

Subject to Completion  
Preliminary Term Sheet dated  
January 12, 2018

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(To Prospectus dated March 5, 2015,  
Prospectus Supplement dated March 5, 2015 and  
Product Supplement EQUITY INDICES LS-1 dated  
April 23, 2015)

Units  
\$10 principal amount per unit  
CUSIP No.

Pricing Date\* January , 2018  
Settlement Date\* January , 2018  
Maturity Date\* February , 2019

\*Subject to change based on the actual date the notes are priced for  
initial sale to the public (the "pricing date")



## Long Short Notes Linked to the MSCI Emerging Markets & EURO STOXX 50<sup>®</sup>/S&P 500<sup>®</sup> Long Short Index

- Exposure to changes in a composite index consisting of a leveraged long position in the MSCI Emerging Markets Index and the EURO STOXX 50<sup>®</sup> Index and a short position in the S&P 500<sup>®</sup> Index (together, the "Composite Index")
- Each Long Component will be given an initial weight of 100% (200% total), and the Short Component will be given an initial weight of -100%
- The notes will pay a single coupon payment at maturity, equal to [1.00% - 2.00%] of the principal amount
- Maturity of approximately 13 months
- 1-to-1 upside exposure to increases in the Composite Index
- 1-to-1 downside exposure to decreases in the Composite Index, with 100% of your investment at risk
- All payments are subject to the credit risk of HSBC USA Inc.
- In addition to the underwriting discount set forth below, the notes include a hedging-related charge of \$0.075 per unit. See "Supplement to the Plan of Distribution—Role of MLPF&S"
- No listing on any securities exchange
- All payments occur at maturity and are subject to the credit risk of HSBC USA Inc.
- No listing on any securities exchange



The notes are being issued by HSBC USA Inc. ("HSBC"). Investing in the notes involves a number of risks. There are important differences between the notes and a conventional debt security, including different investment risks and costs. See "Risk Factors" and "Additional Risk Factors" beginning on page TS-6 of this term sheet and "Risk Factors" beginning on page PS-6 of product supplement EQUITY INDICES LS-1.

The estimated initial value of the notes on the pricing date is expected to be between \$9.50 and \$9.80 per unit, which will be less than the public offering price listed below. The market value of the notes at any time will reflect many factors and cannot be predicted with accuracy. See "Summary" on page TS-2 and "Risk Factors" beginning on page TS-6 of this term sheet for additional information.

Neither the Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of the notes or passed upon the accuracy or the adequacy of this document, the accompanying product supplement, prospectus or prospectus supplement. Any representation to the contrary is a criminal offense.

	Per Unit	Total
Public offering price <sup>(1)</sup> .....	\$10.000	\$
Underwriting discount <sup>(1)</sup> .....	\$ 0.175	\$
Proceeds, before expenses, to HSBC.....	\$ 9.825	\$

(1) For any purchase of 500,000 units or more in a single transaction by an individual investor or in combined transactions with the investor's household in this offering, the public offering price and the underwriting discount will be \$9.95 per unit and \$0.125 per unit, respectively. See "Supplement to the Plan of Distribution" below.

The notes:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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Merrill Lynch & Co.

January , 2018

# Long Short Notes

Linked to the MSCI Emerging Markets & EURO STOXX 50<sup>®</sup>/S&P 500<sup>®</sup> Long Short Index

## Summary

The Long Short Notes Linked to the MSCI Emerging Markets & EURO STOXX 50<sup>®</sup>/S&P 500<sup>®</sup> Long Short Index, due \_\_\_\_\_, 2019 (the “notes”) are our senior unsecured debt securities and are not a direct or indirect obligation of any third party. The notes are not deposit liabilities or other obligations of a bank and are not guaranteed or insured by the Federal Deposit Insurance Corporation or any other governmental agency of the United States or any other jurisdiction. **The notes will rank equally with all of our other senior unsecured debt. Any payments due on the notes, including any repayment of principal, depend on the credit risk of HSBC and its ability to satisfy its obligations as they come due.** The notes provide you with 100% participation in increases in the Composite Index, which consists of a leveraged long position in the MSCI Emerging Markets Index and the EURO STOXX 50<sup>®</sup> Index, and a short position in the S&P 500<sup>®</sup> Index (collectively, the “Market Measure Components”). If the Ending Value is less than the Starting Value of the Composite Index, you will lose all or a portion of the principal amount of your notes. In addition, you will receive a coupon payment at maturity of [1.00% - 2.00%] of the principal amount of your notes. Payments on the notes, including the amount you receive at maturity, will be calculated based on the \$10 principal amount per unit and will depend on the performance of the Composite Index, subject to our credit risk. See “Terms of the Notes” below.

The estimated initial value of the notes will be less than the price you pay to purchase the notes. The estimated initial value is determined by reference to our or our affiliates’ internal pricing models and reflects our internal funding rate, which is the borrowing rate we pay to issue market-linked notes, and the market prices for hedging arrangements related to the notes (which may include call options, put options or other derivatives). This internal funding rate is typically lower than the rate we would use when we issue conventional fixed or floating rate debt securities. The difference in the borrowing rate, as well as the underwriting discount and the costs associated with hedging the notes, including the hedging related charge described below, will reduce the economic terms of the notes. The estimated initial value will be calculated on the pricing date and will be set forth in the pricing supplement to which this term sheet relates.

## Terms of the Notes

<b>Issuer:</b>	HSBC USA Inc. (“HSBC”)
<b>Principal Amount:</b>	\$10.00 per unit
<b>Term:</b>	Approximately 13 months, to be determined on the pricing date
<b>Composite Index:</b>	The MSCI Emerging Markets/EURO STOXX 50 <sup>®</sup> /S&P 500 <sup>®</sup> Long Short Index. See “The Composite Index” below.
<b>Long Components:</b>	The MSCI Emerging Markets Index (Bloomberg symbol: “MXEF”) (Initial Component Weight: 100%) and the EURO STOXX 50 <sup>®</sup> Index (Bloomberg symbol: “SX5E”) (Initial Component Weight: 100%) The aggregate Initial Component Weights of the Long Components equal 200%.
<b>Short Component:</b>	The S&P 500 <sup>®</sup> Index (Bloomberg symbol: “SPX”) (Initial Component Weight: -100%)
<b>Coupon Payment:</b>	At maturity, the notes will pay a single Coupon Payment at the Coupon Payment Rate.
<b>Coupon Payment Rate:</b>	[1.00% to 2.00%] of the principal amount, to be determined on the pricing date.
<b>Starting Value:</b>	The Starting Value will be set to 100.00 on the pricing date.
<b>Ending Value:</b>	The average of the closing values of the Composite Index on each scheduled calculation day during the Maturity Valuation Period, calculated as set forth on page TS-8 below. The calculation days are subject to postponement in the event of Market Disruption Events, as described on page PS-22 of product supplement EQUITY INDICES LS-1.
<b>Maturity Valuation Period:</b>	Five scheduled calculation days shortly before the maturity date.
<b>Fees Charged:</b>	The public offering price of the notes includes the underwriting discount of \$0.175 per unit as listed on the cover page and an additional charge of \$0.075 per unit more fully described on page TS-21.
<b>Calculation Agent:</b>	Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”) and HSBC, acting jointly.

## Redemption Amount Determination

On the maturity date, you will receive the Coupon Payment and a cash payment per unit determined as follows:

$$\$10 \times \left( \frac{\text{Ending Level}}{\text{Starting Level}} \right)$$

***If the Ending Value is less than the Starting Value, you will lose all or a portion of the principal amount of your notes.***

The Redemption Amount will not be less than zero.

The terms and risks of the notes are contained in this term sheet and the documents listed below (together, the “Note Prospectus”). The documents have been filed as part of a registration statement with the SEC, which may, without cost, be accessed on the SEC website as indicated below or obtained from MLPF&S by calling 1-800-294-1322.

- Product supplement EQUITY INDICES LS-1 dated April 23, 2015:  
[https://www.sec.gov/Archives/edgar/data/83246/000114420415024647/v408136\\_424b2.htm](https://www.sec.gov/Archives/edgar/data/83246/000114420415024647/v408136_424b2.htm)
- Prospectus supplement dated March 5, 2015:  
[https://www.sec.gov/Archives/edgar/data/83246/000114420415014311/v403645\\_424b2.htm](https://www.sec.gov/Archives/edgar/data/83246/000114420415014311/v403645_424b2.htm)
- Prospectus dated March 5, 2015:  
<https://www.sec.gov/Archives/edgar/data/83246/000119312515078931/d884345d424b3.htm>

*Our Central Index Key, or CIK, on the SEC website is 83246.* Before you invest, you should read the Note Prospectus, including this term sheet, for information about us and this offering. Any prior or contemporaneous oral statements and any other written materials you may have received are superseded by the Note Prospectus. You should carefully consider, among other things, the matters set forth under “Risk Factors” in the section indicated on the cover of this term sheet. The notes involve risks not associated with conventional debt securities. Capitalized terms used but not defined in this term sheet have the meanings set forth in product supplement EQUITY INDICES LS-1. Unless otherwise indicated or unless the context requires otherwise, all references in this document to “we,” “us,” “our,” or similar references are to HSBC.

