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To the Base Disclosure Statement dated September 2, 2014

HSBC BANK USA, National Association

The S&P 500[®] Daily Risk Control 5% Excess Return Index

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Below is a description of the material terms of the Index. The information contained herein is furnished as a matter of information only. Neither we nor any of our affiliates has undertaken any independent review or due diligence of such information.

The S&P 500[®] Daily Risk Control 5% Excess Return Index

The Index is designed to track the return of the S&P 500[®] Total Return Index ("SPXT") in excess of the overnight U.S. dollar overnight LIBOR interest rate. The Index is rebalanced and reweighted daily between the SPXT and a borrowing cost component, in order to seek to maintain a target volatility of 5%.

The Index is intended to provide a performance benchmark for the U.S. equity markets, while seeking greater stability and a reduction in the overall risk level of the SPXT. The Index utilizes the existing S&P 500[®] Index methodology, plus an overlying mathematical algorithm designed to control the level of risk of the SPXT by establishing a specific volatility target and dynamically adjusting the exposure to the SPXT based on its observed historical volatility. If the risk level reaches a higher threshold, the cash level is increased in order to maintain the target volatility. If the risk level is lower, then the Index will employ leverage to maintain the target volatility.

The Index is designed to track an unfunded investment in the SPXT. In other words, the Index calculates the return on an investment in the SPXT where the investment was made through the use of borrowed funds. Thus, the return of the Index will be equal to that of the SPXT less the associated borrowing costs. The Index represents a portfolio consisting of the SPXT and a borrowing cost component accruing interest based on the overnight U.S. dollar LIBOR interest rate. The Index is rebalanced and reweighted daily between the SPXT and a borrowing cost component, in order to seek to maintain the target volatility of 5%. There are no guarantees that the Index will achieve its stated targets.

For information related to the criteria for inclusion in the SPXT and information on how the SPXT is calculated, please refer to "—The S&P 500[®] Total Return Index" and "—The S&P 500[®] Index" below.

The return of the Index consists of two components: (1) the return on the position in the SPXT and (2) the associated borrowing costs of the investment funds, depending upon whether the position is leveraged or deleveraged. For example, if the exposure to the SPXT is 80%, the remaining 20% will not accumulate borrowing costs in the Index. If the leverage factor is greater than 100%, the full exposure will be charged borrowing costs, which are deducted from the Index.

As an excess return index, the Index represents an unfunded position in the SPXT. The borrowing rate is generally based on the overnight U.S. dollar LIBOR interest rate. S&P Dow Jones Indices LLC may use other successor interest rates if the overnight U.S. dollar LIBOR interest rate cannot be obtained. A 360-day year is assumed for the interest calculations in accordance with U.S. banking practices.

The Index is dynamically adjusted to target a 5% level of volatility. Volatility is calculated as a function of historical returns, which uses exponential weightings to give more significance to recent observations. Short- and long-term measures of volatility are used to cause the Index to deleverage quickly, but increase exposure more gradually on a relative basis. The short-term and long-term decay factors, which are numbers greater than zero and less than one that determine the weight of each daily return in the calculation of historical variance, are 0.94 (94%) and 0.97 (97%), respectively. If the risk level reaches a higher threshold, the cash level is increased in order to maintain the target volatility. If the risk level is lower, then the Index will employ leverage to maintain the targeted level of volatility.



The Index includes a leverage factor that changes based on realized historical volatility. A leverage factor greater than 1 represents a leveraged position and a leverage factor less than 1 represents a deleveraged position. The maximum leverage factor the Index may have is 1.50 (150%).

Calculation of Index Return

The formula for calculating the return of the Index is as follows:

$$Risk\ Control\ Index\ Return_t = K_t * \left(\frac{Underlying\ Index_t}{Underlying\ Index_{rb}} - 1 \right) + (-K_t) * \prod_{i=rb+1}^t (1 + InterestRate_{i-1} * D_{i-1,i} / 360)$$

The Index Value at time t can then be calculated as:

$$RiskControlIndexValue_t = (RiskControlIndexValue_{rb}) * (1 + RiskControlIndexReturn_t)$$

Substituting the first equation above into the second equation and expanding yields:

$$Risk\ Control\ Index\ Value_t = Risk\ Control\ Index\ Value_{rb} * \left[1 + \left[K_t * \left(\frac{Underlying\ Index_t}{Underlying\ Index_{rb}} - 1 \right) + (-K_t) * \prod_{i=rb+1}^t (1 + InterestRate_{i-1} * D_{i-1,i} / 360) \right] \right]$$

Where:

Interest Rate_{t-1} = the interest rate set for the Index. The interest rate is the overnight U.S. dollar LIBOR interest rate. A 360-day year is assumed for the interest calculations in accordance with U.S. banking practices.

