

**HSBC USA INC.,  
HSBC BANK USA, N.A.  
and  
HSBC TRUST COMPANY (DELAWARE), N.A.**

**CHARTER OF THE  
RISK COMMITTEE**

**I. Committee Purpose**

The Risk Committee is appointed by the Boards of Directors (the “Board”) of HSBC USA Inc. (the “Corporation”), HSBC Bank USA, N.A. (“HSBC Bank USA”), and HSBC Trust Company (Delaware), N.A. (“HSBC Trust Company” and, together with HSBC Bank USA, the “Banks”) and is responsible, on behalf of the Boards, for oversight and advice to the Board on high level risk related matters impacting the Corporation/Banks and risk governance with respect to:

- 1) the Corporation’s/Banks’ risk appetite, tolerance and strategy;
- 2) systems of risk management and internal control (other than internal controls over financial reporting) to identify, measure, aggregate, control and report risks;
- 3) the management of capital levels and regulatory ratios, related targets, limits and thresholds and the composition of the Corporation’s/Banks’ capital;
- 4) the alignment of strategy with the Corporation’s/Banks’ risk appetite as defined by the Boards; and
- 5) the maintenance and development of a supportive and proactive risk management culture.

**II. Committee Composition and Meetings**

The Committee shall consist of not less than three independent, non-executive Directors. In addition, Directors who do not meet the criteria for independence may serve as non-voting members. The Boards may from time to time appoint additional members to the Committee that it has determined to be independent. The appointment of the Chair, who shall be an independent, non-executive Director, and all Committee members, shall be made by the Board and shall be subject to endorsement by the HSBC Holdings plc (“Group”) Risk Committee.

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. 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 the matters set out in this Charter. 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**

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

1. To oversee and advise the Boards on all high-level risk related matters, including both financial and non-financial risks. In providing such oversight and advice to the Boards, the Committee shall oversee (i) current and forward-looking risk exposures; (ii) the Corporation's/Banks' risk appetite and future risk strategy, including capital and liquidity management strategy; and (iii) management of risk within the Corporation/Banks.
2. To advise the Boards on risk appetite and tolerance related matters. In preparing advice to the Boards on overall risk appetite and risk tolerance, the Committee shall:
  - (i) satisfy itself that risk appetite informs the Corporation's/Banks' strategy and business plans;
  - (ii) receive reports where appropriate, to satisfy itself that the Corporation's/Banks' approach to the determination of risk appetite is in line with regulatory requirements;
  - (iii) seek such assurance as it may deem appropriate that account has been taken of the current and prospective macroeconomic and financial environment, drawing on financial stability assessments published by authoritative sources that may be relevant;
  - (iv) review and recommend to the Board for approval, the Corporation's Risk Appetite Statement, at least annually;
  - (v) review and approve the Corporation's Individual Liquidity Adequacy Assessment Process ("ILAAP"), and following that approval, escalate any material issues raised during the Committee's ILAAP review, as applicable;
  - (vi) review and satisfy itself that the Corporation's/Banks' stress testing framework, governance and related internal controls are robust;
  - (vii) review and challenge management's interpretation of the scenarios prescribed by regulatory authorities, including areas of judgment;

- (viii) review and challenge the results of, and supporting information for, appropriate stress and scenario testing;
- (ix) review and approve the Corporation's/Banks' final stress testing submissions to regulatory authorities;
- (x) review and recommend to the Board for approval, the Corporation's Internal Capital Adequacy Assessment Process ("ICAAP"), and following that approval, escalate any material issues raised during the Committee's ICAAP review, as applicable.

The responsibilities set forth in items (vi)-(x) above shall be delegated to the Board.

3. To oversee management's implementation of the enterprise risk management framework. In providing such oversight, the Committee shall review and approve the framework at least annually and review and approve any amendments to the framework.
4. To review and advise the Boards, and/or the Nominating and Governance Committee of HSBC North America Holdings Inc. on the alignment of remuneration with risk appetite.
5. To consider the risks associated with proposed acquisitions/ disposals, focusing in particular on the resulting implications for the risk appetite and tolerance of the Corporation.
6. To receive, review and provide independent challenge on regular risk management reports, including the Corporation's/Banks' enterprise risk reports which enable the Committee to:
  - (i) assess the risk profile of the Corporation/Banks and how the risks arising from the Corporation's/Banks' business are controlled, monitored and mitigated;
  - (ii) give clear, explicit and dedicated focus to current and forward-looking aspects of risk exposure which may require an assessment of the Corporation's/Banks' vulnerability and resiliency to previously unknown or unidentified risks;
  - (iii) review the effectiveness of the Corporation's/Banks' conduct framework designed to deliver fair outcomes for customers, preserve the orderly and transparent operation of financial markets, and protect the Corporation/Banks against adverse outcomes (including reputational damage) to the Corporation's/Banks' financial and non-financial condition and prospects; and
  - (iv) provide such additional assurance as the Boards may require regarding the reliability of risk information submitted to it.