## Investor Considerations

### You may wish to consider an investment in the notes if:

- You anticipate that the level of the MSCI Emerging Markets Index and the EURO STOXX 50<sup>®</sup> Index will increase, and that the level of the S&P 500<sup>®</sup> Index will decrease or not increase as much as the MSCI Emerging Markets Index and the EURO STOXX 50<sup>®</sup> Index increase, from the pricing date to the Maturity Valuation Period.
- You seek a Coupon Payment at maturity equal to [1.00% to 2.00%] of the principal amount.
- You are willing to forgo the periodic interest payments that are paid on traditional interest bearing debt securities.
- You accept that your investment will result in a loss, which could be significant, if the Composite Index decreases from the Starting Value to the Ending Value.
- You are willing to forgo dividends or other benefits of owning the stocks included in the Long Component.
- You are willing to accept that a secondary market is not expected to develop for the notes, and understand that the market prices for the notes, if any, may be less than the principal amount and will be affected by various factors, including our actual and perceived creditworthiness, our internal funding rate and the fees charged, as described on page TS-2.
- You are willing to assume our credit risk, as issuer of the notes, for all payments under the notes, including the Redemption Amount.

### The notes may not be an appropriate investment for you if:

- You anticipate that the level of the MSCI Emerging Markets Index and the EURO STOXX 50<sup>®</sup> Index will decrease, or that the level of the S&P 500<sup>®</sup> Index will increase or not decrease as much as the MSCI Emerging Markets Index and the EURO STOXX 50<sup>®</sup> Index decrease, from the pricing date to the Maturity Valuation Period.
- In addition to a Coupon Payment at maturity, you seek other interest payments or other current income or an additional guaranteed return above the principal amount.
- You believe that the value of the Composite Index will decrease from the Starting Value or that it will not increase sufficiently over the term of the notes to provide you with your desired return.
- You seek principal repayment at maturity or preservation of capital.
- You want to receive dividends or other distributions paid on the stocks included in the Long Component.
- You seek an investment for which there will be a liquid secondary market.
- You are unwilling or are unable to take market risk on the notes or to take our credit risk as issuer of the notes.

We urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the notes.

## Hypothetical Payments at Maturity

The following table and examples are for purposes of illustration only. They are based on **hypothetical** values and show **hypothetical** returns on the notes. **The actual amount you receive and the resulting total rate of return will depend on the actual Ending Value and term of your investment.**

The following table is based on a Starting Value of 100. It illustrates the effect of a range of hypothetical Ending Values on the Redemption Amount per unit of the notes and the total rate of return to holders of the notes. The following examples do not take into account the Coupon Payment at maturity or any tax consequences from investing in the notes.

Ending Value	Percentage Change from the Starting Value to the Ending Value	Redemption Amount per Unit	Total Rate of Return on the Notes
0.00	-100.00%	\$0.00	-100.00%
50.00	-50.00%	\$5.00	-50.00%
60.00	-40.00%	\$6.00	-40.00%
70.00	-30.00%	\$7.00	-30.00%
80.00	-20.00%	\$8.00	-20.00%
90.00	-10.00%	\$9.00	-10.00%
100.00 <sup>(1)</sup>	0.00%	\$10.00	0.00%
110.00	10.00%	\$11.00	10.00%
120.00	20.00%	\$12.00	20.00%
130.00	30.00%	\$13.00	30.00%
140.00	40.00%	\$14.00	40.00%
150.00	50.00%	\$15.00	50.00%
160.00	60.00%	\$16.00	60.00%

(1) The Starting Value will be set to 100.00 on the pricing date.

For hypothetical historical values of the Composite Index, see “The Composite Index” section below. Each Market Measure Component is a price return index, and as such, each Ending Value will not include any income generated by dividends paid on the stocks included in such Market Measure Components, which you would otherwise be entitled to receive if you invested in those stocks directly. All payments on the notes are subject to issuer credit risk.

# Long Short Notes

Linked to the MSCI Emerging Markets & EURO STOXX 50<sup>®</sup>/S&P 500<sup>®</sup> Long Short Index

## Redemption Amount Calculation Examples

### Example 1

The Ending Value is 80.00, or 80.00% of the Starting Value:

Starting Value: 100.00

Ending Value: 80.00

$$\$10 \times \left( \frac{80}{100} \right) = \mathbf{\$8.00} \text{ Redemption Amount per unit}$$

### Example 2

The Ending Value is 100.00, or 100.00% of the Starting Value:

Starting Value: 100.00

Ending Value: 100.00

$$\$10 \times \left( \frac{100}{100} \right) = \mathbf{\$10.00} \text{ Redemption Amount per unit}$$

### Example 3

The Ending Value is 120.00, or 120.00% of the Starting Value:

Starting Value: 100.00

Ending Value: 120.00

$$\$10 \times \left( \frac{120}{100} \right) = \mathbf{\$12.00} \text{ Redemption Amount per unit}$$

For more details on calculating the Starting Value and the Ending Value of the Composite Index and related calculations, see the section entitled "The Composite Index" on page TS-8.



## Risk Factors

*We urge you to read the section “Risk Factors” in the product supplement and in the accompanying prospectus supplement. Investing in the notes is not equivalent to investing directly in the Market Measure Components. You should understand the risks of investing in the notes and should reach an investment decision only after careful consideration, with your advisers, with respect to the notes in light of your particular financial and other circumstances and the information set forth in this term sheet and the accompanying product supplement, prospectus supplement and prospectus.*

*In addition to the risks in the product supplement identified below, you should review “Risk Factors” in the accompanying prospectus supplement, including the explanation of risks relating to the notes described in the section “— Risks Relating to All Note Issuances.”*

- Depending on the performance of the Composite Index as measured shortly before the maturity date, your investment may result in a loss; there is no guaranteed return of principal.
- Your return on the notes may be less than the yield you could earn by owning a conventional fixed or floating rate debt security of comparable maturity.
- Payments on the notes are subject to our credit risk, and actual or perceived changes in our creditworthiness are expected to affect the value of the notes. If we become insolvent or are unable to pay our obligations, you may lose your entire investment.
- The long and short positions of the Market Measure Components will have a substantial effect on the value of the Composite Index, and, in turn, the value of the notes; in the case of the Long Components, this effect is magnified due to their leverage.
- Your investment return may be less than a comparable investment directly in the Market Measure Components, or the securities included in the Market Measure Components.
- You must rely on your own evaluation of the merits of an investment linked to the Market Measure Components.
- The Redemption Amount will not reflect changes in the value of the Composite Index that occur other than during the Maturity Valuation Period.
- The publishers of the Market Measure Components may adjust the Market Measure Components in a way that affects their levels, and those publishers have no obligation to consider your interests.
- The estimated initial value of the notes will be less than the public offering price and may differ from the market value of the notes in the secondary market, if any. We will determine the estimated initial value by reference to our or our affiliates’ internal pricing models. These pricing models consider certain assumptions and variables, which can include volatility and interest rates. These pricing models rely in part on certain forecasts about future events, which may prove to be incorrect. Different pricing models and assumptions could provide valuations for the notes that are different from our estimated initial value. The estimated initial value will reflect our internal funding rate we use to issue market-linked notes, as well as the mid-market value of the hedging arrangements related to the notes (which may include call options, put options or other derivatives).
- Our internal funding rate for the issuance of these notes is lower than the rate we would use when we issue conventional fixed or floating rate debt securities. This is one of the factors that may result in the market value of the notes being less than their estimated initial value. As a result of the difference between our internal funding rate and the rate we would use when we issue conventional fixed or floating rate debt securities, the estimated initial value of the notes may be lower if it were based on the levels at which our fixed or floating rate debt securities trade in the secondary market. In addition, if we were to use the rate we use for our conventional fixed or floating rate debt issuances, we would expect the economic terms of the notes to be more favorable to you.
- The price of your notes in the secondary market, if any, immediately after the pricing date will be less than the public offering price. The public offering price takes into account certain costs, principally the underwriting discount, the hedging costs described on page TS-21 and the costs associated with issuing the notes. The costs associated with issuing the notes will be used or retained by us or one of our affiliates. If you were to sell your notes in the secondary market, if any, the price you would receive for your notes may be less than the price you paid for them.
- The estimated initial value does not represent a minimum price at which we, MLPF&S or any of our respective affiliates would be willing to purchase your notes in the secondary market (if any exists) at any time. The price of your notes in the secondary market, if any, at any time after issuance will vary based on many factors, including the value of the Composite Index and changes in market conditions, and cannot be predicted with accuracy. The notes are not designed to be short-term trading instruments, and you should, therefore, be able and willing to hold the notes to maturity. Any sale of the notes prior to maturity could result in a loss to you.
- A trading market is not expected to develop for the notes. Neither we nor MLPF&S is obligated to make a market for, or to repurchase, the notes. There is no assurance that any party will be willing to purchase your notes at any price in any secondary market.
- Our business, hedging and trading activities, and those of MLPF&S and our respective affiliates (including trades in shares of companies included in the Market Measure Components), and any hedging and trading activities we, MLPF&S or our respective affiliates engage in for our clients’ accounts, may affect the market value and return of the notes and may create conflicts of interest with you.