D_{t-1, t} = the number of calendar days between day t-1 and day t

rb = the last Index rebalancing date

K_t = the leverage factor, calculated as:

Min(Max K, Target Volatility/Realized Volatility_{rb-d})

Underlying Index_t = the level of the SPXT on day t

Underlying Index_{rb} = the level of the SPXT as of the previous rebalancing date

Max K = the maximum leverage factor allowed in the Index (150%)

Target Volatility = the target level of volatility set for the Index (5%)

Realized Volatility_{rb-d} = The historical realized volatility of the SPXT as of the close of d trading days prior to the previous rebalancing date rb, where a trading day is defined as a day on which the SPXT is calculated.

Realized Volatility_t = The historical realized volatility of the Index. The realized volatility measure used for the Index is an exponentially weighted moving average historical volatility measure.

d = The number of days between when volatility is observed and the rebalancing date. For example, if d = 2, the historical volatility of the SPXT as of the close two days prior to the rebalancing date will be used to calculate the leverage factor K_t.

Calculation of Volatility

The realized volatility is calculated as the maximum of two exponentially weighted moving averages, one measuring short-term and one measuring long-term volatility.

$$Realized\ Volatility_t = Max (Realized\ Volatility_{S,t}, Realized\ Volatility_{L,t})$$

Where:

S,t = The short-term volatility measure at time t , calculated as:

$$\text{RealizedVolatility}_{S,t} = \sqrt{\frac{252}{n} * \text{Variance}_{S,t}}$$

for $t > T_0$

$$\text{Variance}_{S,t} = \lambda_S * \text{Variance}_{S,t-1} + (1 - \lambda_S) * \left[\ln\left(\frac{\text{Underlying Index}_t}{\text{Underlying Index}_{t-n}}\right) \right]^2$$

for $t = T_0$

$$\text{Variance}_{S,T_0} = \sum_{i=m+1}^{T_0} \frac{\alpha_{S,i,m}}{\text{WeightingFactor}_S} * \left[\ln\left(\frac{\text{Underlying Index}_i}{\text{Underlying Index}_{i-n}}\right) \right]^2$$

L,t = The long-term volatility measure at time t , calculated as:

$$\text{RealizedVolatility}_{L,t} = \sqrt{\frac{252}{n} * \text{Variance}_{L,t}}$$

for $t > T_0$

$$\text{Variance}_{L,t} = \lambda_L * \text{Variance}_{L,t-1} + (1 - \lambda_L) * \left[\ln\left(\frac{\text{Underlying Index}_t}{\text{Underlying Index}_{t-n}}\right) \right]^2$$

for $t = T_0$

$$\text{Variance}_{L,T_0} = \sum_{i=m+1}^{T_0} \frac{\alpha_{L,i,m}}{\text{WeightingFactor}_L} * \left[\ln\left(\frac{\text{Underlying Index}_i}{\text{Underlying Index}_{i-n}}\right) \right]^2$$

Where:

T_0 = the start date for the Index

n = the number of days inherent in the return calculation used for determining volatility. If $n = 1$ daily returns are used, while if $n = 2$ two day returns are used, and so forth.

m = the N^{th} trading date prior to T_0

N = the number of trading days observed for calculating initial variance as of the start date of the Index.

λ_S = The short-term decay factor used for exponential weighting. The decay factor is a number greater than zero and less than one that determines the weight of each daily return in the calculation of historical variance. The short-term decay factor for the Index is 94%.

λ_L = The long-term decay factor used for exponential weighting. The decay factor is a number greater than zero and less than one that determines the weight of each daily return in the calculation of historical variance. The long-term decay factor for the Index is 97%.

