SECURITIES LITIGATION & CONSULTING GROUP

Structured Products Research Report

Report Prepared On: 08/02/13

Structured Product Details

Name	Buffered Amps linked to Market Vectors Gold Miners ETF
Issue Size	$1.29 million
Issue Price	$1,000
Term	27 Months
Annualized Coupon	0.00%
Pricing Date	June 17, 2011
Issue Date	June 22, 2011
Valuation Date	September 17, 2013
Maturity Date	September 20, 2013
Issuer	HSBC
CDS Rate	54.78 bps
Swap Rate	0.73%
Reference Asset	Market Vectors Gold Miners ETF's stock
Initial Level	$51.96
Dividend Rate	0.77%
Implied Volatility	35.55%
Delta[1]	0.38
Fair Price at Issue	$936.97
CUSIP	4042K1HV8
SEC Link	www.sec.gov/Archives/edgar/data/83246/000114420411036656/v226450_424b2.htm

Related Research

Research Papers:

www.slcg.com/research.php

- *"Are Structured Products Suitable for Retail Investors?"* December 2006.
- *"Structured Products in the Aftermath of Lehman Brothers,"* November 2009.
- *"What TiVo and JP Morgan Teach Us about Reverse Convertibles,"* June 2010.

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Buffered Amps linked to Market Vectors Gold Miners ETF

Description

HSBC issued $1.29 million of Buffered Amps linked to Market Vectors Gold Miners ETF on June 22, 2011 at $1,000 per note.

These notes are HSBC-branded Buffered PLUS securities that do not pay periodic coupons, but instead pay a single amount at maturity depending on the final level of Market Vectors Gold Miners ETF's stock.

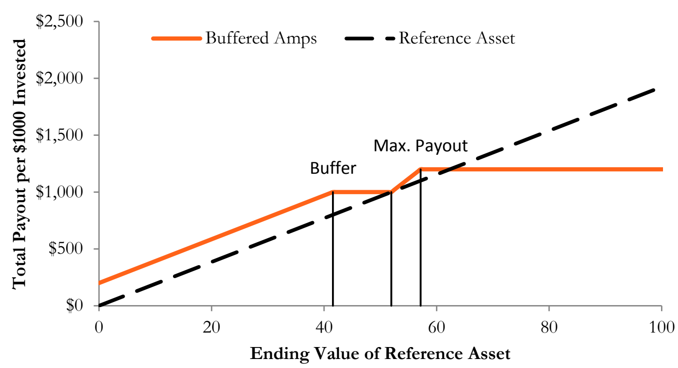
If on September 17, 2013 Market Vectors Gold Miners ETF's stock price is higher than $51.96, but lower than $57.16, the notes pay a return equal to the percentage increase in Market Vectors Gold Miners ETF's stock multiplied by 2.0, up to a cap of 20.00%. If on September 17, 2013 the refe is below $51.96 but not below $41.57, investors receive $1,000 face value per note. If Market Vectors Gold Miners ETF's stock price on September 17, 2013 is lower than $41.57, investors receive face value per note reduced by the amount the reference asset is below $41.57 as a percent of the initial level, $51.96.

Valuation

This product can be valued as a combination of a note from HSBC, one short out-of-the-money put option, two long at-the-money call options, and two short out-of-the-money call options. For reasonable valuation inputs this note was worth $936.97 when it was issued on June 22, 2011 because the value of the options investors gave HSBC plus the interest investors would have received on HSBC's straight debt was worth $63.03 more than the options investors received from HSBC.

There is no active secondary market for most structured products. Structured products, including this note, therefore are much less liquid than simple stocks, bonds, notes and mutual funds. Investors are likely to receive less than the structured product's estimated market value if they try to sell the structured product prior to maturity. Our valuations do not incorporate this relative lack of liquidity and therefore should be considered an upper bound on the value of the structured product.