- There may be potential conflicts of interest involving the calculation agents, one of which is us and one of which is MLPF&S. We have the right to appoint and remove the calculation agents.
- You will have no rights of a holder of the securities included in the Market Measure Components, and you will not be entitled to receive securities or dividends or other distributions by the issuers of those securities.
- Except to the extent that the common stock of Bank of America Corporation (the parent company of MLPF&S) is included in the SPX, we, MLPF&S and our respective affiliates do not control any company included in the Market Measure Components, and have not verified any disclosure made by any other company.
- Your return on the notes may be affected by exchange rate movements and factors affecting the international securities markets, specifically changes in the countries represented by the SX5E and the MXEF.
- The U.S. federal income tax consequences of an investment in the notes are uncertain, and may be adverse to a holder of the notes. No statutory, judicial, or administrative authority directly addresses the characterization of the notes or securities similar to the notes for U.S. federal income tax purposes. As a result, significant aspects of the U.S. federal income tax consequences of an investment in the notes are not certain. Under the terms of the notes, you will have agreed with us to treat the notes as pre-paid executory contracts, as described under “U.S. Federal Income Tax Summary—General.” If the Internal Revenue Service (the “IRS”) were successful in asserting an alternative characterization for the notes, the timing and character of income, gain or loss with respect to the notes may differ. No ruling will be requested from the IRS with respect to the notes and no assurance can be given that the IRS will agree with the statements made in the section entitled “U.S. Federal Income Tax Summary.”

## Additional Risk Factors

**Your return on the notes may be affected by factors affecting the international securities markets, specifically changes within the Eurozone.**

The Eurozone is and has been undergoing severe financial stress and the political, legal, and regulatory ramifications are impossible to predict. Changes within the Eurozone could adversely affect the performance of the SX5E and, consequently, the value of the notes. In addition, you will not obtain the benefit of any increase in the value of the euro against the U.S. dollar, which you would have received if you had owned the securities in the SX5E during the term of your notes, although the level of the SX5E may be adversely affected by general exchange rate movements in the market.

**An investment in the notes will involve risks that are associated with investments that are linked to the equity securities of issuers from emerging markets.**

Many of the issuers included in the MXEF are based in nations that are undergoing rapid institutional change, including the restructuring of economic, political, financial, and legal systems. The regulatory and tax environments in these nations may be subject to change without review or appeal, and many emerging markets suffer from underdevelopment of their capital markets and their tax systems. In addition, in some of these nations, issuers of the relevant securities face the threat of expropriation their assets, and/or nationalization of their businesses. It may be more difficult for an investor in these markets to monitor investments in these companies, because these companies may be subject to fewer disclosure requirements than companies in developed markets, and economic and financial data about some of these countries may be unreliable.

## Other Terms of the Notes

### Market Measure Business Day

The following definition shall supersede and replace the definition of “Market Measure Business Day” set forth in product supplement EQUITY INDICES LS-1.

A “Market Measure Business Day” means a day on which:

- (A) each of the Eurex (as to the EURO STOXX 50<sup>®</sup> Index), the London Stock Exchange, Hong Kong Stock Exchange, São Paulo Stock Exchange and Korea Stock Exchange (as to the MSCI Emerging Markets Index) and the Nasdaq Stock Market and New York Stock Exchange (as to the S&P 500<sup>®</sup> Index) (or any successor to the foregoing exchanges) are open for trading; and
- (B) the Market Measure Components or any successors thereto are calculated and published.

## The Composite Index

The Composite Index is designed to allow investors to participate in the percentage change in the value of a leveraged long position in the MSCI Emerging Markets Index and the EURO STOXX 50<sup>®</sup> Index and a short position in the S&P 500<sup>®</sup> Index from the Starting Value to the Ending Value. The Market Measure Components are described in the section below. Each Market Measure Component has been assigned a weighting that reflects the relative contribution of that Market Measure Component to the value of the Composite Index. The positive weighting of 100% of the initial level of each of the Long Components in the Composite Index indicates a leveraged long position in that Long Component. The negative weighting of -100% of the initial level of the Short Component in the Composite Index indicates a short position in the Short Component.

The information on the Composite Index provided in this term sheet should be read together with the discussion under the heading "Description of the Notes—The Composite Index" in product supplement EQUITY INDICES LS-1.

If January 5, 2018 were the pricing date, for each Market Measure Component, the Initial Component Weight, **hypothetical** closing level on the pricing date, **hypothetical** Component Ratio, and initial Composite Index contribution would be as follows:

<u>Market Measure Component</u>	<u>Bloomberg Symbol</u>	<u>Initial Component Weight</u>	<u>Closing Level on the Pricing Date<sup>(1)</sup></u>	<u>Component Ratio<sup>(2)</sup></u>	<u>Composite Index Contribution</u>
MSCI Emerging Markets Index	MXEF	100.00%	1,201.01	0.08326325	100.00
EURO STOXX 50 <sup>®</sup> Index	SX5E	100.00%	3,607.63	0.02771903	100.00
S&P 500 <sup>®</sup> Index	SPX	-100.00%	2,743.15	-0.03645444	<u>-100.00</u>
				Starting Value:	100.00

<sup>(1)</sup> These were the closing levels of the Market Measure Component on January 5, 2018.

<sup>(2)</sup> Each **hypothetical** Component Ratio equals the Initial Component Weight of the Market Measure Component (expressed as a percentage) multiplied by 100.00, and then divided by the closing level of that Market Measure Component on January 5, 2018 and rounded to eight decimal places. The actual Component Ratios will be determined on the pricing date.

### Hypothetical Calculations of the Closing Value of the Composite Index

Set forth below are six examples of closing value calculations of the Composite Index (rounded to two decimal places), assuming the above **hypothetical** Component Ratios (based on the closing levels of the Market Measure Components on January 5, 2018) and the Initial Component Weights.

The following table sets forth **hypothetical** closing values for the Composite Index. The calculation agent will calculate the closing value of the Composite Index by summing the products of (i) the closing level for each Market Measure Component on the applicable calculation day and (ii) its Component Ratio. The Ending Value will be the average of the closing value of the Composite Index on each calculation day during the Maturity Valuation Period. If a Market Disruption Event occurs as to any Market Measure Component on a scheduled calculation date, the closing level of that Market Measure Component will be determined as more fully described beginning on page PS-22 of product supplement EQUITY INDICES LS-1 in the section "Description of the Notes—Market Disruption Events."

<u>Market Measure Components</u>	<u>Closing Level on the Pricing Date</u>	<u>Component Ratio</u>	<u>Closing Level on a Calculation Day</u>					
			<u>Example 1</u>	<u>Example 2</u>	<u>Example 3</u>	<u>Example 4</u>	<u>Example 5</u>	<u>Example 6</u>
MSCI Emerging Markets Index (Long Component)	1,201.01	0.08326325	1,261.06	1,261.06	1,261.06	996.84	1,140.96	1,140.96
EURO STOXX 50 <sup>®</sup> Index (Long Component)	3,607.63	0.02771903	3,788.01	3,788.01	3,788.01	2994.33	3,427.25	3,427.25
S&P 500 <sup>®</sup> Index (Short Component)	2,743.15	-0.03645444	2,880.31	3,209.49	2,605.99	2880.31	2,605.99	2,276.81
<b>Composite Index</b>	<b>Starting Value</b> 100.00		105.00	93.00	115.00	61.00	95.00	107.00



## Summary of Examples

For more discussion on the effect of the long and short positions of the Market Measure Components on the value of the Composite Index, and in turn, the value of the notes, see “Risk Factors” on PS-6 in product supplement EQUITY INDICES LS-1. Furthermore, the **hypothetical** Component Ratios and related calculations are described in more detail in the section entitled “Description of the Notes—The Composite Index” in product supplement EQUITY INDICES LS-1. You are encouraged to read that section of the product supplement in order to more fully understand the examples below.