$\alpha_{S,m,i}$ = Weight of date t in the short-term volatility calculation, as calculated based on the following formula:

$$\alpha_{S,t} = (1 - \lambda_S) * \lambda_S^{N+m-i}$$

$$\text{WeightingFactor}_S = \sum_{i=m+1}^{T_0} \alpha_{S,i,m}$$

$\alpha_{L,m,i}$ = Weight of date t in the long-term volatility calculation, as calculated based on the following formula:

$$\alpha_{L,t} = (1 - \lambda_L) * \lambda_L^{N+m-t}$$

$$WeightingFactor_L = \sum_{i=m+1}^{T_0} \alpha_{L,i,m}$$

The interest rate, maximum leverage, target volatility and decay factors are defined in relation to the Index and are generally held constant throughout the life of the Index. The leverage position changes at each rebalancing based on changes in realized volatility. There is a two-day lag between the calculation of the leverage factor, based on the ratio of target volatility to realized volatility, and the implementation of that leverage factor in the Index.

The S&P 500® Total Return Index

We have derived all information contained in this document regarding the SPXT, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information, without independent verification. This information reflects the policies of, and is subject to change by, S&P Dow Jones Indices LLC. S&P Dow Jones Indices LLC has no obligation to continue to publish, and may discontinue the publication of, the SPXT.

The SPXT represents the total return earned on a portfolio that tracks the S&P 500® Index (“SPX”), and reinvests dividend income in the SPX, not in the specific stock paying the dividend. In the SPX, changes in the index level reflect changes in stock prices. In the SPXT, changes in the index level reflect both movements in stock prices and the reinvestment of dividend income.

The SPXT is calculated from the SPX and daily total dividend returns. The first step is to calculate the total dividend paid on a given day and convert this figure into points of the SPX:

$$TotalDailyDividend = \sum_i Dividend_i * Shares_i$$

where *Dividend* is the dividend per share paid for stock *i* and *Shares* are the shares of the stocks composing the SPX. This is done for each trading day. *Dividend_i* is generally zero, except for four times a year when it goes ex-dividend for the quarterly dividend payment. Some stocks do not pay a dividend and *Dividend* is always zero. *Total Daily Dividend* is measured in dollars. This is converted to index points by dividing by the divisor for the SPX:

$$IndexDividend = \frac{TotalDailyDividend}{Divisor}$$

The next step is to apply the usual definition of a total return from a financial instrument to the SPX. The first equation below gives the definition. The second equation below applies it to the SPX:

$$Total\ Return = \left(\frac{P_t + D_t}{P_{t-1}} \right) - 1$$

$$DTR_t = \left(\frac{IndexLevel_t + IndexDividend_t}{IndexLevel_{t-1}} - 1 \right)$$

where the *Total Return* and the daily total return for the index (*DTR*) is stated as a decimal. The *DTR* is used to update the SPXT from one day to the next:

$$Total\ Return\ Index_t = (Total\ Return\ Index_{t-1}) * (1 + DTR_t)$$

The SPXT reflects both ordinary and special dividends. Ordinary cash dividends are applied on the ex-date in calculating the SPXT. Special dividends are those dividends that are outside of the normal payment pattern established historically by the issuer of the stocks composing the SPX. These may be described by the issuer as “special,” “extra,” “year-end,” or “return of capital.” Whether a dividend is funded from operating earnings or from other sources of cash does not affect the determination of whether it is ordinary or special. Special dividends are treated as corporate actions with offsetting price and divisor adjustments.

The S&P 500[®] Index

The SPX is intended to provide an indication of the pattern of common stock price movement. The calculation of the level of the SPX, discussed below in further detail, is based on the relative value of the aggregate Market Value (as defined below) of the common stocks of 500 companies as of a particular time compared to the aggregate average Market Value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. S&P Dow Jones Indices LLC chooses companies for inclusion in the SPX with the aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the Standard & Poor's Stock Guide Database, which S&P Dow Jones Indices LLC uses as an assumed model for the composition of the total market. S&P Dow Jones Indices LLC may from time to time in its sole discretion, add companies to or delete companies from, the SPX to achieve these objectives.