7. To receive regular reports from management on levels and composition of capital as well as related controls established as part of the capital management and planning process, in light of the Corporation's/Banks' risk profile applicable regulatory or statutory requirements, current and planned business activities, projected asset growth and target capital levels, limits and thresholds. The Committee will evaluate such reports and make recommendations to management for any changes it deems appropriate and to ensure that sufficient consolidated capital is maintained commensurate with the level and nature of risks to which the Corporation/Banks are exposed.
8. To receive regular reports from representatives of each of the Wholesale Credit Risk, Retail Credit Risk and Credit Risk Review functions to enable the Committee to oversee the Corporation's and its subsidiaries' credit quality and to assess the Corporation's/Banks' major credit risk exposure and the steps management has taken to monitor and control such exposures.
9. To receive regular reports from management that enable the Committee to assess the Corporation's/Banks' exposures to market, interest rate, trading and liquidity risks, and the steps management has taken to monitor and control such exposures.
10. To review and discuss with management the Corporation's/Banks' overall operational risk profile, whether it is within the limits of the Risk Appetite Statement, and the steps management has taken to monitor and control such exposures.

In this regard, the Committee shall:

- (i) review with senior management, including the General Counsel of HSBC North America Holdings Inc. and Chief Risk Officer, and, as appropriate, approve, guidelines and policies to govern the process for assessing and managing other risk topics, including litigation risk and reputational risk; and
  - (ii) receive reports, review, and advise the Boards on the effectiveness of management's policies for addressing risks related to information and cyber security, including the adequacy of the Corporation's/Banks' information technology and operational resiliency programs, including risk to customer information, and significant third party outsourcing relationships.
11. To review the effectiveness of the Corporation's/Banks' internal control systems (other than internal controls over financial reporting) and enterprise risk management framework and review how effectively management is embedding and maintaining an effective risk management culture and a strong internal control environment designed to foster compliance with Group and Corporation/Bank policies and regulatory compliance requirements.

In undertaking this responsibility the Committee shall:

- (i) satisfy itself that there are adequate procedures for monitoring in a sufficiently timely and accurate manner, large exposures or risk types whose relevance may become of critical importance;
  - (ii) satisfy itself that adequate procedures have been implemented to ensure compliance with Group and Corporation/Bank policies;
  - (iii) consider any material findings from regulatory reviews and interactions with regulators in relation to risk governance, conduct of business, risk assessment or management process;
  - (iv) discuss the internal control systems with management and satisfy itself that management has discharged its duty to have an effective internal control system. The Corporation's/Banks' Audit Committee shall have primary responsibility in this regard in relation to internal financial controls; and
  - (v) review regular reports from Internal Audit, seek assurance from Internal Audit that internal control processes for risk management are adequate for the strategy determined by the Boards and request that management inform other committees, as applicable, on (a) material issues arising from or (b) shortcomings perceived in the scope or adequacy of, the work of Internal Audit relating to matters falling within the scope of such committees.
12. To review and discuss with the Chief Risk Officer the composition and effectiveness of the Corporation's/Banks' risk management function to determine whether there are scope or resource limitations that would impede the ability of independent risk management to execute its responsibilities. The Committee shall seek such assurances as it may deem appropriate that the risk management function is adequately resourced (including taking into account qualifications and experience of the senior management of the risk management function, its training programs, budget, succession planning for key roles in the function), has appropriate standing within the Corporation/Banks and is free from constraint by management or other restrictions. The Committee shall also review the annual operating plan for the risk management function and receive regular reports on progress against the plan.
13. To recommend to the Board, the approval of the appointment and replacement of the Chief Risk Officer. The Committee shall review and approve the annual key objectives and performance review of the Chief Risk Officer. The Committee shall also review the annual performance objectives and the annual performance of the Head of Credit Risk Review with the Chief Risk Officer.
14. The Committee shall seek such assurance as it may deem appropriate that the Chief Risk Officer:
- (i) participates in the risk management and oversight process at the highest level on an enterprise-wide basis;

