensive wire transfers and purchases of United States bulk cash with Group Entities. The lack of due diligence information inhibited the Bank's assessment of customer risk and the identification of suspicious activity in Group Entity accounts;

(D) The Bank failed to disposition its alerts appropriately or to comply fully with its obligation to report suspicious activity on time. As part of the 2009-10 examination, the OCC cited the Bank for its backlog of unprocessed alerts. The

Bank's subsequent review of the backlogged alerts led it to file a substantial number of late Suspicious Activity Reports (“SARs”) with law enforcement authorities; and

(E) The Bank did not appropriately designate customers as “high-risk” for purposes of BSA/AML monitoring, even where a customer’s association with politically-exposed persons (“PEPs”) could have harmed the Bank’s reputation.

(2) The above violations and failures were the result of a number of factors, including, among others, (i) inadequate staffing and procedures in the alert investigations unit that resulted in a significant backlog of alerts; (ii) the closure of alerts based on ineffective review; (iii) inadequate monitoring of Group Entities’ correspondent accounts for purpose and anticipated activity, anti-money laundering record, or consistency between actual and anticipated account activity; (iv) unwarranted reliance on Group Entities’ following HSBC Group BSA/AML policies; (v) inadequate monitoring of funds transfers; (vi) inadequate procedures to ensure the timely reporting of suspicious activity; (vii) failure to adequately monitor Group Entities’ banknote activity, (viii) inadequate monitoring of correspondent funds transfer activity; and (ix) inadequate collection and analysis of CDD information, including inadequate monitoring of PEPs.

The Comptroller further finds, for purposes of this CMP Order:

(3) The Bank has not fully complied with Article IX (Wire Monitoring) of the Consent Order. In relevant part, the Consent Order required the Bank to fully install, test, and activate a new wire monitoring system within 180 days. The Bank installed and activated a new wire monitoring system for its PCM unit without adequately testing the system. The Consent Order further required the Bank to conduct validation (gap) testing of the new system after installation. The Bank did not complete this testing within a reasonable period after installing

the new system at its PCM unit. These instances of noncompliance exposed the Bank to a material risk of failing to report suspicious activity, including suspicious international wire transfers, to law enforcement.

(4) Pursuant to Article XI (Account/Transaction Activity Review (“Look-Back”)) of the Consent Order, the Bank retained a consultant to conduct a look-back to review certain account and transaction activity specified by the OCC. The look-back, and the prior review during 2010 of the Bank’s backlog of unprocessed alerts, together resulted in the Bank’s late-filing 890 SARs addressing suspicious activity in the amount of \$6.34 billion.

(5) The foregoing violations of law and noncompliance with the Consent Order meet the requirements for a “Tier II” civil money penalty, pursuant to 12 U.S.C. § 1818(i)(2)(B). The violations of law formed a pattern of misconduct. The BSA/AML compliance program violation began by January 1, 2007, and continued through 2010. The remaining violations of law lasted for three years or longer.

(6) During 2007-10, the Bank benefited from the foregoing violations of law by conserving funds that it should have expended in order to maintain a robust BSA/AML compliance program, as required by law. In this case, it is necessary to assess a civil money penalty in excess of the benefit amount to promote compliance with statutory and regulatory requirements and deter future misconduct.

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby ORDERS that:

ARTICLE II

ORDER FOR A CIVIL MONEY PENALTY

- (1) The Bank shall pay a civil money penalty of five hundred million dollars (\$500,000,000.00) to the United States Treasury upon execution of this CMP Order.
 - (a) The Bank shall pay the penalty by wire transfer to the United States Treasury, as instructed by the OCC.
 - (b) Upon payment of the penalty, the Bank shall send photocopies of the confirmation of the wire transfer by e-mail and overnight delivery to the Director of Enforcement and Compliance, Office of the Comptroller of the Currency, 400 Seventh Street SW, Washington, DC 20219.
- (2) This CMP Order shall be enforceable to the same extent and in the same manner as an effective and outstanding order that has been issued and has become final pursuant to 12 U.S.C. § 1818(h), (i) (as amended).

ARTICLE III

CLOSING

- (1) If, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States to undertake any action affecting the Bank, nothing in this CMP Order shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.
- (2) This CMP Order is and shall become effective upon its execution by the Comptroller, through his authorized representative whose hand appears below. The CMP Order shall remain effective and enforceable against the Bank and its successors in interest, except to

the extent that, and until such time as, any provisions of this CMP Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(3) This CMP Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(i)(2), and expressly does not form, and may not be construed to form, a contract binding the Comptroller or the United States.

