

**INVESTORS EXCHANGE LLC
NOTICE OF ACCEPTANCE OF AWC**

Via Certified Mail, Return Receipt Requested (7020 0640 0001 3903 8580), First Class Mail and Email (Leon.F.Mcintyre@us.hsbc.com; Meredith.L.Friedman@us.hsbc.com)

TO: Leon F. McIntyre, Managing Director
HSBC Securities (USA) Inc.
c/o Meredith L. Friedman, Esq.
452 Fifth Avenue, 7th Floor
New York, NY 10018

FROM: Investors Exchange LLC (“IEX”)
c/o Financial Industry Regulatory Authority (“FINRA”)
Department of Enforcement
55 West Monroe Street, Suite 2600
Chicago, IL 60603

DATE: June 10, 2022

RE: Acceptance of Letter of Acceptance, Waiver, and Consent (AWC)
HSBC Securities (USA) Inc., CRD No. 19585, Matter No. 2019063432004

Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent (“AWC”) has been accepted on **June 9, 2022** by the Office of Disciplinary Affairs, on behalf of the IEX Board, pursuant to IEX Rule 9.216. A copy of the AWC is enclosed herewith.

You are again reminded of your obligation, if currently registered, immediately to update your Form BD (Uniform Application for Broker-Dealer Registration) to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA in writing of any change of address or other changes required to be made to your Form BD.

You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by the IEX’s Finance Department regarding the payment of any fine if a fine has been imposed.

If you have any questions concerning this matter, please call Nicole Waksmundzki, Senior Attorney, at 312-230-5209.

Nicole Waksmundzki

Nicole Waksmundzki
Senior Attorney
Department of Enforcement, FINRA

Signed on behalf of IEX

Enclosure

**INVESTORS EXCHANGE LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2019063432004**

TO: Investors Exchange LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

RE: HSBC Securities (USA), Inc., Respondent
Broker-Dealer
CRD No. 19585

Pursuant to Rule 9.216 of the Investors Exchange LLC (“IEX”) Code of Procedure, Respondent HSBC Securities (USA), Inc. (“HSBC” or the “firm”) submits this Letter of Acceptance, Waiver and Consent (“AWC”) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, IEX will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of IEX, or to which IEX is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by IEX:

BACKGROUND

1. HSBC became a member of FINRA in July 1987 and IEX in May 2017. Its registrations remain in effect. HSBC conducts a full-service brokerage business, including sales and trading, research, and underwriting services. It has approximately 1,450 registered representatives and 63 branch offices with its principal place of business in New York, New York. HSBC does not have any relevant disciplinary history.

SUMMARY

2. Between July 2017 and September 2020, HSBC failed to establish and maintain a supervisory system, and failed to establish, maintain, and enforce written supervisory procedures (“WSPs”), reasonably designed to achieve compliance with applicable securities laws and regulations, and IEX Rules, concerning compliance with Rule 611(c) of Regulation National Market System (“NMS”) of the Securities Exchange Act of 1934 and IEX Rule 11.190(b)(12), in violation of IEX Rules 5.110 and 3.110.

FACTS AND VIOLATIVE CONDUCT

3. This matter originated from exceptions identified in FINRA's surveillance of intermarket sweep order (ISO) activity in March 2019.
4. During the relevant period, IEX Rule 5.110(a) provided that "[e]ach Member shall establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable IEX Rules. Final responsibility for proper supervision shall rest with the Member."
5. IEX Rule 5.110(b) provided that "[e]ach Member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable IEX Rules."
6. IEX Rule 3.110(a) provided that "[a] Member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade." A violation of IEX Rule 5.110 constitutes a violation of IEX Rule 3.110.
7. Rule 611(c) of Regulation NMS required a trading center, broker, or dealer responsible for the routing of an ISO to take reasonable steps to establish that such an order meets the requirements set forth in Rules 600(b)(30) and 600(b)(31) of Regulation NMS.
8. Rules 600(b)(30) and 600(b)(31)¹ defined an intermarket sweep order as a limit order for an NMS stock that: (i) is identified as an ISO when routed to a trading center; and (ii) simultaneously with the routing of the limit order identified as an ISO, one or more additional limit orders, as necessary, are routed to execute against the full displayed size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the NMS stock with a price that is superior to the limit price of the limit order identified as an ISO. These additional routed orders also must be marked as ISOs.
9. IEX Rule 11.190(b)(12) requires firms to comply with Rule 611(c) and other IEX-specific requirements.
10. Between July 2017 and September 2020, HSBC's supervisory system, including written procedures, was not reasonably designed to achieve compliance with Rule 611(c). Specifically, HSBC had no reviews or procedures to establish that ISOs it routed to comply with Rules 600(b)(30) and 600(b)(31) by executing against protected quotations were sent and received by all necessary venues, on a timely basis, for the correct size and price, in compliance with Rule 611(c). Because of these supervisory deficiencies, HSBC failed to detect and timely remediate three technical issues with its

¹Effective January 18, 2019, Rule 600(b)(30) was renumbered Rule 600(b)(31). After the conduct at issue, in June 2021, the rule was again renumbered to Rule 600(b)(38). Because Rules 600(b)(30) and 600(b)(31) were the rules in effect during the relevant period, those rules apply to the subject conduct.

vendor's smart order router that caused the firm to route ISOs that were priced through market centers' protected quotations. HSBC has since remediated these deficiencies.

11. Therefore, between July 2017 and September 2020, HSBC's supervisory system, including its WSPs, was not reasonably designed to achieve compliance with Rule 611(c) and IEX Rule 11.190(b)(12). Accordingly, HSBC violated IEX Rules 5.110(a), 5.110(b), and 3.110.

B. The firm also consents to the imposition of the following sanctions:²

1. Censure; and
2. A fine of \$4,569.

The firm agrees to pay the monetary sanction in accordance with its executed Election of Payment Form.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under IEX's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the IEX Appeals Committee and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudice of the General Counsel, Chief Regulatory Officer, the IEX Appeals Committee, or any member of the IEX Appeals Committee, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including

² Related disciplinary action on behalf of Cboe BYX Exchange, Inc.; Cboe BZX Exchange, Inc.; Cboe EDGA Exchange, Inc.; Cboe EDGX Exchange, Inc.; FINRA; The New York Stock Exchange LLC; NYSE American LLC; NYSE Chicago, Inc., and NYSE Arca, Inc. for similar violations is being taken concurrently in conjunction with this matter.

acceptance or rejection of this AWC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9.143 or the separation of functions prohibitions of Rule 9.144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by FINRA's Department of Enforcement and the Office of Disciplinary Affairs ("ODA"), pursuant to IEX Rule 9.216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. This AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by IEX or any other regulator against the firm;
 - 2. IEX may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with IEX Rule 8.340; and
 - 3. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of IEX, or to which IEX is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which IEX is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. Any such Statement does not constitute factual or legal findings by IEX, nor does it reflect the views of IEX or its staff.

The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

June 8, 2022

Date

HSBC Securities (USA), Inc.
Respondent

By: Leon McIntyre

Name: Leon F. McIntyre
Title: Managing Director

Accepted by IEX:

June 10, 2022

Date

Nicole Waksmundzki

Nicole Waksmundzki, Senior Attorney
Department of Enforcement

Signed on behalf of IEX, by delegated authority
from the Director of ODA

ELECTION OF PAYMENT FORM

The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A firm check or bank check for the full amount
- Wire transfer

Respectfully submitted,

HSBC Securities (USA), Inc.
Respondent

June 8, 2022

Date

By: Leon McIntyre

Name: Leon F. McIntyre

Title: Managing Director