The closing value of the Composite Index on a calculation day will be calculated as follows:

Closing Value = (Closing Level of SX5E x its Component Ratio) + (Closing Level of MXEF x its Component Ratio) + (Closing Level of Short Component x its Component Ratio)

**Example 1** – The level of each Market Measure Component has increased by 5%. Because the Component Ratios reflect the 200% cumulative weighting of the Long Components and the -100% weighting of the Short Component, the closing value of the Composite Index is 105.00, an increase of 5.00% from the Starting Value.

$$\text{Closing Value} = (1,261.06 \times 0.08326325) + (3,788.01 \times 0.27860844) + (2,880.31 \times -0.03645444) = (105.00) + (105.00) + (-105.00) = 105.00$$

**Example 2** – The level of each Long Component has increased by 5% and the level of the Short Component has increased by 17%. Because the Component Ratios reflect the 200% cumulative weighting of the Long Components and the -100% weighting of the Short Component, the closing value of the Composite Index is 93.00, a decrease of 7% from the Starting Value.

$$\text{Closing Value} = (1,261.06 \times 0.08326325) + (3,788.01 \times 0.27860844) + (3,209.49 \times -0.03645444) = (105.00) + (105.00) + (-117.00) = 93.00$$

**Example 3** – The level of each Long Component has increased by 5% and the level of the Short Component has decreased by 5%. Because the Component Ratios reflect the 200% cumulative weighting of the Long Components and the -100% weighting of the Short Component, the closing value of the Composite Index is 115.00, an increase of 15% from the Starting Value.

$$\text{Closing Value} = (1,261.06 \times 0.08326325) + (3,788.01 \times 0.27860844) + (2,605.99 \times -0.03645444) = (105.00) + (105.00) + (-95.00) = 115.00$$

**Example 4** – The level of each Long Component has decreased by 17% and the level of the Short Component has increased by 5%. Because the Component Ratios reflect the 200% cumulative weighting of the Long Components and the -100% weighting of the Short Component, the closing value of the Composite Index is 61.00, a decrease of 39% from the Starting Value.

$$\text{Closing Value} = (996.84 \times 0.08326325) + (2,994.33 \times 0.27860844) + (2,880.31 \times -0.03645444) = (83.00) + (83.00) + (-105.00) = 61.00$$

**Example 5** – The level of each Market Measure Component has decreased by 5%. Because the Component Ratios reflect the 200% cumulative weighting of the Long Components and the -100% weighting of the Short Component, the closing value of the Composite Index is 95.00, a decrease of 5% from the Starting Value.

$$\text{Closing Value} = (1,140.96 \times 0.08326325) + (3,427.25 \times 0.27860844) + (2,605.99 \times -0.03645444) = (95.00) + (95.00) + (-95.00) = 95.00$$

**Example 6** – The level of each Long Component has decreased by 5% and the level of the Short Component has decreased by 17%. Because the Component Ratios reflect the 200% cumulative weighting of the Long Component and the -100% weighting of the Short Component, the closing value of the Composite Index is 107.00, an increase of 7% from the Starting Value.

$$\text{Closing Value} = (1,140.96 \times 0.08326325) + (3,427.25 \times 0.27860844) + (2,276.81 \times -0.03645444) = (95.00) + (95.00) + (-83.00) = 107.00$$

The Ending Value of the Composite Index will be the average of the closing value of the Composite Index on each calculation day during the Maturity Valuation Period.

# Long Short Notes

Linked to the MSCI Emerging Markets & EURO STOXX 50®/S&P 500® Long Short Index

*While actual historical information on the Composite Index will not exist before the pricing date, the following graph sets forth the hypothetical historical performance of the Composite Index from January 1, 2008 through January 5, 2018. The graph is based upon actual daily historical levels of each Market Measure Component obtained from Bloomberg L.P., the hypothetical Component Ratios based on the closing levels of the Market Measure Components as of December 31, 2007, and a Composite Index level of 100.00 as of that date. This hypothetical historical data on the Composite Index is not indicative of the future performance of the Composite Index or what the value of the notes may be. Any hypothetical historical upward or downward trend in the value of the Composite Index during any period set forth below is not an indication that the Composite Index is more or less likely to increase or decrease at any time over the term of the notes.*



## The Market Measure Components

We have derived all information contained in this term sheet regarding the Market Measure Components, including, without limitation, their make-up, method of calculation and changes in their components, from publicly available sources. This information reflects the policies of, and is subject to change by each of STOXX Limited (“STOXX”) with respect to the EURO STOXX 50<sup>®</sup> Index, MSCI Inc. (“MSCI”) with respect to the MSCI Emerging Markets Index and S&P Dow Jones Indices (“S&P”) with respect to the S&P 500<sup>®</sup> Index (STOXX, MSCI and S&P, each, an “index sponsor”). The index sponsors have no obligation to continue to publish, and may discontinue or suspend the publication of any Market Measure Component at any time.

### **The Long Components**

#### ***The EURO STOXX 50<sup>®</sup> Index***

The SX5E is a capitalization-weighted index of 50 European blue-chip stocks in 11 Eurozone countries. Publication of the SX5E began on February 26, 1998, based on an initial index value of 1,000 at December 31, 1991. The level of the SX5E is disseminated on, and additional information about the SX5E is published on, the STOXX website. Information contained in the STOXX website is not incorporated by reference in, and should not be considered a part of, this term sheet.

As of November 30, 2017, the top ten industry sectors which comprise the SX5E represent the following weights in the SX5E: Banks (15.4%), Industrial Goods & Services (10.7%), Chemicals (9.0%), Personal & Household Goods (9.0%), Technology (7.3%), Insurance (7.0%), Health Care (6.9%), Oil & Gas (6.3%), Automobiles & Parts (5.3%) and Utilities (5.3%). As of November 30, 2017, the eight countries which comprise the SX5E represent the following weights therein: France (36.6%), Germany (33.3%), Spain (10.2%), Netherlands (10.1%), Italy (4.9%), Belgium (3.0%), Finland (1.0%) and Ireland (1.0%).

#### *Index Composition and Maintenance*

For each of the 19 EURO STOXX regional supersector indices, the stocks are ranked in terms of free-float market capitalization. The largest stocks are added to the selection list until the coverage is close to, but still less than, 60% of the free-float market capitalization of the corresponding supersector index. If the next highest-ranked stock brings the coverage closer to 60% in absolute terms, then it is also added to the selection list. All current stocks in the SX5E are then added to the selection list. All of the stocks on the selection list are then ranked in terms of free-float market capitalization to produce the final index selection list. The largest 40 stocks on the selection list are selected; the remaining 10 stocks are selected from the largest remaining current stocks ranked between 41 and 60; if the number of stocks selected is still below 50, then the largest remaining stocks are selected until there are 50 stocks. In exceptional cases, STOXX’s management board can add stocks to and remove them from the selection list.

The SX5E components are subject to a capped maximum index weight of 10%, which is applied on a quarterly basis.

The composition of the SX5E is reviewed annually, based on the closing stock data on the last trading day in August. Changes in the composition of the SX5E are made to ensure that the SX5E includes the 50 market sector leaders from within the SX5E.

The SX5E is subject to a “fast exit rule.” The SX5E components are monitored for any changes based on the monthly selection list ranking. A stock is deleted from the SX5E if: (a) it ranks 75 or below on the monthly selection list and (b) it ranked 75 or below on the selection list of the previous month. The highest-ranked stock that is not an Index component will replace it. Changes will be implemented on the close of the fifth trading day of the month, and are effective the next trading day.

The SX5E is also subject to a “fast entry rule.” All stocks on the latest selection lists and initial public offering (IPO) stocks are reviewed for a fast-track addition on a quarterly basis. A stock is added, if (a) it qualifies for the latest STOXX blue-chip selection list generated at the end of February, May, August or November and (b) it ranks within the “lower buffer” (ranks 1-25) on this selection list.

The SX5E is also reviewed on an ongoing basis. Corporate actions (including initial public offerings, mergers and takeovers, spin-offs, delistings, and bankruptcy) that affect the SX5E composition are immediately reviewed. Any changes are announced, implemented, and effective in line with the type of corporate action and the magnitude of the effect.

#### *Index Calculation*

The SX5E is calculated with the “Laspeyres formula,” which measures the aggregate price changes in the component stocks against a fixed base quantity weight. The formula for calculating the SX5E value can be expressed as follows:

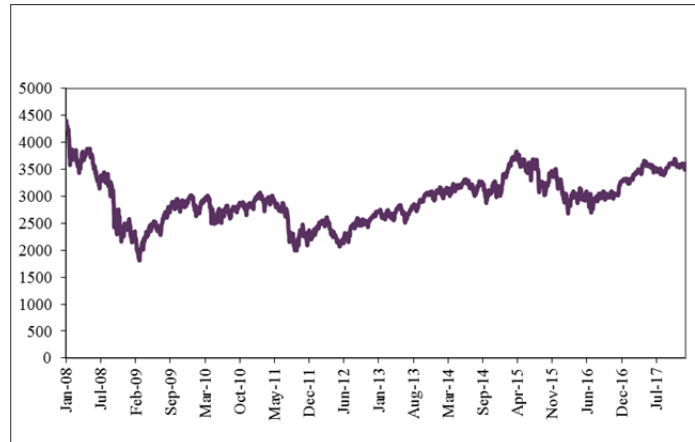
$$\text{Index} = \frac{\text{free float market capitalization of the SX5E at the time}}{\text{divisor of the SX5E at the time}}$$

The “free float market capitalization of the SX5E” is equal to the sum of the products of the closing price, number of shares, free float factor, and weighting cap factor for the component company as of the time that the SX5E is being calculated.