(4) The terms of this CMP Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 11 day of December, 2012.

/s/

Sally G. Belshaw
Deputy Comptroller for Large Bank Supervision
Office of the Comptroller of the Currency

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of:

HSBC Bank USA, N.A.
McLean, Virginia

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) AA-EC-12-112
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**STIPULATION AND CONSENT TO THE
ISSUANCE OF A CONSENT ORDER FOR
THE ASSESSMENT OF A CIVIL MONEY PENALTY**

The Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate a civil money penalty proceeding against HSBC Bank USA, N.A., McLean, Virginia (“Bank”) pursuant to 12 U.S.C. § 1818(i)(2), for violations of 12 U.S.C. § 1818(s); the Bank Secrecy Act, 31 U.S.C. §§ 5311 *et seq.*, including 31 U.S.C. § 5318(i); and Bank Secrecy Act regulations 12 C.F.R. §§ 21.11 and 21.21, and 31 C.F.R. § 1010.610 (formerly 31 C.F.R. § 103.176), and for noncompliance with Article IX (Wire Monitoring) of the Consent Cease and Desist Order issued on October 6, 2010 (“Consent Order”).

The Bank, in the interest of compliance and cooperation, enters into this Stipulation and Consent to the Issuance of a Consent Order for the Assessment of a Civil Money Penalty (“Stipulation”) and consents to the issuance of a Consent Order for the Assessment of a Civil Money Penalty, dated December 11, 2012 (“CMP Order”);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, stipulate and agree to the following:

ARTICLE I

JURISDICTION

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(i).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(i).

ARTICLE II

AGREEMENT

(1) The Bank consents and agrees to issuance of the CMP Order by the Comptroller.

(2) The Bank consents and agrees that the CMP Order shall (a) be deemed an “order issued with the consent of the depository institution” pursuant to 12 U.S.C. § 1818(h)(2), (b) become effective upon its execution by the Comptroller through his authorized representative, and (c) be fully enforceable by the Comptroller pursuant to 12 U.S.C. § 1818(i).

(3) Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(4) The Bank declares that no separate promise or inducement of any kind has been made by the Comptroller, or by his agents or employees, to cause or induce the Bank to consent to the issuance of the CMP Order and/or execute the CMP Order.

(5) The Bank expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the United States Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities.

(6) The Office of the Comptroller of the Currency ("OCC") releases and discharges the Bank from all potential claims and charges that have been or might have been asserted by the OCC based on the Comptroller's Findings set forth in Article I of the CMP Order, to the extent known to the OCC as of the effective date of the CMP Order. However, the violations described in Article I of the CMP Order may be utilized by the OCC in future enforcement actions (a) against the Bank, to establish a pattern of violations or the continuation of a pattern of violations, or (b) against the Bank's institution-affiliated parties. This release shall not preclude or affect any right of the OCC to determine and ensure compliance with the terms and provisions of this Stipulation or the CMP Order.

(7) The terms and provisions of this Stipulation and the CMP Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Stipulation or the CMP Order, express or implied, shall give to any person or entity, other than the parties hereto, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Stipulation or the CMP Order.

ARTICLE III

WAIVERS

- (1) The Bank, by consenting to this Stipulation, waives:
 - (a) the issuance of an Assessment of a Civil Money Penalty pursuant to 12 U.S.C. § 1818(i)(2) (as amended);
 - (b) any and all procedural rights available in connection with the issuance of the CMP Order;
 - (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(h), (i)(2) (as amended), and 12 C.F.R. Part 19;
 - (d) all rights to seek any type of administrative or judicial review of the CMP Order;
 - (e) any and all claims for fees, costs or expenses against the Comptroller, or any of his agents or employees, related in any way to this enforcement matter or the CMP Order, whether arising under common law or under the terms of any statute, including, but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412; and
 - (f) any and all rights to challenge or contest the validity of the CMP Order.

ARTICLE IV

CLOSING

- (1) The provisions of this Stipulation shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, it deems

it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

(2) Nothing in this Stipulation shall preclude any proceedings brought by the Comptroller to enforce the terms of the CMP Order, and nothing in this Stipulation constitutes, nor shall the Bank contend that it constitutes, a waiver of any right, power, or authority of any other representative of the United States or an agency thereof, including, without limitation, the United States Department of Justice, to bring other actions deemed appropriate.

