
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 27, 2021 (May 25, 2021)

Commission File Number 001-07436

HSBC USA Inc.

(Exact name of registrant as specified in its charter)

Maryland

13-2764867

(State of incorporation)

(I.R.S. Employer Identification No.)

452 Fifth Avenue, New York, New York

10018

(Address of principal executive offices)

(Zip Code)

(212) 525-5000

Registrant's telephone number, including area code

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
\$100,000,000 Zero Coupon Callable Accreting Notes due January 15, 2043	HBA/43	New York Stock Exchange
\$50,000,000 Zero Coupon Callable Accreting Notes due January 29, 2043	HBA/43A	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.05. Costs Associated with Exit or Disposal Activities.

In February 2020, HSBC USA Inc. (the "Company") announced a multi-year strategic plan to restructure our operations in alignment with HSBC Holdings plc's ("HSBC") global strategy to refocus our wholesale operations to better serve our international corporate clients and restructure our retail operations to better meet the needs of globally mobile and affluent clients. In both our Annual Report on Form 10-K for the year ended December 31, 2020, and in our Quarterly Report on Form 10-Q for the period ended March 31, 2021, we disclosed that we remained committed to our multi-year strategic plan and that we were continuing to explore strategic options with respect to our retail operations to focus on our high net worth client base and wealth management products.

On May 25, 2021, the Company's Board of Directors approved management's recommendation to take further actions to strategically reposition our Wealth and Personal Banking business to focus on the banking and wealth management needs of globally-connected affluent and high net worth clients through our Premier, Jade and Private Banking propositions. We will exit our mass market retail banking business, including our Personal and Advance propositions as well as retail business banking, and will rebrand approximately 20-25 of our retail branches into international wealth centers to serve our Premier and Jade customers. In conjunction with the execution of this strategy, we have entered into definitive sale agreements with third parties to sell approximately 90 of our retail branches along with substantially all residential mortgage, unsecured and retail business banking loans and all deposits in our branch network not associated with our Premier, Jade and Private Banking customers. Certain assets under management associated with our mass market retail banking business which are managed by an affiliate will also be transferred. The remaining branches not sold or rebranded will be closed. Qualifying loans that will not be purchased in the transaction described above, including our remaining retail credit card portfolio, which collectively totals \$1.0 billion, will also be transferred to held for sale. Management currently does not intend to hold these loans for the foreseeable future, however, it remains possible that a sale of these loans totaling \$1.0 billion will ultimately not be completed. We will continue to offer deposits and retail loan products to our Premier, Jade and Private Banking customers.

As a result of this decision, assets and liabilities with an aggregate carrying value at April 30, 2021 of approximately \$4.1 billion and \$10.2 billion, respectively, will be transferred to held for sale under U.S. GAAP. The significant components of these assets and liabilities are presented in the table below:

	(in billions)
Assets held for sale:	
Loans.....	\$ 3.9
Lease right-of-use ("ROU") assets and other branch assets.....	0.2
Total assets held for sale.....	<u>\$ 4.1</u>
Liabilities held for sale:	
Deposits.....	\$ 10.0
Lease liabilities.....	0.2
Total liabilities held for sale.....	<u>\$ 10.2</u>

Upon transferring these assets to held for sale, the Company does not anticipate that it will incur a material lower of amortized cost or fair value charge. Although the disposal group will be sold in multiple transactions that are expected to be completed by the first quarter of 2022, the actual time to complete these sales depends on many factors, including regulatory approval.

The Company expects to incur pre-tax costs in connection with the branch closures and sale of this disposal group in 2021 (and possibly into 2022 depending on the timing of the completion of the sale transactions) as set forth in the table below in the aggregate of approximately \$118 million (\$90 million after-tax), of which approximately \$42 million will result in future cash expenditure. There can be no assurance as to the precise timing or amount of these expenditures.

	(in millions)
Total costs:	
Branch related closure costs, including impairment of lease ROU assets and leasehold improvements.....	\$ 76
Professional fees.....	27
Severance and other.....	15
Total.....	<u>\$ 118</u>

The Company does not currently expect to incur a material gain or loss upon completion of the sale of the assets and liabilities above after consideration of these costs.

All of the above costs are best estimates prepared under U.S. generally accepted accounting principles and are subject to change. These estimates, as well as other statements contained herein, constitute "forward-looking statements" within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include statements about our future and statements that are not historical facts and represent only our belief about future events, many of which by their nature are inherently uncertain. It is possible that the actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements.

Item 8.01. Other Events.

On May 26, 2021, HSBC issued a press release announcing that HSBC Bank USA N.A. (a wholly-owned subsidiary of the Company), will take actions as described above to strategically reposition our Wealth and Personal Banking business to focus on the banking and wealth management needs of globally-connected affluent and high net worth clients and has entered into definitive agreements to sell certain retail branches, loans and deposits. A copy of the press release issued by HSBC is attached as Exhibit 99.1 hereto and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release dated May 26, 2021
104	Cover Page Interactive Data File (embedded in the cover page formatted in Inline XBRL)

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 27, 2021

HSBC USA INC.