The SX5E is calculated using a divisor that helps to maintain the continuity of the SX5E’s value so that corporate actions do not artificially increase or decrease the level of the SX5E. The divisor of the SX5E is adjusted to maintain the continuity of the SX5E’s values across changes due to corporate actions, such as cash dividends, rights offerings, stock dividends from treasury shares, repurchases of shares and self-tender, and spin-offs.

The following graph shows the daily historical performance of the SX5E in the period from January 1, 2008 through January 5, 2018. We obtained this historical data from Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg L.P. On January 5, 2018, the closing level of the SX5E was 3,607.63.

Historical Performance of the EURO STOXX 50<sup>®</sup> Index



*This historical data on the SX5E is not necessarily indicative of the future performance of the SX5E or what the value of the notes may be. Any historical upward or downward trend in the level of the SX5E during any period set forth above is not an indication that the level of the SX5E is more or less likely to increase or decrease at any time over the term of the notes.*

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  - The accuracy or completeness of the SX5E and its data;
  - The merchantability and the fitness for a particular purpose or use of the SX5E and its data;
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## **The MSCI Emerging Markets Index**

The MSCI indices were founded in 1969 by Capital International as the first international performance benchmarks constructed to facilitate accurate comparison of world markets. Morgan Stanley acquired the rights to license the MSCI indices in 1986. In November 1998, Morgan Stanley transferred all rights to the MSCI indices to MSCI, a Delaware corporation formed and operated jointly by Morgan Stanley and Capital International. In 2004, MSCI acquired Barra, Inc., a provider of risk analytics, and firm-wide investment risk management systems and services and merged this with MSCI. In 2007, MSCI completed an initial public offering and was listed on the New York Stock Exchange, with Morgan Stanley retaining a controlling interest. In 2009, MSCI and Morgan Stanley fully separated. The MSCI single country standard equity indices have covered the world's developed markets since 1969, and in 1988, MSCI commenced coverage of the emerging markets.

All information regarding the MXEF reflects the policies of, and is subject to change by, MSCI.

The MXEF offers a representation of emerging markets based on the following countries: Brazil, Chile, China, Colombia, the Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, the Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates. With more than 800 constituents, the MXEF covers approximately 85% of the free float-adjusted market capitalization in each country. It is based on the Global Investable Market Indices methodology which emphasizes index liquidity, investibility and replicability. The MXEF has a base value of 100.00 and a base date of December 31, 1987.

## **The Country Indices**

The components of each MSCI EM Constituent Country Index used to be selected by MSCI from among the universe of securities eligible for inclusion in the MSCI EM Constituent Country Index so as to target an 85% free float-adjusted market representation level within each of a number of industry groups, subject to adjustments to (i) provide for sufficient liquidity, (ii) reflect foreign investment restrictions (only those securities that can be held by non-residents of the country corresponding to the relevant MSCI EM Constituent Country Index are included) and (iii) meet certain other investibility criteria. Following a change in MSCI's methodology implemented in May 2008, the 85% target is now measured at the level of the country universe of eligible securities rather than the industry group level—so each MSCI EM Constituent Country Index will seek to include the securities that represent 85% of the free float-adjusted market capitalization of all securities eligible for inclusion—but will still be subject to liquidity, foreign investment restrictions and other investibility adjustments. MSCI defines “free float” as total shares excluding shares held by strategic investors such as governments, corporations, controlling shareholders and management, and shares subject to foreign ownership restrictions.

## **Calculation of the MSCI EM Constituent Country Indices**

Each MSCI EM Constituent Country Index is a free float-adjusted market capitalization index that is designed to measure the market performance, including price performance, of the equity securities in that country. Each MSCI EM Constituent Country Index is calculated in the relevant local currency as well as in U.S. dollars, with price, gross and net returns.

Each component is included in the relevant MSCI EM Constituent Country Index at a weight that reflects the ratio of its free float-adjusted market capitalization (*i.e.*, free public float multiplied by price) to the free float-adjusted market capitalization of all the components in that MSCI EM Constituent Country Index. MSCI defines the free float of a security as the proportion of shares outstanding that is deemed to be available for purchase in the public equity markets by international investors.

## **Calculation of the MXEF**

The performance of the MXEF on any given day represents the weighted performance of all of the components included in all of the MSCI EM Constituent Country Indices. Each component in the MXEF is included at a weight that reflects the ratio of its free float-adjusted market capitalization (*i.e.*, free public float multiplied by price) to the free float-adjusted market capitalization of all the components included in all of the MSCI EM Constituent Country Indices.

## **Maintenance of and Changes to the MXEF**

MSCI maintains the MXEF with the objective of reflecting, on a timely basis, the evolution of the underlying equity markets and segments. In maintaining the MXEF, emphasis is also placed on continuity, continuous investibility of constituents, replicability, index stability and low turnover in the MXEF.

As part of the changes to MSCI's methodology which became effective in May 2008, maintenance of the indices falls into three broad categories:

- semi-annual reviews, which will occur each May and November and will involve a comprehensive reevaluation of the market, the universe of eligible securities and other factors involved in composing the MXEF;
- quarterly reviews, which will occur each February, May, August and November and will focus on significant changes in the market since the last semi-annual review and on including significant new eligible securities (such as IPOs, which were not eligible for earlier inclusion in the MXEF); and
- ongoing event-related changes, which will generally be reflected in the indices at the time of the event and will include changes resulting from mergers, acquisitions, spin-offs, bankruptcies, reorganizations and other similar corporate events.

# Long Short Notes

Linked to the MSCI Emerging Markets & EURO STOXX 50®/S&P 500® Long Short Index

Based on these reviews, additional components may be added, and current components may be removed, at any time. MSCI generally announces all changes resulting from semi-annual reviews, quarterly reviews and ongoing events in advance of their implementation, although in exceptional cases they may be announced during market hours for same or next day implementation.

## Prices and Exchange Rates

### Prices

The prices used to calculate the MXEF are the official exchange closing prices or those figures accepted as such. MSCI reserves the right to use an alternative pricing source on any given day.

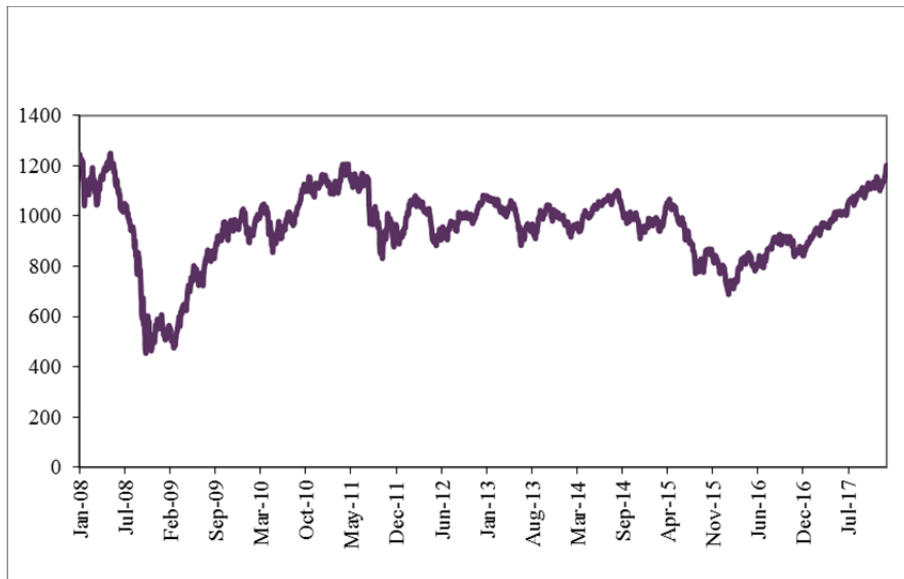
### Exchange Rates

MSCI uses the closing spot rates published by WM / Reuters at 4:00 p.m., London time. MSCI uses WM / Reuters rates for all countries for which it provides indices.

In case WM/Reuters does not provide rates for specific markets on given days (for example Christmas Day and New Year's Day), the previous business day's rates are normally used. MSCI independently monitors the exchange rates on all its indices and may, under exceptional circumstances, elect to use an alternative exchange rate if the WM / Reuters rates are not available, or if MSCI determines that the WM / Reuters rates are not reflective of market circumstances for a given currency on a particular day. In such circumstances, an announcement would be sent to clients with the related information. If appropriate, MSCI may conduct a consultation with the investment community to gather feedback on the most relevant exchange rate.