(3) The terms of this Stipulation and the CMP Order are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set her hand on behalf of the Comptroller.

/s/

December 11, 2012

Sally G. Belshaw
Deputy Comptroller for Large Bank Supervision
Office of the Comptroller of the Currency

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/s/
Jeffrey A. Bader

12/10/2012
Date

/s/
William R. P. Dalton

12/10/2012
Date

/s/
Anthea Disney

12/10/2012
Date

/s/
Irene M. Dorner

12/10/2012
Date

/s/
Robert K. Herdman

12/10/2012
Date

/s/
Louis Hernandez, Jr.

12/10/2012
Date

/s/
Richard A. Jalkut

12/4/2012
Date

/s/
Nancy G. Mistretta

12/10/2012
Date

**AGREEMENT BY AND BETWEEN
HSBC BANK USA, N.A.
McLEAN, VIRGINIA
AND
THE OFFICE OF THE COMPTROLLER OF THE CURRENCY**

HSBC Bank USA, N.A., McLean, Virginia (“Bank”) is a national bank subject to the limitations on controlling or holding an interest in financial subsidiaries set forth in 12 U.S.C. § 24a and 12 C.F.R. § 5.39.

The Comptroller of the Currency of the United States (“Comptroller”), through his National Bank Examiners, has examined the Bank and determined that the Bank is not in compliance with the requirements set forth in 12 U.S.C. § 24a(a)(2)(C) and 12 C.F.R. § 5.39(g)(1). Accordingly, the Bank is required to execute an agreement with the Comptroller.

In consideration of the above, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement is entered into pursuant to 12 U.S.C. § 24a(e)(2) and (3) and 12 C.F.R. §§ 5.39(j)(1)(ii) and (iii).

(2) This Agreement shall not be deemed to be a “formal written agreement” for the purposes of 12 C.F.R. Part 5 and Part 24.

ARTICLE II

ACTION PLAN

(1) The Board shall direct management to undertake and complete all steps necessary to correct the circumstances and conditions, as noted in the Bank's most recent Report of Examination, resulting in the Bank's noncompliance with the conditions and requirements set forth in

12 U.S.C. § 24a and 12 C.F.R. § 5.39 for a national bank that maintains a financial subsidiary.

(2) Within ninety (90) days of the effective date of this Agreement, the Board shall develop and adopt a written plan that:

- (a) explains the specific actions that Bank management will take to correct the circumstances and conditions, as noted in the Bank's most recent examination, resulting in the Bank's noncompliance with the conditions and requirements for a national bank that maintains a financial subsidiary;
- (b) specifies how the Board will ensure Bank management's implementation of the plan; and
- (c) sets forth a timetable for the implementation of each action specified in the plan.

(3) Upon adoption of the plan, the Board shall submit the plan to the Deputy Comptroller and Examiner-in-Charge for a prior written determination of no supervisory objection. Upon receiving a written determination of no supervisory objection from the Deputy Comptroller, the Bank shall immediately implement and adhere to the plan.

(4) The plan shall be implemented pursuant to the time frames set forth within the plan unless events dictate modifications to the plan. Where the Board considers modifications

appropriate, those modifications shall be submitted to the Deputy Comptroller and Examiner-in-Charge for prior written determination of no supervisory objection. Upon receiving a written determination of no supervisory objection from the Deputy Comptroller, the Bank shall implement and adhere to the revised plan.

ARTICLE III

LIMITATIONS ON ADDITIONAL ACTIVITIES INVOLVING FINANCIAL SUBSIDIARIES

(1) The Board shall ensure that the Bank complies with all the requirements and safeguards set forth in 12 U.S.C. § 24a and 12 C.F.R. § 5.39 for a national bank that has established or maintains a financial subsidiary.

(2) The Bank shall not, directly or indirectly, acquire control of, nor hold an interest in, any new financial subsidiary, nor commence a new activity in its existing financial subsidiary, unless:

- (a) the Comptroller has made a written determination that the Bank has corrected the circumstances and conditions detailed in the Bank's most recent Report of Examination that led to the Bank's noncompliance with the conditions and requirements for a national bank to control, or hold an interest in, a financial subsidiary;
- (b) the Deputy Comptroller has made a written determination of no supervisory objection to the proposed activity in the Bank's existing financial subsidiary or acquisition of control of, or interest in, a new financial subsidiary; and

- (c) the Bank has obtained the Comptroller's written approval for the proposed activity or acquisition of control through the procedures set forth in 12 C.F.R. § 5.39(i).