Payoff Curve at Maturity

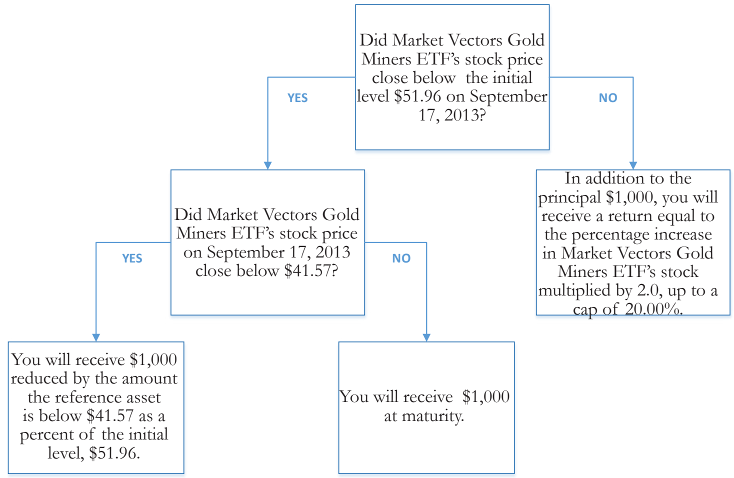


The payoff diagram shows the final payoff of this note given Market Vectors Gold Miners ETF's stock price (horizontal axis). For comparison, the dashed line shows the payoff if you invested in Market Vectors Gold Miners ETF's stock directly.

Principal Payback Table

Market Vectors Gold Miners ETF's Stock	Note Payoff
$0.00	$200.00
$5.20	$300.00
$10.39	$400.00
$15.59	$500.00
$20.78	$600.00
$25.98	$700.00
$31.18	$800.00
$36.37	$900.00
$41.57	$1,000.00
$46.76	$1,000.00
$51.96	**$1,000.00**
$57.16	$1,200.00
$62.35	$1,200.00
$67.55	$1,200.00
$72.74	$1,200.00
$77.94	$1,200.00

Maturity Payoff Diagram



The contingent payoffs of this Buffered Amps.

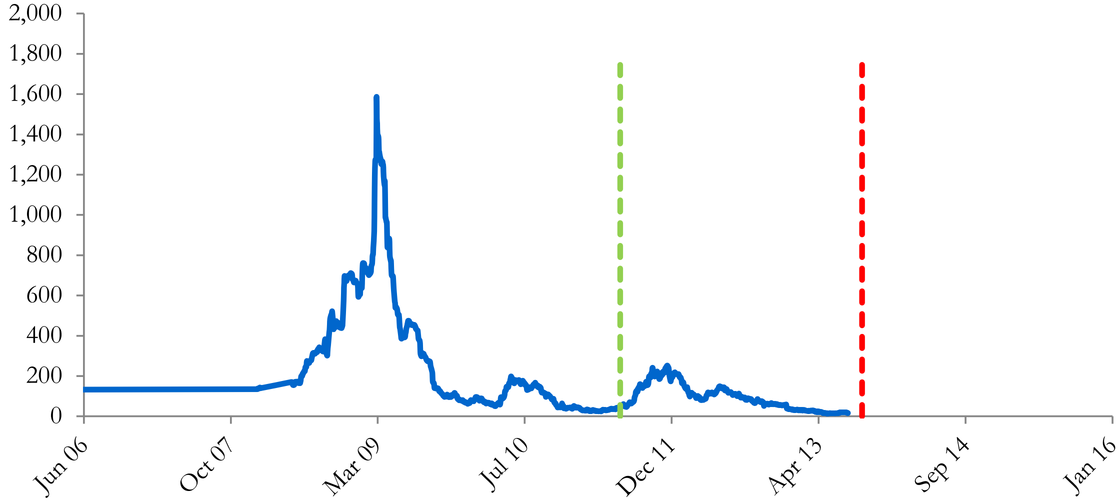
Analysis

This Buffered Amps pays investors the increase in Market Vectors Gold Miners ETF's stock multiplied by 2.0 capped at 20.00%, but if Market Vectors Gold Miners ETF's stock declines over the term of the note, investors will suffer losses equal to the percentage decline in Market Vectors Gold Miners ETF's stock. In addition, investors bear the credit risk of HSBC. Investors purchasing this Buffered Amps effectively sell at-the-money put and out-of-the-money call options to HSBC, buy at-the-money call options, and a zero-coupon note from HSBC. This Buffered Amps is fairly priced if and only if the market value of the options investors received from HSBC equals the market value of the options investors gave HSBC plus the interest investors would have received on HSBC's straight debt.

