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Comptroller of the Currency  
Administrator of National Banks

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Northeastern District Office  
340 Madison Avenue, 5<sup>th</sup> Floor  
New York, New York 10017

Licensing Division  
Telephone No.: 212.790.4055  
Fax No.: 301.333.7015

August 17, 2006

**Corporate Decision #2006-09  
September 2006**

Martha A. Pampel, Esq.  
Deputy Regulatory Counsel  
HSBC North America Inc.  
2700 Sanders Road, Floor 3 South  
Prospect Heights, Illinois 60070

Re: Application to establish HSBC National Bank USA, Bethesda, MD (Application Control Numbers: 2006-NE-01-16, 12-0187, 12-0195, and 12-0196).

Dear Ms. Pampel:

The Office of the Comptroller of the Currency (OCC) has reviewed your application to establish a new national bank with the title of HSBC National Bank USA (Bank). On August 17, 2006, the OCC granted preliminary conditional approval of your charter application after a determination that your proposal met certain regulatory and policy requirements. Your request for trust powers, residency and citizenship waivers are also approved.

This preliminary conditional approval is granted based on a thorough evaluation of all information available to the OCC, including the representations and commitments made in the application and by the Bank's representatives. We also made our decision to grant preliminary conditional approval with the understanding that the Bank will apply for Federal Reserve membership and will obtain deposit insurance from the Federal Deposit Insurance Corporation (FDIC).

The OCC has granted preliminary conditional approval only. Final approval and authorization for the Bank to open will not be granted until all preopening requirements are met. Until final approval is granted, the OCC has the right to alter, suspend, or revoke this preliminary conditional approval should the OCC deem any interim development to warrant such action.

This preliminary conditional approval is subject to the following condition:

The Bank: (i) shall give the Large Bank Supervision at least sixty (60) days prior written notice of the Bank's intent to significantly deviate or change from its business plan or operations<sup>1</sup> and (ii) shall obtain the OCC's written determination of no objection before the Bank engages in any significant deviation or change from its business plan or operations. The OCC may impose additional conditions it deems appropriate in a written determination of no objection to a bank's notice. For the first three years of operation, the Bank also must provide a copy of such written notice to the FDIC's New York Regional Office.

This condition of approval is a condition "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 USC 1818. As such, the condition is enforceable under 12 USC 1818.

Final approval will not be granted until and unless the Federal Reserve acts favorably on your application to acquire the Bank. You must furnish the OCC with a copy of all related filings to the Federal Reserve, including registration material.

The OCC poses no objection to the following person(s) serving as executive officer(s), directors, and/or organizers as proposed in the application:

<u>Name</u>	<u>Title</u>
Martin J. G. Glynn	Organizer, Director, President and CEO
Brendan McDonagh	Organizer, Chief Operating Officer
Janet L. Burak	Organizer, Senior SVP, General Counsel and Secretary
Robert M. Butcher	Organizer, Senior EVP and Chief risk Officer
John J. McKenna	Organizer, Senior EVP and Chief Financial Officer
Salvatore H. Alfiero	Director
Donald K. Boswell	Director
James H. Cleave	Director
Dr. Frances D. Fergusson	Director
Richard A. Jalkut	Director
Peter Kimmelman	Director
Charles G. Meyer, Jr.	Director
James L. Morice	Director

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<sup>1</sup> If such deviation is the subject of an application filed with the OCC, no separate notice to the supervisory office is required.

Martha A. Pampel, Esq.

Deputy Regulatory Counsel

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Prior to the Bank's opening, the Bank must obtain the OCC's prior written determination of no objection for any additional organizers or executive officers, or directors appointed or elected before the person assumes the position. For a two-year period after the Bank commences business, the Bank must file an Interagency Biographical and Financial Report with the OCC and receive a letter of no objection from the OCC prior to any new executive officer or director assuming such position.

The OCC also granted approval to your request to waive the residency requirements of 12 USC 72 for the board of directors of the Bank and citizenship requirements for directors Martin J. G. Glynn and James H. Cleave. This waiver is granted based upon a review of all available information, including the filing and any subsequent correspondence and telephone conversations, and the Bank's representation that this waiver will not affect the board's responsibility to direct the Bank's operations in a safe, sound, and legal manner. The OCC reserves the right to withdraw or modify this waiver and, at its discretion, to request additional information at any time in the future.

The "Charters" booklet in the *Comptroller's Licensing Manual* provides guidance for organizing your bank. The booklet is located at the OCC's web site: <http://www.occ.treas.gov/corpbook/group4/public/pdf/charters.pdf>. The booklet contains all of the steps you must take to receive your charter. As detailed in the booklet, you may establish the corporate existence of and begin organizing the Bank as soon as you adopt and forward Articles of Association and the Organization Certificate to this office for our review and acceptance. As a "body corporate" or legal entity, you may begin taking those steps necessary for obtaining final approval. The Bank may not begin the business of banking or engage in fiduciary activities until it fulfills all requirements for a bank in organization and the OCC grants final approval.

Enclosed are standard requirements and minimum policies and procedures for new national banks. The Bank must meet the standard requirements before it is allowed to commence business and the Board of Directors must ensure that the applicable policies and procedures are established and adopted before the Bank begins operation.

Under separate cover, the OCC will send to you an appropriate set of OCC handbooks, manuals, issuances, and selected other publications. This information does not include the *Comptroller's Licensing Manual*, which is available only in electronic form at our web site: <http://www.occ.treas.gov/corpapps/corpapplic.htm>.

Martha A. Pampel, Esq.

Deputy Regulatory Counsel

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This preliminary conditional approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States (U.S.), any agency or entity of the U.S., or any officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

Direct any questions concerning this preliminary conditional approval to me at (212) 790-4055.

Sincerely,

*Sandya Reddy*

Sandya Reddy

Senior Licensing Analyst

Enclosures: Standard Requirements

Minimum Policies and Procedures