**The following graph shows the daily historical performance of the MXEF in the period from January 1, 2008 through January 5, 2018. We obtained this historical data from Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg L.P. On January 5, 2018, the closing level of the MXEF was 1,201.01.**

**Historical Performance of the MSCI Emerging Markets Index**



**This historical data on the MXEF is not necessarily indicative of the future performance of the MXEF or what the value of the notes may be. Any historical upward or downward trend in the level of the MXEF during any period set forth above is not an indication that the level of the MXEF is more or less likely to increase or decrease at any time over the term of the notes.**

Before investing in the notes, you should consult publicly available sources for the levels of the MXEF.

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## The Short Component — The S&P 500<sup>®</sup> 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.

Relevant criteria employed by S&P 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. Eleven main industry groups comprise the SPX: Information Technology, Financials, Consumer Staples, Health Care, Energy, Industrials, Consumer Discretionary, Utilities, Real Estate, Materials and Telecommunication Services. Changes in the SPX are reported daily in the financial pages of many major newspapers, on Bloomberg Professional<sup>®</sup> service under the symbol "SPX" and on S&P's website. Information contained in S&P's website is not incorporated by reference in, and should not be considered a part of, this document.

The SPX does not reflect the payment of dividends on the stocks included in the SPX and therefore the payment on the notes will not produce the same return you would receive if you were able to purchase such underlying stocks and hold them until the maturity date or earlier call.

### 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 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's criteria for selecting stocks for the SPX were 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 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 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. Float adjustment excludes shares that are closely held by control groups, other publicly traded companies or government agencies.

In September 2012, all shareholdings representing more than 5% of a stock's outstanding shares, other than holdings by "block owners," were 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, equity participation units, warrants, preferred stock, convertible stock, and rights are not part of the float. Shares held in trust to allow investors in countries outside the country of domicile, such as depository shares and Canadian exchangeable shares, are normally part of the float unless those shares form a control block.

For each stock, an investable weight factor ("IWF") is calculated by dividing the available float shares by the total shares outstanding. As of September 21, 2012, available float shares are defined as the total shares outstanding less shares held by control holders. This calculation is subject to a 5% minimum threshold for control blocks. For example, if a company's officers and directors hold 3% of the company's shares, and no other control group holds 5% of the company's shares, S&P would assign that company an IWF of 1.00, as no control group meets the 5% threshold. However, if a company's officers and directors hold 3% of the company's shares and another control group holds 20% of the company's shares, S&P would assign an IWF of 0.77, reflecting the fact that 23% of the company's outstanding shares are considered to be held for control. As of July 31, 2017, companies with multiple share class lines are no longer eligible for inclusion in the SPX. Constituents of the SPX prior to July 31, 2017 with multiple share class lines will be grandfathered in and continue to be included in the SPX. If a constituent company of the SPX reorganizes into a multiple share class line structure, that company will remain in the SPX at the discretion of the S&P Index Committee in order to minimize turnover.

As of the date of this term sheet, 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 SPX. While this might track this portfolio's value in dollar terms, it would probably yield an unwieldy number in the trillions. Therefore,



# Long Short Notes

Linked to the MSCI Emerging Markets & EURO STOXX 50®/S&P 500® Long Short Index

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 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.

Type of Corporate Action	Comments	Divisor Adjustment
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 SPX, 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 SPX, no company removed from the SPX. As a general policy, a spin off company is added to the SPX if the parent company is an Index constituent, at a zero price at the market close of the day before the ex-date (with no divisor adjustment). The spin off security will remain in the SPX if it meets all necessary criteria.	No
Spin-off	Spun-off company added to the SPX, 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 SPX. The Divisor change reflects the change in Market Value caused by the change to an IWF.	Yes

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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
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. To prevent the level of the SPX from changing due to corporate actions, corporate actions which affect the total Market Value of the SPX require a Divisor adjustment. By adjusting the Divisor for the change in Market Value, the level of the SPX remains constant and does not reflect the corporate actions of individual companies in the SPX. Divisor adjustments are made after the close of trading and after the calculation of the SPX closing level.

Changes in a company’s shares outstanding and IWF due to its acquisition of another public company are made as soon as reasonably possible. At S&P’s discretion, *de minimis* merger and acquisition share changes are accumulated and implemented with the quarterly share rebalancing.

All other changes of less than 5% are accumulated and made quarterly on the third Friday of March, June, September, and December.

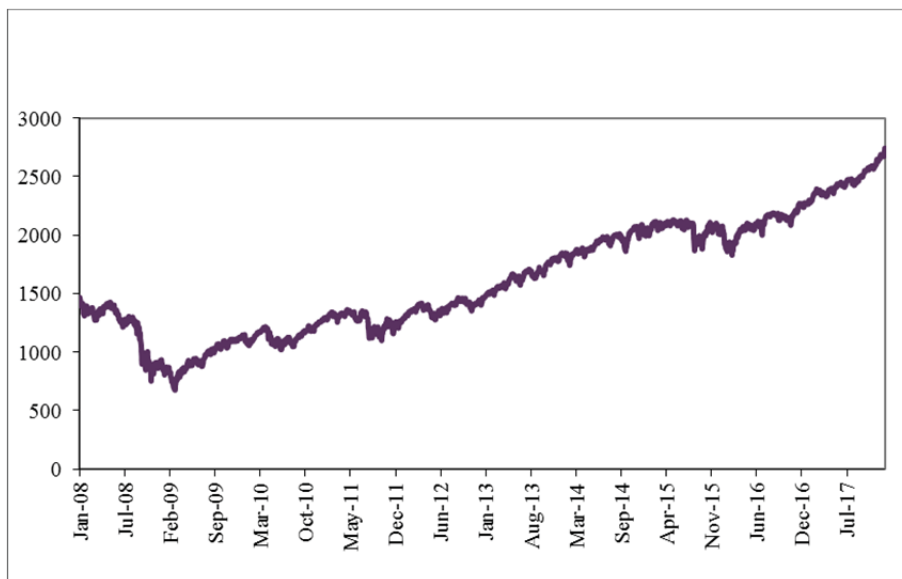
Changes in a company’s total shares outstanding of 5% or more due to public offerings are made as soon as reasonably possible. Other changes of 5% or more (for example, due to tender offers, Dutch auctions, voluntary exchange offers, company stock repurchases, private placements, acquisitions of private companies or non-index companies that do not trade on a major exchange, redemptions, exercise of options, warrants, conversion of preferred stock, notes, debt, equity participations, at-the-market stock offerings or other recapitalizations) are made weekly, and are generally announced on Fridays for implementation after the close of trading the following Friday (one week later). If a 5% or more share change causes a company’s IWF to change by five percentage points or more, the IWF is updated at the same time as the share change. IWF changes resulting from partial tender offers are considered on a case-by-case basis.

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*The following graph shows the daily historical performance of the SPX in the period from January 1, 2008 through January 5, 2018. We obtained this historical data from Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg L.P. On January 5, 2018, the closing level of the SPX was 2,743.15.*

**Historical Performance of the S&P 500<sup>®</sup> Index**



*This historical data on the SPX is not necessarily indicative of the future performance of the SPX or what the value of the notes may be. Any historical upward or downward trend in the level of the SPX during any period set forth above is not an indication that the level of the SPX is more or less likely to increase or decrease at any time over the term of the notes.*

Before investing in the notes, you should consult publicly available sources for the levels of the SPX.

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S&P DOW JONES INDICES DO NOT GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS AND/OR THE COMPLETENESS OF THE SPX OR ANY DATA RELATED THERETO OR ANY COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. S&P DOW JONES INDICES SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, OR DELAYS THEREIN. S&P DOW JONES INDICES MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL

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Market Access

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WARRANTIES, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE OR AS TO RESULTS TO BE OBTAINED BY US, HOLDERS OF THE NOTES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE SPX OR WITH RESPECT TO ANY DATA RELATED THERETO. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT WHATSOEVER SHALL S&P DOW JONES INDICES BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOODWILL, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER IN CONTRACT, TORT, STRICT LIABILITY, OR OTHERWISE. THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN S&P DOW JONES INDICES AND US, OTHER THAN THE LICENSORS OF S&P DOW JONES INDICES.

## Supplement to the Plan of Distribution

We may deliver the notes against payment therefor in New York, New York on a date that is greater than two business days following the pricing date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, if the initial settlement of the notes occurs more than two business days from the pricing date, purchasers who wish to trade the notes more than two business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

The notes will not be listed on any securities exchange. In the original offering of the notes, the notes will be sold in minimum investment amounts of 100 units. If you place an order to purchase the notes, you are consenting to MLPF&S acting as a principal in effecting the transaction for your account.