Relevant criteria employed by S&P Dow Jones Indices LLC include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the market price of that company's common stock is generally responsive to changes in the affairs of the respective industry and the market value and trading activity of the common stock of that company. Ten main industry groups comprise the SPX: Information Technology, Financials, Consumer Staples, Health Care, Energy, Industrials, Consumer Discretionary, Utilities, Materials and Telecommunication Services. Changes in the SPX are reported daily in the financial pages of many major newspapers, on Bloomberg Professional[®] service under the symbol "SPX" and on S&P Dow Jones Indices LLC's website. Information contained in S&P Dow Jones Indices LLC's website is not incorporated by reference in, and should not be considered a part of, this document.

Computation of the SPX

Prior to March 2005, the Market Value of a component stock was calculated as the product of the market price per share and the total number of outstanding shares of the component stock. In March 2004, S&P Dow Jones Indices LLC announced that it would transition the SPX to float adjusted market capitalization weights. The transition began in March 2005 and was completed in September 2005. S&P Dow Jones Indices LLC's criteria for selecting stocks for the SPX was not changed by the shift to float adjustment. However, the adjustment affects each company's weight in the SPX (i.e., its Market Value). Currently, S&P Dow Jones Indices LLC calculates the SPX based on the total float-adjusted market capitalization of each component stock, where each stock's weight in the SPX is proportional to its float-adjusted Market Value.

Under the float adjustment, the share counts used in calculating the SPX reflect only those shares that are available to investors, not all of a company's outstanding shares. The float adjustment excludes shares that are closely held by control groups, other publicly traded companies or government agencies.

All shareholdings representing more than 5% of a stock's outstanding shares, other than holdings by "block owners," are removed from the float for purposes of calculating the SPX. Generally, these "control holders" will include officers and directors, private equity, venture capital and special equity firms, other publicly traded companies that hold shares for control, strategic partners, holders of restricted shares, ESOPs, employee and family trusts, foundations associated with the company, holders of unlisted share classes of stock, government entities at all levels (other than government retirement/pension funds) and any individual person who controls a 5% or greater stake in a company as reported in regulatory filings. However, holdings by block owners, such as depository banks, pension funds, mutual funds and ETF providers, 401(k) plans of the company, government retirement/pension funds, investment funds of insurance companies, asset managers and investment funds, independent foundations and savings and investment plans, will ordinarily be considered part of the float.

Treasury stock, stock options, restricted shares, equity participation units, warrants, preferred stock, convertible stock, and rights are not part of the float. Shares of a U.S. company traded in Canada as exchangeable shares are normally part of the float unless those shares form a control block. If a company has multiple classes of stock outstanding, shares in an unlisted or non-traded class are treated as a control block.

For each stock, an investable weight factor ("IWF") is calculated by dividing the available float shares, defined as the total shares outstanding less shares held in one or more of the three groups listed above where the group holdings exceed 5% of the outstanding shares, by the total shares outstanding. The float-adjusted index is then calculated by dividing the sum of the IWF multiplied by both the price and the total shares outstanding for each stock by an index divisor (the "Divisor"). For companies with multiple classes of stock, S&P Dow Jones Indices LLC calculates the weighted average IWF for each stock using the proportion of the total company market capitalization of each share class as weights.

The SPX is also calculated using a base-weighted aggregate methodology: the level of the SPX reflects the total Market Value of all the component stocks relative to the SPX base period of 1941-43. The daily calculation of the SPX is computed by dividing the Market Value of the SPX component stocks by a Divisor, which is adjusted from time to time as discussed below.

The simplest capitalization weighted index can be thought of as a portfolio consisting of all available shares of the stocks in the index. While this might track this portfolio's value in dollar terms, it would probably yield an unwieldy number in the trillions. Therefore, the actual number used in the SPX is scaled to a more easily handled number, currently in the thousands, by dividing the portfolio Market Value by the Divisor.

Ongoing maintenance of the SPX includes monitoring and completing the adjustments for additions and deletions of the constituent companies, share changes, stock splits, stock dividends and stock price adjustments due to company restructurings or spin-offs. Continuity in the level of the SPX is maintained by adjusting the Divisor for all changes in the SPX constituents' share capital after the base period of 1941-43 with the level of the SPX as of the base period set at 10. Some corporate actions, such as stock splits and stock dividends do not require Divisor adjustments because following a stock split or stock dividend, both the stock price and number of shares outstanding are adjusted by S&P Dow Jones Indices LLC so that there is no change in the Market Value of the component stock. All stock split and dividend adjustments are made after the close of trading on the day before the ex-date.

