

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

**CHARTER OF THE  
COMPLIANCE AND CONDUCT COMMITTEE**

**I. Committee Purpose**

The Compliance and Conduct Committee (the “Committee”) is appointed by the Boards of Directors of HSBC USA Inc. (“HUSI”) and HSBC Bank USA, N.A. (“HBUS”, and, together with HUSI, the “Boards”); and is responsible, on behalf of its Boards, to:

**Oversee general compliance and conduct matters (collectively, “Compliance/Conduct Matters”) including, but not limited to:**

- 1) Providing ongoing oversight on the effectiveness, sustainability and auditing of HUSI’s and HBUS’s Financial Crime Compliance and Regulatory Compliance programs;
- 2) Providing oversight on the governance processes that underpin HUSI’s and HBUS’s conduct and values principles, including setting the “Tone at the Top”, and monitoring the penetration thereof throughout the organization to oversee that outcomes are consistent with HSBC Group and regulatory expectations; and
- 3) Providing oversight of HUSI’s, HBUS’s and their subsidiaries’ policies, procedures and standards as they relate to conduct and development of responsible business practices in accordance with the HSBC Group values and culture, and in conformance with applicable laws, rules and regulations.

**Oversee fiduciary matters (collectively, “Fiduciary Matters”) including, but not limited to:**

Monitoring and overseeing management with respect to the fiduciary activities conducted within subsidiaries and fiduciary business lines of HUSI and HBUS, as applicable, and to oversee management’s proper exercise of fiduciary responsibilities and powers as defined by and required under laws, rules and regulations applicable to fiduciary activities (including, but not limited to, 12CFR 9, the Investment Advisers Act of 1940 and the Investment Company Act of 1940).

**II. Committee Composition and Meetings**

The Committee shall consist of not less than three (3) Directors, a majority of which shall be independent, non-executive directors. The Boards may from time to time appoint additional members to the Committee. The appointment of the Chair and all Committee members shall be made by the Boards.

The Committee shall meet with such frequency as it may consider appropriate and at such times as it may determine. It is expected that the Committee shall meet at least four times a year.

If the total number of Directors on the Committee is odd, a quorum to transact business at the meeting will be a majority of the Directors. If the total number of Directors is even, a quorum will exist if one-half of the Directors are present.

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

The Committee shall also provide information believed to be pertinent to the performance of responsibilities of other committees of the Boards to those committees, as appropriate. The Committee may invite any Director, executive, independent auditor or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the satisfaction of its responsibilities.

### **III. Committee Responsibilities: Compliance, Conduct and Fiduciary Matters**

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

#### Compliance Matters

- 1) To receive regular reports from the Head of Regulatory Compliance, Head of Financial Crime Compliance and/or others, including to:
  - annually, present the Annual Operating Plan for Compliance, including key objectives and resource funding, for the Committee's review;
  - annually, review and approve the Bank Secrecy Act/Anti-Money Laundering (“BSA/AML”) Policy;
  - annually, present the Enterprise Compliance Policy and Program for the Committee’s review and approval;
  - annually, provide a report for Fair Lending Compliance for the Committee’s review;
  - annually, for Financial Crime Compliance, present the Enterprise-wide Risk Assessment for the Committee's review;
  - annually, for Regulatory Compliance, present the Enterprise Risk Assessment for the Committee’s review;
  - semi-annually, report on the state of the compliance functions and progress under the Annual Operating Plan for Compliance, relative to established program objectives;
  - quarterly, provide a report of key trends, metrics, risk assessments, significant 2<sup>nd</sup> line-identified findings, significant breaches of established thresholds against operational risk indicators, and significant events relating to Regulatory Compliance (including fair lending laws, the Community Reinvestment Act, the Volcker Rule and swap dealer matters and Unfair, abusive and deceptive acts or practices) and Financial Crime Risk (including Bank Secrecy Act/Anti-Money Laundering and Office of Foreign Asset Control);
  - annually, furnish the annual compliance report for HBUS in its capacity as a swap dealer;

- from time to time, based upon changes in law, regulation, circumstances or experience, recommend such changes to the overarching Compliance Program and compliance policies as the Head of Regulatory Compliance, Head of Financial Crime Compliance and/or others deem appropriate, and significant changes shall be presented to the Committee for endorsement; and
  - from time to time, report on conformity of HBUS's and HUSI's compliance program to regulatory expectations and HSBC Group policies, as applicable.
- 2) To oversee, through management reports to the Committee, the continuing maintenance and enhancement of a strong and sustainable compliance culture, including initiatives to instill a culture in which there is/are:
- a strong emphasis on accountability and strict compliance with the spirit and letter of laws and regulations, as well as local and HSBC Group policies and procedures;
  - responsibility for awareness through communication and/or training of compliance standards and implementation of effective oversight and monitoring of compliance risk in business, function and operation which are locally understood and managed; and
  - compliance programs that reflect best practices that are developed and re-evaluated on a regular basis and implemented in the ordinary course of business.
- 3) To receive regular reports from management and monitor management's program designed to reasonably ensure the identification and timely, accurate, , and complete reporting by HUSI, HBUS and their subsidiaries of all known or suspected violations of law of suspicious or unusual activities to law enforcement and supervisory authorities, as required by applicable suspicious activity reporting laws and regulations.
- 4) To recommend the HUSI and HBUS Boards approval of the appointment and replacement of the Head of Regulatory Compliance, Head of Financial Crime Compliance, BSA/AML Officer and other compliance officers as the Committee deems appropriate. The Committee shall review, provide feedback, as appropriate, on the annual key objectives and performance of the Head of Regulatory Compliance and Head of Financial Crime Compliance.
- 5) The Committee shall seek such assurance as it may deem appropriate that the Chief Risk Officer, Head of Regulatory Compliance and Head of Financial Crime Compliance:
- (i) participate in the risk management and oversight process at the highest level on an enterprise-wide basis;
  - (ii) have total independence from individual business units;
  - (iii) report to the Committee and have internal functional reporting lines to the Managing Director, Head of Group Risk; Global Head of Financial Crime Risk and/or Global Head of Regulatory Compliance; and