MLPF&S may repurchase and resell the notes, with repurchases and resales being made at prices related to then-prevailing market prices or at negotiated prices, and these will include MLPF&S's trading commissions and mark-ups. MLPF&S may act as principal or agent in these market-making transactions; however, it is not obligated to engage in any such transactions. At MLPF&S's discretion, for a short, undetermined initial period after the issuance of the notes, MLPF&S may offer to buy the notes in the secondary market at a price that may exceed the estimated initial value of the notes. Any price offered by MLPF&S for the notes will be based on then-prevailing market conditions and other considerations, including the performance of the Composite Index, the remaining term of the notes, and the issuer's creditworthiness. However, neither we nor any of our affiliates is obligated to purchase your notes at any price, or at any time, and we cannot assure you that we, MLPF&S or any of our respective affiliates will purchase your notes at a price that equals or exceeds the estimated initial value of the notes.

The value of the notes shown on your account statement provided by MLPF&S will be based on their estimate of the value of the notes if MLPF&S or one of its affiliates were to make a market in the notes, which it is not obligated to do. This estimate will be based upon the price that MLPF&S may pay for the notes in light of then-prevailing market conditions, and other considerations, as mentioned above, and will include transaction costs. At certain times, this price may be higher than or lower than the estimated initial value of the notes.

The distribution of the Note Prospectus in connection with these offers or sales will be solely for the purpose of providing investors with the description of the terms of the notes that was made available to investors in connection with their initial offering. Secondary market investors should not, and will not be authorized to, rely on the Note Prospectus for information regarding HSBC or for any purpose other than that described in the immediately preceding sentence.

An investor's household, as referenced on the cover of this term sheet, will generally include accounts held by any of the following, as determined by MLPF&S in its discretion and acting in good faith based upon information then available to MLPF&S:

- the investor's spouse (including a domestic partner), siblings, parents, grandparents, spouse's parents, children and grandchildren, but excluding accounts held by aunts, uncles, cousins, nieces, nephews or any other family relationship not directly above or below the individual investor;
- a family investment vehicle, including foundations, limited partnerships and personal holding companies, but only if the beneficial owners of the vehicle consist solely of the investor or members of the investor's household as described above; and
- a trust where the grantors and/or beneficiaries of the trust consist solely of the investor or members of the investor's household as described above; provided that, purchases of the notes by a trust generally cannot be aggregated together with any purchases made by a trustee's personal account.

Purchases in retirement accounts will not be considered part of the same household as an individual investor's personal or other non-retirement account, except for individual retirement accounts ("IRAs"), simplified employee pension plans ("SEPs"), savings incentive match plan for employees ("SIMPLEs"), and single-participant or owners only accounts (i.e., retirement accounts held by self-employed individuals, business owners or partners with no employees other than their spouses).

Please contact your Merrill Lynch financial advisor if you have any questions about the application of these provisions to your specific circumstances or think you are eligible.

### Role of MLPF&S

MLPF&S will participate as selling agent in the distribution of the notes. Under our distribution agreement with MLPF&S, MLPF&S will purchase the notes from us as principal at the public offering price indicated on the cover of this term sheet, less the indicated underwriting discount.

Payments on the notes, including the amount you receive at maturity, will be calculated based on the performance of the Composite Index and the \$10 per unit principal amount. In order to meet these payment obligations, at the time we issue the notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) with MLPF&S or one of its affiliates. The terms of these hedging arrangements are determined by MLPF&S seeking bids from market participants, which could include one of our affiliates and MLPF&S and its affiliates. These hedging arrangements take into account a number of factors,

# Long Short Notes

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including the issuer's creditworthiness, interest rate movements, the volatility of the Composite Index, the tenor of the notes and the tenor of the hedging arrangements. The economic terms of the notes depend in part on the terms of the hedging arrangements.

MLPF&S has advised us that the hedging arrangements will include a hedging related charge of approximately \$0.075 per unit, reflecting an estimated profit to be credited to MLPF&S from these transactions. Since hedging entails risk and may be influenced by unpredictable market forces, additional profits and losses from these hedging arrangements may be realized by MLPF&S or any third party hedge providers.

For further information, see "Risk Factors—General Risks Relating to the Notes" beginning on page PS-6 and "Use of Proceeds" on page PS-16 of product supplement EQUITY INDICES LS-1.



## U.S. Federal Income Tax Summary

The following summary of the material U.S. federal income tax considerations of the acquisition, ownership, and disposition of the notes is based upon the Internal Revenue Code of 1986, as amended (the “Code”), regulations promulgated under the Code by the U.S. Treasury Department (“Treasury”) (including proposed and temporary regulations), rulings, current administrative interpretations and official pronouncements of the IRS, and judicial decisions, all as currently in effect and all of which are subject to differing interpretations or to change, possibly with retroactive effect. The following discussion supplements, and to the extent inconsistent supersedes, the discussions under “U.S. Federal Income Tax Summary” in the accompanying product supplement and under “U.S. Federal Income Tax Considerations” in the accompanying prospectus supplement and is not exhaustive of all possible tax considerations. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. This summary does not include any description of the tax laws of any state or local governments, or of any foreign government, that may be applicable to a particular holder.

This summary is directed solely to U.S. holders and non-U.S. holders that, except as otherwise specifically noted, will purchase the notes upon original issuance and will hold the notes as capital assets within the meaning of Section 1221 of the Code, which generally means property held for investment, and that are not excluded from the discussion under “U.S. Federal Income Tax Considerations” in the accompanying prospectus supplement.

You should consult your own tax advisor concerning the U.S. federal income tax consequences to you of acquiring, owning, and disposing of the notes, as well as any tax consequences arising under the laws of any state, local, foreign, or other tax jurisdiction and the possible effects of changes in U.S. federal or other tax laws.

### *General*

Although there is no statutory, judicial, or administrative authority directly addressing the characterization of the notes, we intend to treat the notes for all tax purposes as pre-paid executory contracts with respect to the Composite Index and under the terms of the notes, we and every investor in the notes agree, in the absence of an administrative determination or judicial ruling to the contrary, to treat the notes in accordance with such characterization. In the opinion of our special U.S. tax counsel Morrison & Foerster LLP, it is reasonable to treat the notes as pre-paid executory contracts with respect to the Composite Index. This discussion assumes that the notes constitute income-bearing pre-paid executory contracts with respect to the Composite Index for U.S. federal income tax purposes. If the notes did not constitute pre-paid executory contracts, the tax consequences described below would be materially different.

This characterization of the notes is not binding on the IRS or the courts. No statutory, judicial, or administrative authority directly addresses the characterization of the notes or any similar instruments for U.S. federal income tax purposes, and no ruling is being requested from the IRS with respect to their proper characterization and treatment. Due to the absence of authorities on point, significant aspects of the U.S. federal income tax consequences of an investment in the notes are not certain, and no assurance can be given that the IRS or any court will agree with the characterization and tax treatment described in this pricing supplement. Accordingly, you are urged to consult your tax advisor regarding all aspects of the U.S. federal income tax consequences of an investment in the notes, including possible alternative characterizations.

Unless otherwise stated, the following discussion is based on the characterization described above. The discussion in this section assumes that there is a significant possibility of a significant loss of principal on an investment in the notes.

We will not attempt to ascertain whether any of the entities whose stock is included in an Composite Index would be treated as a “passive foreign investment company” (“PFIC”) within the meaning of Section 1297 of the Code, or a United States real property holding corporation (“USRPHC”), within the meaning of Section 897(c) of the Code. If one or more of the entities whose stock is included in an underlying index were so treated, certain adverse U.S. federal income tax consequences could possibly apply to a holder of the notes. You should refer to information filed with the SEC and other authorities by the entities whose stock is included in an underlying index, and consult your tax advisor regarding the possible consequences to you if one or more of the entities whose stock is included in an underlying index is or becomes a PFIC or a USRPHC.

### *U.S. Holders*

Although the U.S. federal income tax treatment of the Coupon Payment on the notes is uncertain, we intend to take the position, and the following discussion assumes, that the Coupon Payment constitutes taxable ordinary income to a U.S. holder at the time received or accrued in accordance with the U.S. holder’s regular method of accounting. By purchasing the notes you agree, in the absence of an administrative determination or judicial ruling to the contrary, to treat the Coupon Payment as described in the preceding sentence.

Upon receipt of a cash payment at maturity or upon a sale or exchange of the notes prior to maturity, a U.S. holder generally will recognize capital gain or loss equal to the difference between the amount realized (other than amounts representing the accrued Coupon Payment, which would be taxed as described in the preceding paragraph) and the U.S. holder’s tax basis in the notes. A U.S. holder’s tax basis in the notes will equal the amount paid by that holder to acquire them. This capital gain or loss generally will be long-term capital gain or loss if the U.S. holder held the notes for more than one year. The deductibility of capital losses is subject to limitations.