ARTICLE IV

REQUIRED DIVESTITURE OF FINANCIAL SUBSIDIARY

(1) If, after one hundred eighty (180) days following the Bank's receipt of the Comptroller's notice following the Bank's most recent examination, the Comptroller determines, in his sole discretion, that the circumstances and conditions, as detailed in the Bank's most recent Report of Examination, that led to the Bank's noncompliance with the conditions and requirements for a national bank to control, or hold an interest in, a financial subsidiary have not been corrected, and the Bank has not made significant progress towards the correction of those circumstances and conditions, the Bank agrees, if it is directed to do so by the Comptroller, to:

- (a) divest control of its financial subsidiary pursuant to 12 U.S.C. § 24a(e)(4) and 12 C.F.R. § 5.39(j)(1)(iv); and
- (b) comply with any additional limitations or conditions on the conduct of the Bank, its affiliates, and its financial subsidiary pursuant to 12 U.S.C. § 24a(e)(3) and 12 C.F.R. § 5.39(j)(1)(iii)

ARTICLE V

CONCLUDING PROVISIONS

(1) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(2) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Comptroller or his duly authorized representative for good cause upon written application by the Board.

(3) The provisions of this Agreement shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(4) The phrase “effective date” shall mean the date that this Agreement is executed by the Comptroller or by his duly authorized representative.

(5) This Agreement does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has the statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or arrangements, or negotiations between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set her hand on behalf of the Comptroller.

//signed
Sally G. Belshaw
Deputy Comptroller
Large Bank Supervision

December 11, 2012
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

//signed//
Jeffrey A. Bader
December 10, 2012
Date

//signed//
William R. P. Dalton
December 10, 2012
Date

//signed//
Anthea Disney
December 10, 2012
Date

//signed//
Irene M. Dorner
December 10, 2012
Date

//signed//
Robert K. Herdman
December 10, 2012
Date

//signed//
Louis Hernandez, Jr.
December 10, 2012
Date

//signed//
Richard A. Jalkut
December 4, 2012
Date

//signed//
Nancy G. Mistretta
December 10, 2012
Date

Remarks by
Thomas J. Curry
Comptroller of the Currency
Regarding
HSBC Bank USA, N.A.
New York, New York
December 11, 2012

It's a pleasure to join Assistant Attorney General Lanny Breuer, Undersecretary of the Treasury David Cohen, and the others here today on this important occasion.

The Office of the Comptroller of the Currency is proud to join the U.S. Department of Justice, the Board of Governors of the Federal Reserve System, the Financial Crimes Enforcement Network, the Office of Foreign Assets Control, and the New York County District Attorney's Office in taking action to prevent our nation's financial institutions from being misused to launder money, finance terrorism, and commit other criminal activities.

Today, the OCC is assessing a \$500 million civil money penalty against HSBC Bank USA for violating the Bank Secrecy Act and failing to comply with an existing cease and desist order issued by the OCC in October 2010. In addition to this penalty, the OCC is issuing a separate cease and desist order directing the bank to correct deficiencies in its enterprise-wide compliance program. The OCC is the primary prudential regulator of HSBC Bank USA, and our examiners will monitor the bank's corrective actions and compliance with these orders.

Today's \$500 million penalty against HSBC is the largest penalty ever assessed by the OCC. The size of the penalty reflects the severity and duration of the violations. It demonstrates the OCC's resolve to take firm action when warranted to ensure compliance with the law and to hold banks accountable when they fail to live up to those standards. These actions send a strong message to the bank and the financial services industry to make compliance with the law a priority to safeguard their institutions from being misused in ways that threaten American lives. The action also highlights the importance of banks' effectively managing operational risk and the consequence of failing to do so.

The actions taken against HSBC are a milestone for BSA compliance and enforcement that also serve to remind us that we must remain vigilant against these abuses and continue to work to prevent criminals and terrorists from taking advantage of our nation's financial institutions. Malicious individuals and organizations constantly seek ways to exploit weakness in our systems, and are becoming more sophisticated every day. Succeeding in this complex environment requires the cooperation of financial institutions and ever more coordination across agencies, and across borders. That is important work, and the OCC is proud to share that responsibility with federal banking and law enforcement agencies.

I want to close by expressing my personal gratitude to the men and women at the OCC and each of the agencies represented here for their hard work and dedication. Today's actions would not have been possible without their efforts. And, I'd like to thank our host for holding this conference to announce these important actions.