- (ii) is satisfied that risk originators in the businesses are aware of and aligned with the Corporation's risk appetite;
  - (iii) has independence from individual business units;
  - (iv) reports to the Committee and has internal functional reporting lines to the Group Chief Risk Officer;
  - (v) cannot be removed from office without the prior agreement of the Board; and
  - (vi) has direct access to the Chairman of the Committee as needed.
15. To oversee the continuing maintenance and enhancement of a strong enterprise-wide risk management culture, including initiatives to instill a culture in which:
- (i) risk is proactively identified and managed within local businesses and operations;
  - (ii) the respective responsibilities of local businesses and operations, the control functions and Internal Audit are understood and respected;
  - (iii) regular and appropriate risk management training of all staff is provided; and
  - (iv) accountability is expected and accepted.
16. To review any issue which arises from (i) the independent auditor's annual report on the progress of the external audit, (ii) any queries raised by the independent auditor to management or (iii) the independent auditor's observations of the Corporation's/Banks' (a) regulatory standing and compliance or (b) general competitive standing, in each case, requiring a timely response to be provided by management on material issues relating to the management of risk or internal control (other than internal controls over financial reporting) that has been referred to the Committee by the Corporation's/Banks' Audit Committee or as this Committee shall consider appropriate.
17. As it deems appropriate, to (i) review at least annually the Terms of Reference or Charter of the Risk Management Meeting; and (ii) review minutes of the Risk Management Meeting and such further information as the Committee may request from the Risk Management Meeting from time to time.
18. To provide the Boards with such additional assurance as it may reasonably require regarding the effectiveness of the Corporation's/Banks' risk management functions.
19. 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 Chairman or the Boards such other related tasks or topics as the Chairman or the Boards may request from time to time.

20. The Committee shall meet in executive session at least twice a year with (i) the Chief Risk Officer; (ii) the Head of Internal Audit; and (iii) the independent auditor, in each case to ensure that there are no unresolved issues or concerns.
21. The Committee shall meet in executive session with the Head of Credit Risk Review at least once each year to ensure that there are no unresolved issues or concerns and to review the adequacy and effectiveness of the Corporation's/Banks' Credit Risk Review function. The Committee will seek such assurances as it may deem appropriate that the Credit Risk Review function is adequately resourced, has appropriate standing within the Corporation, has independence from individual business units and other functions; and that the qualifications and experience of the senior management of the function, its training programs, budgets and succession planning for key roles in the function, are appropriate.
22. Where applicable, with regard to any subsidiary companies' non-executive risk committee, the Committee shall (i) endorse the members for appointment to those committees; (ii) review the composition, powers, duties and responsibilities of those committees; (iii) oversee the implementation of mechanisms to facilitate the communication and escalation from such subsidiary companies' committees of matters for the Committee's attention including seeking documentation, certifications or assurances such as copies of minutes, periodic certifications, confirmation of adopting best practice, and other forms of sharing information; (iv) foster interconnectivity and common governance principles and; (v) discuss such matters as the Committee deems appropriate with the chair or other members of such committees. The Risk Committee will also review the charters of those committees and approve material deviations from such core terms.
23. 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 and to report annually to the Boards how the Committee has discharged its responsibilities and to recommend any actions needed to resolve any concerns or make improvements.
24. To review the annual operating plan for the Compliance function and receive regular reports on progress against the plan and other matters relating to regulatory compliance risk and the Corporation's/Banks' relationship with its regulators.
25. To provide half-yearly certificates to the Risk Committee of HSBC North America Holdings Inc. in the form that is consistent with that required by the Group Risk Committee, and to take action, provide documentation or provide assurances as requested by the Group Risk Committee including: providing copies of minutes, periodic certifications, adopting best practice, sharing information, and interacting with the Group Risk Committee and/or its chair on a regular basis.
26. Where applicable, to review and endorse the content of the risk committee report, risk disclosures or statements contained in the annual Form 10-K filed with the U.S. Securities

and Exchange Commission by the Corporation/Banks, relating to internal controls (other than internal controls over financial reporting), including the assessment of principal risks facing the Corporation/Banks.

27. To provide a forward-looking perspective to the Boards on financial crime risk, including oversight of matters relating to:
- (i) financial crime risk and financial system abuse, including anti-money laundering, sanctions, terrorist financing and proliferation financing;
  - (ii) controls relating to anti-bribery and corruption; and
  - (iii) where the Corporation/Banks may become exposed to financial crime and systems abuse.

The Committee may consider any matter relating to, and may request any information as it considers appropriate, from any audit committee, risk committee or other committee which has responsibility for the oversight of risk within the Corporation/Banks.

In its discretion, the Committee may retain special counsel, advisors, experts, or other consultants 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 risk experience outside the Corporation/Banks 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 by the Corporation/Banks.

Where there is a perceived overlap of responsibilities between the Committee and the Board or another Board Committee, the respective Chairs shall have the discretion to agree the most appropriate venue to fulfill any obligation. An obligation under the Charter of any Board Committee will be deemed by the Board to have been fulfilled, provided it is dealt with by the Board or 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 Board on action needed to address the issue or to make improvements and shall report such concerns to the Audit Committee and/or Risk Committee of HSBC North America Holdings Inc. as appropriate; or to any audit and/or risk committee of an intermediate holding company 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 the evaluation of risk. This is the responsibility of management, and particularly the Risk Management 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 the Corporation and its subsidiaries.

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