**Alternative Tax Treatments.** Due to the absence of authorities that directly address the proper tax treatment of the notes, prospective investors are urged to consult their tax advisors regarding all possible alternative tax treatments of an investment in the notes. In particular, the IRS could seek to subject the notes to the Treasury regulations governing contingent payment debt instruments. If the IRS were successful in that regard, the timing and character of income on the notes would be affected significantly. Among other things, a U.S. holder would be required to accrue original issue discount every year at a “comparable yield” determined at the time of issuance. In addition, any gain realized by a U.S. holder at maturity, or upon a sale or exchange, of the notes generally would be treated as ordinary income, and any loss realized at maturity would be treated as ordinary loss to the extent of the U.S. holder’s prior accruals of original issue discount, and as capital loss thereafter.

In addition, it is possible that the notes could be treated as a unit consisting of a deposit and a derivative, in which case the timing and character of income on the notes would be affected significantly.

The IRS released Notice 2008-2 (“Notice”) which sought comments from the public on the taxation of financial instruments currently taxed as “prepaid forward contracts.” This Notice addresses instruments such as the notes. According to the Notice, the IRS and Treasury are considering whether a holder of an instrument such as the notes should be required to accrue ordinary income on a current basis, regardless of whether any payments are made prior to maturity. It is not possible to determine what guidance the IRS and Treasury will ultimately issue, if any. Any such future guidance may affect the amount, timing and character of income, gain, or loss in respect of the notes, possibly with retroactive effect.

The IRS and Treasury are also considering additional issues, including whether additional gain or loss from such instruments should be treated as ordinary or capital, whether foreign holders of such instruments should be subject to withholding tax on any deemed income accruals, whether Section 1260 of the Code, concerning certain “constructive ownership transactions,” generally applies or should generally apply to such instruments, and whether any of these determinations depend on the nature of the underlying asset.

In addition, proposed Treasury regulations require the accrual of income on a current basis for contingent payments made under certain notional principal contracts. The preamble to the regulations states that the “wait and see” method of accounting does not properly reflect the economic accrual of income on those contracts, and requires current accrual of income for some contracts already in existence. While the proposed regulations do not apply to prepaid forward contracts, the preamble to the proposed regulations expresses the view that similar timing issues exist in the case of prepaid forward contracts. If the IRS or Treasury publishes future guidance requiring current economic accrual for contingent payments on prepaid forward contracts, it is possible that you could be required to accrue income over the term of the notes.

Because of the absence of authority regarding the appropriate tax characterization of the notes, it is also possible that the IRS could seek to characterize the notes in a manner that results in tax consequences that are different from those described above. For example, the IRS could possibly assert that any gain or loss that a holder may recognize at maturity or upon the sale or exchange of the notes should be treated as ordinary gain or loss. It is possible that the IRS could assert that a U.S. holder’s holding period in respect of the notes should end on the valuation date, even though such holder will not receive any amounts in respect of the notes prior to the redemption or maturity of the notes. In such case, if the valuation date is not in excess of one year from the original issue date, a U.S. holder may be treated as having a holding period in respect of the notes equal to one year or less, in which case any gain or loss such holder recognized at such time would be treated as short-term capital gain or loss.

## *Non-U.S. Holders*

Because the U.S. federal income tax treatment of the notes (including the Coupon Payment) is uncertain, U.S. federal income tax at a 30% rate (or at a lower rate under an applicable income tax treaty) will be withheld on the Coupon Payment made unless such payments are effectively connected with the conduct by the non-U.S. holder of a trade or business in the U.S. (in which case, to avoid withholding, the non-U.S. holder will be required to provide a Form W-8ECI). We will not pay any additional amounts in respect of such withholding. To claim benefits under an income tax treaty, a non-U.S. holder must obtain a taxpayer identification number and certify as to its eligibility under the appropriate treaty’s limitations on benefits article, if applicable. In addition, special rules may apply to claims for treaty benefits made by non-U.S. holders that are entities rather than individuals. The availability of a lower rate of withholding under an applicable income tax treaty will depend on whether such rate applies to the characterization of the payments under U.S. federal income tax laws. A non-U.S. holder that is eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

A non-U.S. holder will not be subject to U.S. federal income or withholding tax on any gain (not including for the avoidance of doubt any amounts representing the accrued Coupon Payment which would be subject to the rules discussed in the previous paragraph) from the sale or exchange of the notes or their settlement at maturity, provided that the non-U.S. holder complies with applicable certification requirements and that the payment is not effectively connected with the conduct by the non-U.S. holder of a U.S. trade or business. Notwithstanding the foregoing, gain from the sale or exchange of the notes or their settlement at maturity may be subject to U.S. federal income tax if that non-U.S. holder is a non-resident alien individual and is present in the U.S. for 183 days or more during the taxable year of the settlement at maturity, sale or exchange and certain other conditions are satisfied.

If a non-U.S. holder of the notes is engaged in the conduct of a trade or business within the U.S. and if the Coupon Payment and gain realized on the settlement at maturity, sale or exchange of the notes, is effectively connected with the conduct of such trade or business (and, if certain tax treaties apply, is attributable to a permanent establishment maintained by the non-U.S. holder in the U.S.), the non-U.S. holder generally will be subject to U.S. federal income tax on the Coupon Payment and gain on a net income basis in the same





manner as if it were a U.S. holder. Such non-U.S. holders should read the material under the heading “—U.S. Holders,” for a description of the U.S. federal income tax consequences of acquiring, owning, and disposing of the notes. In addition, if such non-U.S. holder is a foreign corporation, it may also be subject to a branch profits tax equal to 30% (or such lower rate provided by any applicable tax treaty) of a portion of its earnings and profits for the taxable year that are effectively connected with its conduct of a trade or business in the U.S., subject to certain adjustments.

A “dividend equivalent” payment is treated as a dividend from sources within the United States and such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-U.S. holder. Under U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments (“ELIs”) that are “specified ELIs” may be treated as dividend equivalents if such specified ELIs reference an interest in an “underlying security,” which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. However, Internal Revenue Service guidance provides that withholding on dividend equivalent payments will not apply to specified ELIs that are not delta-one instruments and that are issued before January 1, 2019. Based on the Issuer’s determination that the notes are not “delta-one” instruments, non-U.S. holders should not be subject to withholding on dividend equivalent payments, if any, under the notes. However, it is possible that the notes could be treated as deemed reissued for U.S. federal income tax purposes upon the occurrence of certain events affecting the Composite Index or the notes, and following such occurrence the notes could be treated as subject to withholding on dividend equivalent payments. Non-U.S. holders that enter, or have entered, into other transactions in respect of the Composite Index or the notes should consult their tax advisors as to the application of the dividend equivalent withholding tax in the context of the notes and their other transactions. If any payments are treated as dividend equivalents subject to withholding, we (or the applicable paying agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

As discussed above, alternative characterizations of the notes for U.S. federal income tax purposes are possible. Should an alternative characterization, by reason of change or clarification of the law, by regulation or otherwise, cause payments as to the notes to become subject to withholding tax in addition to the withholding tax described above, we will withhold tax at the applicable statutory rate. Prospective non-U.S. holders of the notes should consult their own tax advisors in this regard.

*U.S. Federal Estate Tax.* Under current law, while the matter is not entirely clear, individual non-U.S. holders, and entities whose property is potentially includible in those individuals’ gross estates for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers), should note that, absent an applicable treaty benefit, the notes are likely to be treated as U.S. situs property, subject to U.S. federal estate tax. These individuals and entities should consult their own tax advisors regarding the U.S. federal estate tax consequences of investing in the notes.

#### *Backup Withholding and Information Reporting*

Please see the discussion under “U.S. Federal Income Tax Considerations —Information Reporting and Backup Withholding” in the accompanying prospectus supplement for a description of the applicability of the backup withholding and information reporting rules to payments made on the notes.

#### *Foreign Account Tax Compliance Act*

The IRS has announced that withholding under the Foreign Account Tax Compliance Act (as discussed in the prospectus supplement) on payments of gross proceeds from a sale or redemption of the notes will only apply to payments made after December 31, 2018.

## Where You Can Find More Information

We have filed a registration statement (including a product supplement, a prospectus supplement, and a prospectus) with the SEC for the offering to which this term sheet relates. Before you invest, you should read the Note Prospectus, including this term sheet, and the other documents that we have filed with the SEC, for more complete information about us and this offering. You may get these documents without cost by visiting EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov). Alternatively, we, any agent, or any dealer participating in this offering will arrange to send you these documents if you so request by calling MLPF&S toll-free at 1-800-294-1322.

## Market-Linked Investments Classification



*MLPF&S classifies certain market-linked investments (the "Market-Linked Investments") into categories, each with different investment characteristics. The following description is meant solely for informational purposes and is not intended to represent any particular Enhanced Return Market-Linked Investment or guarantee any performance.*

Market Access notes may offer exposure to certain market sectors, asset classes and/or strategies that may not even be available through the other three categories of Market-Linked Investments. Subject to certain fees which may apply to some notes, the returns on Market Access Market-Linked Investments will generally correspond on a one-to-one basis with any increases or decreases in the value of the linked asset, similar to a direct investment. These investments do not include the market downside protection feature and, therefore, your principal remains at risk.