HSBC's Stock Price

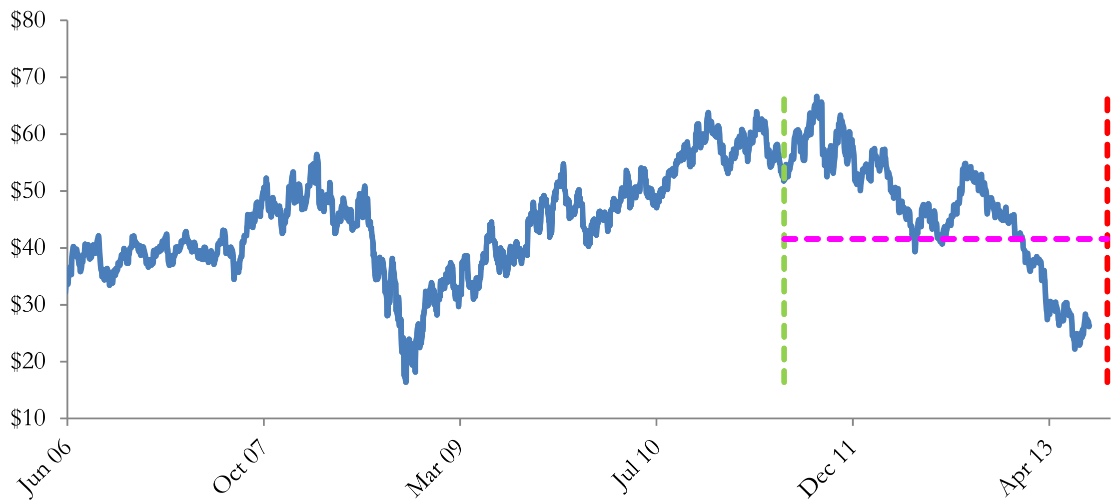
The graph above shows the adjusted closing price of the issuer HSBC for the past several years. The stock price of the issuer is an indication of the financial strength of HSBC. The adjusted price shown above incorporates any stock split, reverse stock split, etc.

HSBC's CDS Rate



Credit default swap (CDS) rates are the market price that investors require to bear credit risk of an issuer such as HSBC. CDS rates are usually given in basis points (bps). One basis point equals 0.01%. Higher CDS rates reflect higher perceived credit risk, higher required yields, and therefore lower market value of HSBC's debt, including outstanding Buffered Amps. Fluctuations in HSBC's CDS rate impact the market value of the notes in the secondary market.

Market Vectors Gold Miners ETF's Stock Price

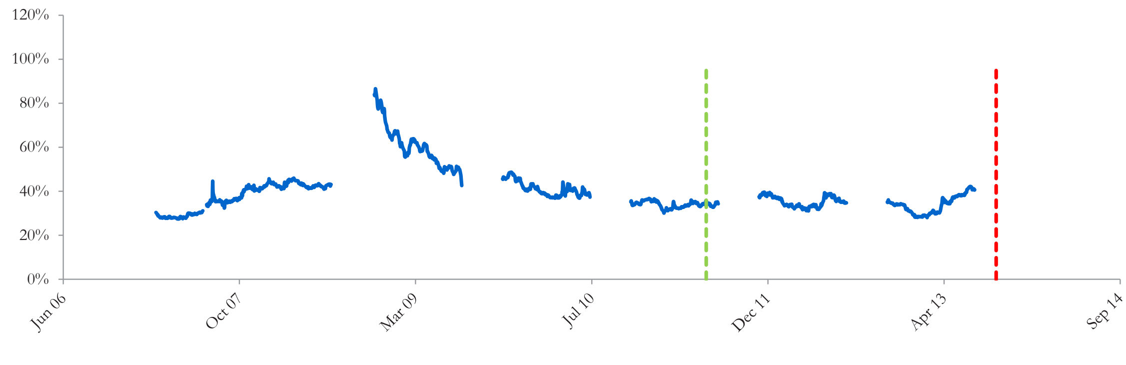


The graph above shows the historical levels of Market Vectors Gold Miners ETF's stock for the past several years. The final payoff of this note is determined by Market Vectors Gold Miners ETF's stock price at maturity. Higher fluctuations in Market Vectors Gold Miners ETF's stock price correspond to a greater uncertainty in the final payout of this Buffered Amps.

