



JOHN CHIANG
TREASURER
STATE OF CALIFORNIA

May 14, 2015

Patrick J. Burke
Chairman, President, & CEO
HSBC USA Inc.
452 Fifth Avenue, 5th Floor
New York, NY 10018

Dear Mr. Burke:

HSBC Bank USA recently participated in the Time Deposit Program administered by the California State Treasurer's Office. The program provides funds to eligible financial institutions in California at rates typically lower than can be borrowed from other sources. The program also helps stimulate California's economy because the additional liquidity provided to the banks can be used to boost growth in small businesses, home mortgages, auto loans, and other lending throughout the state.

HSBC Holdings Plc has been in the news recently and over the past few years for various topics, including violating U.S. sanctions on Iran, involvement with drugs and arms trades, money laundering, and alleged tax evasion. These types of actions are of great concern to me and to the tax payers of California.

This office and my entire team work diligently to build solid and trustworthy relationships with everyone we conduct business with, to provide exceptional service to the citizens of California, and to maintain the highest ethical standards, including limiting our reputational risk. We are committed to the highest ethical standards, and will not partner with any firm that has and may continue to wantonly disregard the rule of law.

Given the nature of the international investigations your organization is undergoing, our business with HSBC Bank USA has been discontinued until the above matters are dealt with to our satisfaction. Therefore, the \$25 million time deposit that matured on May 13, 2015, was not rolled over.

Your questions may be directed to Bill Dowell, Director of Investments at 916-653-3147.

Patrick J. Burke
May 14, 2015
Page 2

Sincerely,

Original signed by

JOHN CHIANG
California State Treasurer

cc: Steve Larsen, Vice President, HSBC Bank USA, N.A.