- (iv) have direct access to the Chairman of the Committee as needed.
- 6) To monitor and oversee: (i) compliance with any significant supervisory actions taken by any state or federal regulators of HUSI, HBUS and/or their subsidiaries; (ii) sustainability of corrective action taken as a result of any supervisory action taken by any state or federal regulators; and (iii) remediation of material deficiencies in compliance with laws, rules and regulations; including reviewing and advising the respective Boards on the effectiveness and adequacy of policies and procedures established by management as a result thereof and any such additional assurance as it may reasonably require regarding HUSI's and HBUS's compliance with regulatory and legal requirements.

#### Conduct and Values

- 7) To promote and oversee continuing maintenance and enhancements of the HSBC Group principles on conduct and values, and review evidence on the extent to which management and employees are adhering to the HSBC Group principles.
- 8) To monitor the effectiveness of governance processes that support conduct and values within HUSI, HBUS and their respective subsidiaries. In particular, the Committee will seek such reports from management as may be appropriate for the Committee to oversee themes pertaining to hiring, retention, diversity, employee feedback and employee training, and confirm that they are consistent with desired outcomes as they apply to conduct and values.
- 9) To periodically review procedures and reports maintained by management for the receipt, retention and treatment of employee complaints regarding matters concerning conduct and values, and for the confidential, anonymous submission by employees of concerns regarding questionable behavior or potential violations of law or HSBC's Principles and Values.
- 10) To review and periodically receive reports related to HNAH's Statement of Business Principles and Code of Ethics.

#### Responsible Business Practices

- 11) To consider the way in which HUSI, HBUS and their subsidiaries, treat customers and the products and services provided, including product design, suitability, sales processes and incentives, after-sales service, transparency of fees, using customer satisfaction levels as a key measure of effectiveness.
- 12) To oversee policies and procedures on conduct of business, including those relating to compliance with competition laws and conduct in financial markets (including trade execution, information exchange and management of conflict of interest).

#### Fiduciary Matters

- 13) To monitor and oversee management of HUSI, HBUS and their subsidiaries fiduciary business activities and, among others, evaluate the proper exercise of fiduciary

responsibilities and powers in accordance with relevant laws, rules and regulations governing fiduciary activities through management reports to the Committee.

- 14) To review, at least annually, the Terms of Reference of the Fiduciary Risk Management Meeting.

#### **IV. General Matters**

- 1) To make regular reports to the Boards on activities and management's progress relative to implementation by HUSI, HBUS and their subsidiaries of HSBC Group's conduct, values and compliance principles.
- 2) To: (a) seek assurance that HUSI, HBUS and their subsidiaries have sufficient financial and managerial resources, processes, personnel and control systems in place to maintain a strong and sustainable compliance culture, and to recommend to the applicable Board, such action as the Committee deems advisable, to fully utilize HUSI's and HBUS's financial and managerial resources to serve as a source of strength to its subsidiaries; and (b) consider the adequacy of resources, qualifications and experience of senior management of the compliance department, its training programs, budget and succession planning for key roles in the function.
- 3) To perform any other duties or responsibilities expressly delegated to the Committee by the Boards from time to time, and undertake or consider on behalf of the Chair or the Boards such other related tasks or topics as the Chair or the Boards may request from time to time.
- 4) As appropriate, but no less than twice per year, the Committee shall meet in executive session with the: (i) Head of Regulatory Compliance; (ii) Head of Financial Crime Compliance; (iii) Head of Human Resources; and any other individual requested by the Committee to ensure that there are no unresolved issues or concerns.
- 5) To engage in an annual self-assessment with the goal of continuing improvement, to review and reassess the adequacy of this Charter at least annually and recommend any proposed changes to the Boards for approval.
- 6) In its discretion, to retain special counsel, advisors, experts, or other consultants and to consider from time to time any other matters which the Committee believes are required of it in keeping with its responsibilities. In its discretion, the Committee may obtain such professional external advice as it shall deem appropriate to take account of relevant experience outside HUSI and HBUS and challenge its analysis and assessment. Any such appointment shall be made through the Corporate Secretary, who shall be responsible, on behalf of the Committee, for the contractual arrangements and payment of fees.

Where there is a perceived overlap of responsibilities between the Committee and another committee of the Boards, the respective committee Chairs shall have the discretion to agree the most appropriate committee to fulfill any obligation. An obligation under the Charter of any Board Committee will be deemed by the Boards to have been fulfilled, provided it is dealt with by any other Board Committee.

Where the Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the respective Boards on action needed to address the issue or to make improvements and shall report such concerns to a different Board Committee as appropriate.

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

4/28/2020