



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, DC 20551

DECEMBER 11, 2014

Mr. Steven G. Ekert  
Senior Executive Vice President and  
Chief Risk Officer  
HSBC North America Holdings Inc.  
452 Fifth Avenue, 5th Floor  
New York, New York 10018

Mr. Gerard Mattia  
Senior Executive Vice President and  
Chief Financial Officer  
HSBC North America Holdings Inc.  
452 Fifth Avenue, 5th Floor  
New York, New York 10018

Dear Messrs. Ekert and Mattia:

This is in response to your request for the Board's approval, under section 217.153(e)(2)(i)(C) of the Board's Regulation YY,<sup>1</sup> of the election by HSBC North America Holdings Inc. (HNAH), New York, New York, not to comply with the requirements of subpart E to 12 CFR part 217 of the Board's capital adequacy standards (the advanced approaches rule).<sup>2</sup>

Under the Board's Regulation YY, a foreign banking organization with U.S. non-branch assets of \$50 billion or more as of June 30, 2015, is required to form or designate a U.S. intermediate holding company by July 1, 2016, to hold its interests in its U.S. subsidiaries. The U.S. intermediate holding company is generally subject to the same

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<sup>1</sup> 12 CFR 252.153(e)(2)(i)(C).

<sup>2</sup> Subpart E to 12 CFR part 217.

risk-based and leverage capital rules that apply to a bank holding company, provided, however, that a U.S. intermediate holding company formed under Regulation YY is not required to comply with the Board's advanced approaches rule.<sup>3</sup> Regulation YY permits an existing bank holding company subsidiary of a foreign banking organization to elect not to comply with the advanced approaches rule with the Board's prior written approval.<sup>4</sup>

HNAH is a subsidiary of HSBC Holdings plc (HSBC), London, United Kingdom. HSBC is a foreign banking organization with approximately \$ [REDACTED] in total U.S. assets as of June 30, 2014, the entirety of which are held at HNAH. Because HSBC expects that its U.S. non-branch assets will exceed \$50 billion on June 30, 2015, it will be required to form or designate a U.S. intermediate holding company under Regulation YY.<sup>5</sup> [REDACTED]

HNAH, a bank holding company that is currently subject to the Board's advanced approaches rule, is requesting, pursuant to section 217.153(e)(2)(i)(C) of the Board's Regulation YY, that the Board approve its election to opt out of the advanced approaches rule. HNAH will continue to be subject to standardized risk-based capital rules, leverage capital rules, and capital planning and supervisory stress testing requirements.<sup>6</sup>

After consideration of all relevant facts, the Board has approved HNAH's election not to comply with the requirements of subpart E to 12 CFR part 217. This action is based on all the facts of record and on all the representations and commitments made by you in the submissions to the Board in connection with the request. These representations and commitments constitute conditions imposed in writing in connection

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<sup>3</sup> 12 CFR 225.153(e)(2)(i)(A).

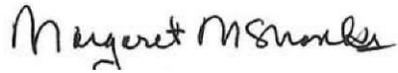
<sup>4</sup> 12 CFR 225.153(e)(2)(i)(C).

<sup>5</sup> 12 CFR 252.152.

<sup>6</sup> HNAH will remain subject to the other requirements that apply to advanced approaches banking organizations, including restrictions on distributions and discretionary bonus payments associated with the countercyclical capital buffer, the supplementary leverage ratio provided for in subpart B of the revised capital framework, and the requirement to include nearly all components of accumulated other comprehensive income in regulatory capital.

with the findings and decisions herein and, as such, may be enforced in proceedings under applicable law. Any material change in those facts or representations could affect this approval and should be communicated promptly to Board staff

Very truly yours,

A handwritten signature in black ink, appearing to read "Margaret McCloskey Shanks". The signature is written in a cursive, slightly slanted style.

Margaret McCloskey Shanks  
Deputy Secretary of the Board

cc: Mr. Joseph Abdelnour, Assistant Vice President  
Federal Reserve Bank of Chicago