Realized Payoff

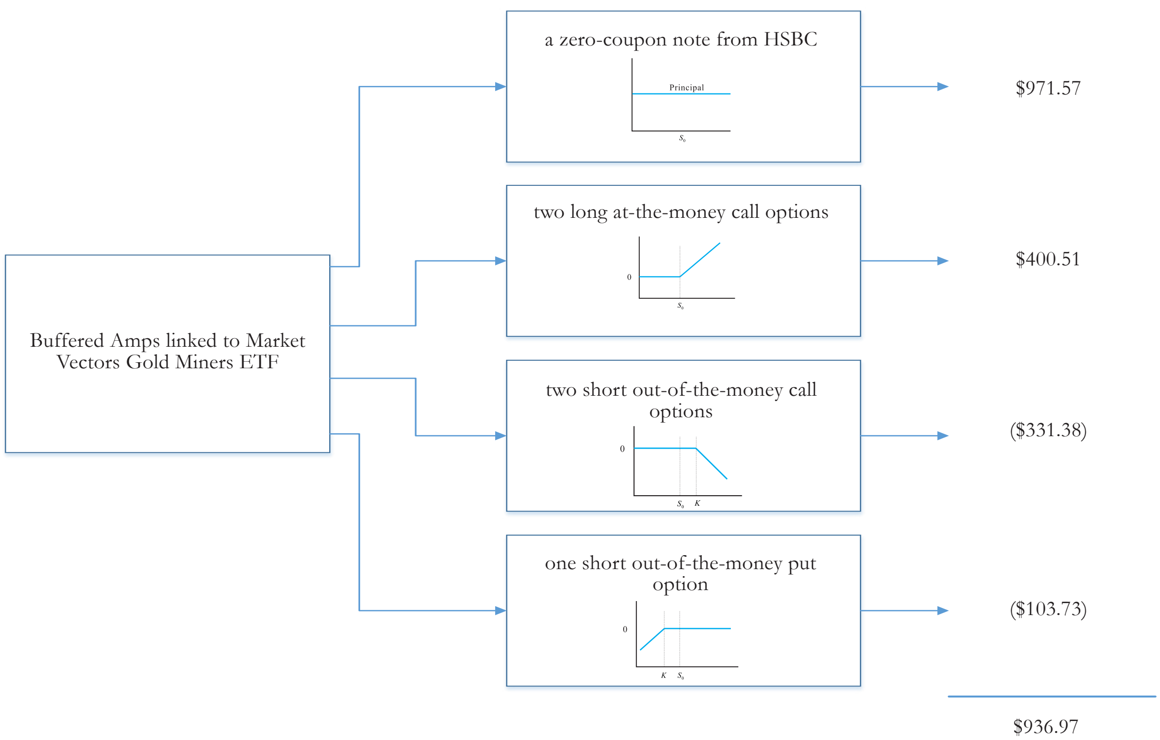
This product will mature on September 20, 2013.

Reference Asset Market Vectors Gold Miners ETF's Stock's Implied Volatility



The annualized implied volatility of Market Vectors Gold Miners ETF's stock on June 17, 2011 was 35.55%, meaning that options contracts on Market Vectors Gold Miners ETF's stock were trading at prices that reflect an expected annual volatility of 35.55%. The higher the implied volatility, the larger the expected fluctuations of Market Vectors Gold Miners ETF's stock price and of the Note's market value during the life of the Notes.

Decomposition of this Buffered Amps



This note can be decomposed into different components, and each component can be valued separately. The chart above shows the value of each component of this Buffered Amps.

1. Delta measures the sensitivity of the price of the note to the Market Vectors Gold Miners ETF's stock price on June 17, 2011.
2. CDS rates can be considered a measure of the probability that an issuer will default over a certain period of time and the likely loss given a default. The lower the CDS rate, the lower the default probability. CDS rate is given in basis points (1 basis point equals 0.01%), and is considered as a market premium, on top of the risk-free rate, that investors require to insure against a potential default.
3. Fair price evaluation is based on the Black-Scholes model of the Market Vectors Gold Miners ETF's stock on June 17, 2011.
4. Calculated payout at maturity is only an approximation, and may differ from actual payouts at maturity.
5. Our evaluation does not include any transaction fees, broker commissions, or liquidity discounts on the notes.