By: /s/ KAVITA MAHTANI

Kavita Mahtani

Senior Executive Vice President and
Chief Financial Officer

26 May 2021

HSBC EXITS US MASS MARKET RETAIL BANKING STRATEGICALLY REPOSITIONS US RETAIL BUSINESS TOWARDS INTERNATIONAL BANKING AND WEALTH MANAGEMENT

**** Transactions agreed with Citizens Bank and Cathay Bank, pending regulatory approval ****

**** HSBC will continue investing in US international wholesale banking franchise ****

HSBC Holdings plc ('HSBC') today announces that it will exit its US domestic mass market retail banking business through several transactions, pending regulatory approval. They include:

- Exiting 90 branches out of a current branch network of 148 branches
- HBUS will retain a small network of physical locations in existing markets which will be repurposed into 20-25 international wealth centres
- Remaining branches, between 35-40, will be wound down
- Exiting all Personal, Advance and certain Premier banking customers (those with balances below US\$75k)
- Exiting all retail business banking customers (small businesses with turnover of US\$5m and under)

As a result, HSBC Bank USA, N.A. ('HBUS') will reposition its US Wealth and Personal Banking business to focus on the banking and wealth management needs of globally connected affluent and high net worth clients. HBUS will exit its domestic mass market retail banking business and retail business banking (collectively the 'Business') through a number of divestitures, and wind-down of the residual branch network. HBUS has entered into sale agreements, subject to regulatory approval, with Citizens Bank and Cathay Bank for certain parts of the Business.

Noel Quinn, Group Chief Executive of HSBC, said:

"We are pleased to announce the sale of the domestic mass market of our US retail banking business. They are good businesses, but we lacked the scale to compete. Our continued presence in the US is key to our international network and an important contributor to our growth plans. This next chapter of HSBC's presence in the US will see the team focus on our competitive strengths, connecting our global wholesale and wealth management clients to other markets around the world."

Highlights from transactions:

- Citizens Bank has entered into an agreement to purchase the East Coast domestic mass market and retail business banking businesses as well as the online bank portfolio, including 80 branches and approximately 800,000 customer relationships with c. US\$9.2bn in deposits and US\$2.2bn of outstanding loans as at 31 March 2021.
- Cathay Bank has entered into an agreement to purchase the West Coast domestic mass market and retail business banking businesses, including 10 branches and approximately 50,000 customer relationships with US\$1.0bn in deposits and US\$ 0.8bn of outstanding loans as at 31 March 2021.
- HBUS will retain a small network of physical locations in existing markets which will be repurposed into 20-25 international wealth centres to serve our core international customer base of c.300k affluent and high net worth customers (out of a historical base of c.1.4m). We will wind down the residual branches, between 35-40, not subject to sale or repurposing.

ends/more

Michael Roberts, CEO, US and Americas, said:

“Today’s announcement is an important step towards becoming a more focused, simpler and sustainably profitable organisation. A strong, internationally connected US business is an important part of HSBC’s value proposition, and we are excited to be focusing the US business in areas of competitive strength. At the same time, I am very pleased that we were able to execute this strategic repositioning at pace. It was also important for us to find buyers who would be a good fit for our customers and employees.”

HSBC announced earlier this year that it was exploring strategic options with respect to its US retail franchise, including organic and inorganic options to improve the profitability of its US retail business. The announced transactions are expected to close by the first quarter of 2022, subject to regulatory approvals. We expect US\$0.1bn of pre-tax costs to be incurred in connection with these transactions after which HSBC does not expect to generate a significant gain or loss. The risk weighted assets (on a PRA basis) associated with the announced transactions were c.US\$1.8bn at 31 March 2021 and no material impact is expected on the Group’s CET1 ratio.

The Business is part of our US Wealth and Personal Banking (‘US WPB’) operations. US WPB had reported net operating income for 2020 of US\$1.0bn. At 31 March 2021, US WPB had loans and advances to customers of US\$23.8bn, customer accounts of US\$47.8bn and risk weighted assets of US\$15.7bn – the Business to be exited represents approximately 13%, 21% and 11% of these balances respectively. The balances remaining as continuing US WPB operations represent Premier, Jade and Private Banking customers. Further analysis of the results of our US WPB business are provided in the HSBC Holdings plc Data pack 1Q 2021.

For more details, please visit www.about.us.hsbc.com/movingforward

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Notes to editors:

1. HSBC USA

HSBC Bank USA, National Association (HSBC Bank USA, N.A.) serves customers through retail banking and wealth management, commercial banking, private banking and global banking and markets segments. It operates bank branches in: California; Washington, D.C.; Florida; Maryland; New Jersey; New York; Pennsylvania; Virginia; and Washington. HSBC Bank USA, N.A. is the principal subsidiary of HSBC USA Inc., a wholly-owned subsidiary of HSBC North America Holdings Inc. In the United States, deposit products are offered by HSBC Bank USA, N.A., Member FDIC, investment and brokerage services are provided through HSBC Securities (USA) Inc., (Member NYSE/FINRA/SIPC) and insurance products are provided through HSBC Insurance Agency (USA) Inc.

2. HSBC Holdings plc

HSBC Holdings plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from offices in 64 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,959bn at 31 March 2021, HSBC is one of the world’s largest banking and financial services organisations.

3. A formal US Securities and Exchange Commission filing under Form 8-K will be made available on the HSBC investor relations website at www.about.us.hsbc.com/investor-relations/hsbc-usa

ends/all