To prevent the level of the SPX from changing due to corporate actions, all corporate actions which affect the total Market Value of the SPX also require a Divisor adjustment. By adjusting the Divisor for the change in total Market Value, the level of the SPX remains constant. This helps maintain the level of the SPX as an accurate barometer of stock market performance and ensures that the movement of the SPX does not reflect the corporate actions of individual companies in the SPX. All Divisor adjustments are made after the close of trading and after the calculation of the closing levels of the SPX. As noted in the preceding paragraph, some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the SPX and do not require Divisor adjustments.

The table below summarizes the types of index maintenance adjustments and indicates whether or not a Divisor adjustment is required.

<u>Type of Corporate Action</u>	<u>Comments</u>	<u>Divisor Adjustment</u>
Company added/deleted	Net change in market value determines Divisor adjustment.	Yes
Change in shares outstanding	Any combination of secondary issuance, share repurchase or buy back—share counts revised to reflect change.	Yes
Stock split	Share count revised to reflect new count. Divisor adjustment is not required since the share count and price changes are offsetting.	No
Spin-off	If spun-off company is not being added to the index, the divisor adjustment reflects the decline in Index Market Value (i.e., the value of the spun-off unit).	Yes
Spin-off	Spun-off company added to the index, no company removed from the index.	No
Spin-off	Spun-off company added to the index, another company removed to keep number of names fixed. Divisor adjustment reflects deletion.	Yes
Change in IWF	Increasing (decreasing) the IWF increases (decreases) the total market value of the index. The Divisor change reflects the change in market value caused by the change to an IWF.	Yes
Special dividend	When a company pays a special dividend the share price is assumed to drop by the amount of the dividend; the divisor adjustment reflects this drop in Index Market Value.	Yes

<u>Type of Corporate Action</u>	<u>Comments</u>	<u>Divisor Adjustment</u>
Rights offering	Each shareholder receives the right to buy a proportional number of additional shares at a set (often discounted) price. The calculation assumes that the offering is fully subscribed. Divisor adjustment reflects increase in market cap measured as the shares issued multiplied by the price paid.	Yes

Each of the corporate events exemplified in the table requiring an adjustment to the Divisor has the effect of altering the Market Value of the component stock and consequently of altering the aggregate Market Value of the SPX component stocks (the "Post-Event Aggregate Market Value"). In order that the level of the SPX (the "Pre-Event Index Value") not be affected by the altered Market Value (whether increase or decrease) of the affected component stock, a new Divisor ("New Divisor") is derived as follows:

$$\frac{\text{Post-Event Aggregate Market Value}}{\text{New Divisor}} = \text{Pre-Event Index Value}$$

$$\text{New Divisor} = \frac{\text{Post-Event Aggregate Market Value}}{\text{Pre-Event Index Value}}$$

Another large part of the SPX maintenance process involves tracking the changes in the number of shares outstanding of each of the companies whose stocks are included in the SPX. Four times a year, on a Friday close to the end of each calendar quarter, the share totals of companies in the SPX are updated as required by any changes in the number of shares outstanding and then the SPX Divisor is adjusted accordingly. In addition, changes in a company's shares outstanding of 5% or more due to mergers, acquisitions, public offerings, private placements, tender offers, Dutch auctions or exchange offers are made as soon as reasonably possible. Other changes of 5% or more (due to, for example, company stock repurchases, redemptions, exercise of options, warrants, conversion of preferred stock, notes, debt, equity participations or other recapitalizations) are made weekly, and are announced on Fridays for implementation after the close of trading on the following Friday (one week later). If a 5% or more change causes a company's IWF to change by 5 percentage points or more (for example from 0.80 to 0.85), the IWF will be updated at the same time as the share change, except IWF changes resulting from partial tender offers will be considered on a case-by-case basis. Changes to an IWF of less than 5 percentage points are implemented at the next IWF review, which occurs annually. In the case of certain rights issuances, in which the number of rights issued and/or terms of their exercise are deemed substantial, a price adjustment and share increase may be implemented immediately.

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